



**Auditor of State  
Betty Montgomery**



**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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**Auditor of State  
Betty Montgomery**

## **INDEPENDENT ACCOUNTANT'S REPORT**

Oregon City School District  
Lucas County  
5721 Seaman Road  
Oregon, Ohio 43616-2631

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oregon City School District, Lucas County, (the District), as of and for the year ended June 30, 2003, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oregon City School District, Lucas County, Ohio, as of June 30, 2003, and the respective changes in financial position, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The District also changed its method of accounting for compensated absences.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is 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. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

July 30, 2004

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2003**

The discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2003 are as follows:

In total, net assets decreased \$1,956,935.

General revenues accounted for \$34,054,929, or 89 percent of all revenues. Program specific revenues in the form of charges for services and operating and capital grants and contributions accounted for \$3,816,104 or 11 percent of total revenues of \$37,871,033.

The District's major funds included the general fund. The general fund had \$32,343,506 in revenues and other financing sources and \$32,703,667 in expenditures and other financing uses. The general fund's fund balance decreased \$360,161 from the prior fiscal year.

During the fiscal year, the District retired a portion of the outstanding energy conservation loans.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the 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 a greater 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 non-major funds presented in total in a single column.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

For the District, the general fund is by far the most significant fund. The general fund is the only major fund.

**Reporting the District as a Whole**

Statement of Net Assets and 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 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes 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 District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

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

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The major governmental fund is the General Fund.



**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between the governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Reporting the District's Fiduciary Responsibilities – The District is the trustee, or fiduciary, for its scholarship 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 the agency fund. All of the District's fiduciary activities are reported in separate Statement of Fiduciary Net Assets in the accompanied financial statements. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance the operation.

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2003. A comparative analysis is not provided because this is the first year for government-wide financial statements using the full accrual basis of accounting. An analysis will be provided in future years when prior year information is available.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. Those two revenue sources represent 90 percent of total governmental activities revenue. Tax revenues include monies from District voter approval of school improvement levies. Reappraisal of Real Estate property values takes place every six years and is known as the triennial update. The School District is scheduled for the triennial update in calendar year 2006.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

Table 1  
Net Assets  
Governmental Activities

	2003
<b>Assets:</b>	
Current and Other Assets	\$ 30,983,037
Capital Assets, Net	4,369,854
<i>Total Assets</i>	\$ 35,352,891
<b>Liabilities:</b>	
Current and Other Liabilities	22,597,167
Long-Term Liabilities	6,697,962
<i>Total Liabilities</i>	29,295,129
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	3,922,109
Restricted	1,732,291
Unrestricted	403,362
<i>Total</i>	\$ 6,057,762

Table 2 reflects the changes in net assets for fiscal year 2003. This is the first year of implementation for GASB 34. Comparative figures are not available for fiscal year 2002. A comparative analysis will be provided in future years when prior year information is available.

Table 2  
Change in Net Assets  
Governmental Activities

	2003
<b>Revenues:</b>	
Program Revenues:	
Charges for Services and Sales	\$ 1,532,456
Operating Grants, Contributions and Interest	2,223,572
Capital Grants and Contributions	60,076
<i>Total Program Revenues</i>	3,816,104

(Continued)

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

Table 2  
Change in Net Assets  
Governmental Activities (Continued)

	2003
General Revenues:	
Property Taxes	19,974,871
Grants and Entitlements	12,018,384
Payment in Lieu of Taxes	1,575,043
Interest	188,274
Gifts and Donations	138,054
Miscellaneous	160,303
<i>Total General Revenues</i>	34,054,929
<i>Total Revenues</i>	37,871,033
<b>Expenses:</b>	
Instruction	24,629,114
Support Services:	
Pupils	1,438,066
Instructional Staff	2,105,680
Board of Education	20,868
Administration	2,048,105
Fiscal	632,304
Business	253,405
Food Service	56,591
Operation and Maintenance of Plant	4,167,518
Pupil Transportation	1,768,421
Central	16,948
Non-Instructional	1,397,374
Extracurricular Activities	683,408
Capital Outlay	548,900
Interest and Fiscal Charges	61,266
<i>Total Expenses</i>	39,827,968
<i>Decrease in Net Assets</i>	\$ (1,956,935)

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

Table 3  
Governmental Activities

	2003	
	Total Cost of Services	Net Cost of Services
Instruction	\$ 24,629,114	\$ 22,533,475
Support Services:		
Pupils	1,438,066	1,403,065
Instructional Staff	2,105,680	1,625,346
Board of Education	20,868	20,868
Administration	2,048,105	2,033,671
Fiscal	632,304	632,304
Business	253,405	253,405
Food Service	56,591	56,591
Operation and Maintenance of Plant	4,167,518	4,167,518
Pupil Transportation	1,768,421	1,768,421
Central	16,948	16,948
Non-Instructional	1,397,374	392,372
Extracurricular Activities	683,408	497,714
Capital Outlay	548,900	548,900
Interest and Fiscal Charges	61,266	61,266
Total Expenses	<u>\$ 39,827,968</u>	<u>\$ 36,011,864</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 90 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 89 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$36,693,323 and expenditures of \$36,817,282. The net negative change of \$123,959 in fund balance for the year indicates that the District had difficulty in meeting current costs.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**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 2003, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$33,295,756 while actual expenditures and encumbrances were \$33,029,256. The \$266,500 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year. Actual General Fund revenues were less than expenditures by \$1,536,231. During fiscal year 2003, interest revenue decreased significantly due to the declining economy. Open enrollment dollars were also recorded as gross receipts for incoming students and expenditures for outgoing students.

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2003, the District had \$4,867,109 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets see Note 8 to the basic financial statements.

Debt

At June 30, 2003, the District had no bonded debt. The District has two energy conservation notes, which will mature in 2004 and 2008. The monies from these notes updated heating systems and lighting to conserve energy and are repaid with money saved in energy costs. The District also did a tax anticipation note against the first two years collection of the permanent improvement levy.

At June 30, 2003, the District's overall legal debt margin was \$53,008,284 with a direct limit unvoted debt margin of \$588,981.

For further information regarding the District's debt see Note 14 to the basic financial statements.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**Current Issues**

The District is holding its own in the state of a declining economy and uncertainty in State funding. The School District is a suburban community of 22,400 people in Northwest Ohio. It has two refineries, an electric generating plant and a number of small businesses with agriculture being an important part of the economy.

The district is currently operating in the first year of the state biennium budget. According to the 2003 Local District Report Card 56.8 percent of district revenue sources are from local funds, 29.9 percent from state funds and the remaining 3.3 percent is from federal funds. The total expenditure per pupil was calculated at \$8,784, which is a \$1,278 increase from the 2002 report card.

Over the past several years, the District has remained in a good financial position. In 1996, the District passed a 3.4 mill-operating levy to generate a \$1,527,000. This levy provides a continuous source of funds for the financial operations and stability of the district.

The District also passed a replacement 2.0 mill permanent improvement levy in 2002. This generates approximately \$1,000,000 revenue to be used for maintaining, equipping and improving facilities of the school district.

**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 reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Treasurer, Oregon City School District, 5721 Seaman Road, Oregon, Ohio 43616.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Statement of Net Assets  
June 30, 2003**

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 8,852,812
Materials and Supplies Inventory	40,662
Receivables:	
Intergovernmental	480,735
Taxes	20,856,834
Prepaid Items	254,739
Capital Assets	
Non-Depreciable Capital Assets	497,255
Depreciable Capital Assets, Net	4,369,854
<i>Total Assets</i>	35,352,891
<b>Liabilities:</b>	
Accounts Payable	332,966
Accrued Wages and Benefits Payable	2,422,343
Intergovernmental Payable	549,843
Notes Payable	275,000
Matured Compensated Absences Payable	95,431
Deferred Revenue	18,921,584
Long Term Liabilities:	
Due Within One Year	688,226
Due in More Than One Year	6,009,736
<i>Total Liabilities</i>	29,295,129
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	3,922,109
Restricted for Capital Outlay	420,293
Restricted for Budget Stabilization	201,560
Restricted for Other Purposes	1,110,438
Unrestricted	403,362
<i>Total Net Assets</i>	\$ 6,057,762

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2003**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Revenue and Change in Net Assets
<b>Governmental Activities:</b>					Governmental
					Activities
<b>Instruction:</b>					
Regular	\$ 15,888,100	\$ 480,437	\$ 323,506	\$ 60,076	\$ (15,024,081)
Special	2,894,330		395,551		(2,498,779)
Vocational	3,282,115		58,429		(3,223,686)
Adult/Continuing	822,514	51,442	726,198		(44,874)
Other	1,742,055				(1,742,055)
<b>Support services:</b>					
Pupils	1,438,066		35,001		(1,403,065)
Instructional Staff	2,105,680		480,334		(1,625,346)
Board of Education	20,868				(20,868)
Administration	2,048,105		14,434		(2,033,671)
Fiscal	632,304				(632,304)
Business	253,405				(253,405)
Food Service	56,591				(56,591)
<b>Operation and Maintenance</b>					
of Plant	4,167,518				(4,167,518)
Pupil Transportation	1,768,421				(1,768,421)
Central	16,948				(16,948)
<b>Non-Instructional Services</b>					
Extracurricular Activities	1,397,374	814,883	190,119		(392,372)
Capital Outlay	683,408	185,694			(497,714)
Interest and Fiscal Charges	548,900				(548,900)
	61,266				(61,266)
<b>Total Governmental Activities</b>	<b>\$ 39,827,968</b>	<b>\$ 1,532,456</b>	<b>\$ 2,223,572</b>	<b>\$ 60,076</b>	<b>(36,011,864)</b>

**General Revenues:**

<b>Taxes:</b>	
Property Taxes, Levied for General Purposes	19,389,012
Property Taxes, Levied for Capital Outlay	585,859
Payment in Lieu of Taxes	1,575,043
Grants and Entitlements not Restricted to Specific Programs	12,018,384
Gifts and Donations	138,054
Investment Earnings	188,274
Miscellaneous	160,303
<b>Total General Revenues</b>	<b>34,054,929</b>
Change in Net Assets	(1,956,935)
Net Assets Beginning of Year	8,014,697
Net Assets End of Year	<b>\$ 6,057,762</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2003**

	General Fund	Other Governmental Funds	Totals Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 6,923,080	\$ 1,728,172	\$ 8,651,252
Receivables:			
Interfund	142,774		142,774
Intergovernmental		261,269	261,269
Taxes	20,037,457	819,377	20,856,834
Prepaid Items	254,739		254,739
Materials and Supplies Inventory		40,662	40,662
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	201,560		201,560
<i>Total Assets</i>	<u>\$ 27,559,610</u>	<u>\$ 2,849,480</u>	<u>\$ 30,409,090</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 236,623	\$ 96,343	\$ 332,966
Accrued Wages and Benefits	2,355,322	67,021	2,422,343
Interfund Payable		142,774	142,774
Notes Payable		275,000	275,000
Due to External Parties		41,086	41,086
Intergovernmental Payable	508,757		508,757
Matured Compensated Absences Payable	95,431		95,431
Deferred Revenue	19,285,919	1,058,020	20,343,939
<i>Total Liabilities</i>	<u>22,482,052</u>	<u>1,680,244</u>	<u>24,162,296</u>
<b>Fund Balances:</b>			
Reserved for Encumbrances	341,264	218,160	559,424
Reserved for Prepaid Items	254,739		254,739
Reserved for Property Taxes	479,514	9,786	489,300
Reserved for Budget Stabilization	201,560		201,560
Unreserved, Undesignated Reported In			
General Fund	3,800,481		3,800,481
Special Revenue Funds		1,012,740	1,012,740
Capital Projects Funds		(71,450)	(71,450)
<i>Total Fund Balances</i>	<u>5,077,558</u>	<u>1,169,236</u>	<u>6,246,794</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 27,559,610</u>	<u>\$ 2,849,480</u>	<u>\$ 30,409,090</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2003**

<b>Total Governmental Fund Balances</b>		<b>\$ 6,246,794</b>
 <i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		4,867,109
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable		
Accrued Interest Receivable		
Intergovernmental Receivable	261,269	
Property Taxes Receivable	<u>1,124,927</u>	
		1,386,196
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(272,601)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(670,000)	
Compensated Absences Payable	<u>(5,499,736)</u>	
		<u>(6,169,736)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 6,057,762</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2003**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property and Other Local Taxes	\$ 18,267,552	\$ 546,233	\$ 18,813,785
Payment in Lieu of Taxes	1,537,474		1,537,474
Intergovernmental	11,711,784	2,532,431	14,244,215
Interest	169,350	18,924	188,274
Tuition and Fees	442,868	51,442	494,310
Rent	6,058	4,483	10,541
Extracurricular Activities		196,384	196,384
Gifts and Donations	48,795	89,259	138,054
Customer Sales and Services	11,488	819,733	831,221
Miscellaneous	38,745	49,735	88,480
<i>Total Revenues</i>	<u>32,234,114</u>	<u>4,308,624</u>	<u>36,542,738</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	13,146,772	199,803	13,346,575
Special	2,458,724	298,959	2,757,683
Vocational	3,035,709	59,692	3,095,401
Adult/Continuing	177,400	636,511	813,911
Other	1,742,055		1,742,055
Support services:			
Pupils	1,262,499	63,980	1,326,479
Instructional Staff	1,709,890	185,179	1,895,069
Board of Education	19,983		19,983
Administration	1,938,390	82,273	2,020,663
Fiscal	568,193	6,908	575,101
Business	235,915		235,915
Operation and Maintenance of Plant	4,043,531	78,104	4,121,635
Pupil Transportation	1,692,960	21,052	1,714,012
Central		16,948	16,948

(Continued)

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

	General Fund	Other Governmental Funds	Total Governmental Funds
Operation of Non-Instructional Services		1,396,671	1,396,671
Extracurricular activities	482,593	185,229	667,822
Capital Outlay		548,900	548,900
Debt Service			
Principal Retirement	145,000	275,000	420,000
Interest and Fiscal Charges	40,435	20,831	61,266
<i>Total Expenditures</i>	<u>32,700,049</u>	<u>4,076,040</u>	<u>36,776,089</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(465,935)</u>	<u>232,584</u>	<u>(233,351)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In		41,193	41,193
Refund of Prior Year Expenditures	109,392		109,392
Transfers Out	(3,618)	(37,575)	(41,193)
<i>Total Other Financing Sources (Uses)</i>	<u>105,774</u>	<u>3,618</u>	<u>109,392</u>
<i>Net Change in Fund Balance</i>	(360,161)	236,202	(123,959)
<i>Fund Balances at Beginning of Year (Restated Note 3)</i>	<u>5,437,719</u>	<u>933,034</u>	<u>6,370,753</u>
<i>Fund Balances at End of Year</i>	<u><u>\$ 5,077,558</u></u>	<u><u>\$ 1,169,236</u></u>	<u><u>\$ 6,246,794</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement Activities  
For the Fiscal Year Ended June 30, 2003**

**Net Change in Fund Balances - Total Governmental Funds** \$ (123,959)

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

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

Capital Outlay - Depreciable Capital Assets	57,345	
Depreciation	<u>(509,704)</u>	
		(452,359)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets	<u>(265)</u>	
		(265)

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

Property Taxes	1,124,927	
Intergovernmental	<u>(161,649)</u>	
		963,278

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

415,000

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(59,015)	
Compensated Absences Payable	<u>(2,699,615)</u>	
		<u>(2,758,630)</u>

Change in Net Assets of Governmental Activities		<u><u>\$(1,956,935)</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual Comparison  
General Fund  
For the Fiscal Year Ended June 30, 2003**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 19,354,500	\$ 17,309,500	\$ 17,516,014	\$ 206,514
Intergovernmental	10,005,000	10,130,000	11,711,784	1,581,784
Interest	325,000	325,000	169,350	(155,650)
Tuition and Fees	392,000	392,000	448,857	56,857
Rent	13,400	13,400	10,352	(3,048)
Gifts and Donations	36,600	36,600	48,795	12,195
Customer Sales and Services	11,500	11,500	11,488	(12)
Miscellaneous	1,515,000	1,572,711	1,576,385	3,674
<i>Total Revenues</i>	<u>31,653,000</u>	<u>29,790,711</u>	<u>31,493,025</u>	<u>1,702,314</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	13,182,944	13,182,944	13,083,080	99,864
Special	2,569,037	2,569,860	2,472,069	97,791
Vocational	2,988,366	2,988,366	3,016,993	(28,627)
Adult/Continuing	153,853	153,853	169,776	(15,923)
Other	1,350,000	1,350,000	1,683,633	(333,633)
Support Services:				
Pupils	1,421,239	1,421,239	1,369,910	51,329
Instructional Staff	1,766,345	1,766,345	1,789,810	(23,465)
Board of Education	34,697	34,697	21,355	13,342
Administration	1,956,136	1,956,136	1,864,897	91,239
Fiscal	612,124	612,124	568,661	43,463
Business	259,250	259,250	228,018	31,232
Operation and Maintenance of Plant	4,332,786	4,332,786	4,223,031	109,755
Pupil Transportation	2,016,671	2,016,671	1,862,891	153,780
Extracurricular Activities	466,050	466,050	489,697	(23,647)
Debt Service:				
Principal	145,000	145,000	145,000	
Interest	40,435	40,435	40,435	
<i>Total Expenditures</i>	<u>33,294,933</u>	<u>33,295,756</u>	<u>33,029,256</u>	<u>266,500</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,641,933)</u>	<u>(3,505,045)</u>	<u>(1,536,231)</u>	<u>1,968,814</u>

(Continued)

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual Comparison  
General Fund  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Other Financing Sources and (Uses):</b>				
Refund of Prior Year Expenditures	100,000	100,000	114,289	14,289
Advances In	241,985	241,985	241,985	
Transfers Out			(3,618)	(3,618)
Advances Out			(112,100)	(112,100)
<i>Total Other Financing Sources and Uses</i>	<u>341,985</u>	<u>341,985</u>	<u>240,556</u>	<u>(101,429)</u>
<i>Net Change in Fund Balances</i>	(1,299,948)	(3,163,060)	(1,295,675)	1,867,385
<i>Fund Balance (Deficit) at Beginning of Year</i>	7,599,116	7,599,116	7,599,116	
Prior Year Encumbrances Appropriated	<u>372,985</u>	<u>372,985</u>	<u>372,985</u>	
<i>Fund Balance (Deficit) at End of Year</i>	<u><u>\$ 6,672,153</u></u>	<u><u>\$ 4,809,041</u></u>	<u><u>\$ 6,676,426</u></u>	<u><u>\$ 1,867,385</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2003**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 262,659	\$ 151,070
Due from External Parties		41,086
	<u>262,659</u>	<u>192,156</u>
<i>Total Assets</i>	<u><u>\$ 262,659</u></u>	<u><u>\$ 192,156</u></u>
 <b>Liabilities:</b>		
Due to Students		<u><u>\$ 192,156</u></u>
 Net Assets:		
Held in Trust for Scholarships	\$ 26,696	
Endowment	<u>235,963</u>	
<i>Total Net Assets</i>	<u><u>\$ 262,659</u></u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2003**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$ 6,627
Gifts and Donations	450
	<hr/>
<i>Total Additions</i>	<i>7,077</i>
	<hr/>
<b>Deductions:</b>	
Scholarships	10,270
	<hr/>
<i>Total Deductions</i>	<i>10,270</i>
	<hr/>
<i>Change in Net Assets</i>	<i>(3,193)</i>
<i>Net Assets at Beginning of Year</i>	<i>265,852</i>
	<hr/>
<i>Net Assets at End of Year</i>	<i>\$ 262,659</i>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2003**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Oregon City School District (the School District) is located in Lucas County including all of the City of Oregon, Ohio, and portions of surrounding townships.

The School District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a School District to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The School District currently operates 4 elementary schools, 2 middle schools, and 1 comprehensive high school. The School District employs 181 non-certified, 308 (including administrative) full-time and part-time employees to provide services to approximately 3,880 students in grades K through 12 and various community groups.

**Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the School District.

The School District is associated with one jointly governed organization, the Northwest Ohio Computer Association. This organization is presented in Note 15 to the basic financial statements.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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.

**A. Basis of Presentation**

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2003  
(Continued)**

type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**B. Fund Accounting**

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

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the 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 General Fund is the School District's only major governmental fund:

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

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects of the School District whose uses are restricted to a particular purpose.

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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust, which accounts for a program that provides assistance to needy students. Agency funds are

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2003  
(Continued)**

custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**C. Measurement Focus**

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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 fund is 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 on the fund financial statements. 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.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2003  
(Continued)**

On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income and property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School 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, income taxes, grants, investment earnings, tuition, and student fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2003  
(Continued)**

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During 2003, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements are valued at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

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 2003 amounted to \$169,350 which includes \$22,927 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with



**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2003  
(Continued)**

an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**F. Payments in Lieu of Taxes**

The School District receives payments from BP Oil Company in lieu of taxes that would be due the School District per an Enterprise zone agreement that allows tax abatement to BP Oil Company. This abatement stipulates that BP Oil Company will pay the School District an amount of money that would be equal to the taxes the School District would have received.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**H. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure, except for the food service fund. Inventories of the food service fund consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**I. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2003  
(Continued)**

**J. Capital Assets**

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

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

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Buildings Improvements	15 - 30 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

**K. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

**L. Compensated Absences**

The School District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences", in conformity with GASB Statement No. 16. The School District accrues vacation as earned by its

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2003  
(Continued)**

employees if the leave is attributable to past service and it's probable that the School District will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. These compensated absences are measured using rates in effect at June 30, 2003.

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

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

**M. 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, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding 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 the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2003  
(Continued)**

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

**O. Fund Balance Reserves**

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

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

**P. Interfund Transactions**

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

**Q. Estimates**

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

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2003  
(Continued)**

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2003.

**3. COMPLIANCE AND ACCOUNTABILITY**

**A. Changes in Accounting Principles**

For fiscal year 2003, the School District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues", GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements 36, 37, and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements show the School District's programs between governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences that had not matured during fiscal year 2003.

The District has changed its method of accounting for compensated absences. Previously, only those employees meeting the retirement criteria of the School Employees Retirement

**OREGON CITY SCHOOL DISTRICT  
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**Notes to the Basic Financial Statements  
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System (SERS) or the School Teachers Retirement System (STRS) were accrued. GASB Statement 16 "Accounting for Compensated Absences" requires additional accrual of an estimate of the amount due employees if it is probable that the employer will compensate the employee for the benefits. The District now includes employees with 10 years of service and/or 55 years of age in this calculation. The result of this change increased the compensated absences payable liability at June 30, 2002 by \$4,750,727 from \$2,795,121 to \$7,545,848.

**B. Restatement of Fund Balance**

The fund reclassification and the implementation of GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Nonmajor	Total
Fund Balance June 30, 2002	\$ 5,398,314	\$ 440,472	\$ 5,838,786
Fund Reclassifications			
Capital Project Note Payable		275,000	275,000
Expendable Trust		77,582	77,582
Food Service		146,918	146,918
Internal Service		(6,938)	(6,938)
Interpretation 6 Adjustments	39,405		39,405
Restated Fund Balance June 30, 2002	\$ 5,437,719	\$ 933,034	\$ 6,370,753

The transition from governmental fund balance to net assets of governmental activities is presented as follows:

	Total
Restated Fund Balance June 30, 2002	\$ 6,370,753
GASB 34 adjustments:	
Intergovernmental	422,918
Capital Assets	5,319,733
Long-term Liabilities	(4,098,707)
Governmental activities net assets June 30, 2002	\$ 8,014,697

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**C. Compliance**

The following funds had appropriations in excess of total resources as certified by the budget commission for the year ended June 30, 2003:

<u>Fund</u>	<u>Certified Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Athletic	\$ 217,207	\$ 250,000	\$ (32,793)
Auxiliary Service	2,069	192,200	(190,131)
OneNet Ohio Program	45,500	70,000	(24,500)
Ohio Reads	20,358	24,000	(3,642)
Summer School Subsidy	3,019	4,160	(1,141)
Tech Prep Expanded Enroll	659	29,000	(28,341)
Miscellaneous State Grants	24,293	35,000	(10,707)
Adult Basic Education	55,343	80,000	(24,657)
Title II Grant	5,127	9,000	(3,873)
Title I Grant	78,073	320,000	(241,927)
Title VI Grant	36,799	61,500	(24,701)
LPDC Action Research	118	4,700	(4,582)
Other Federal Grants	61,593	689,363	(627,770)
Food Service	1,118,775	1,278,761	(159,986)
Rotary	51,633	60,000	(8,367)
Nonexpendable Trust	37,604	272,000	(234,396)
Agency	486,046	500,000	(13,954)

**4. BUDGETARY BASIS OF ACCOUNTING**

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

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1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance Major Governmental Fund	
	General
GAAP Basis	\$ (360,161)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2002, Received In Cash FY 2003	15,346
Accrued FY 2003, Not Yet Received in Cash	(509,553)
Expenditure Accruals:	
Accrued FY 2002, Paid in Cash FY 2003	(2,822,407)
Accrued FY 2003, Not Yet Paid in Cash	2,829,314
Encumbrances Outstanding at Year End (Budget Basis)	(448,214)
Budget Basis	\$ (1,295,675)

**5. DEPOSITS AND INVESTMENTS**

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

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



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Inactive deposits are public deposits the School District has identified as not required for use within the current two-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 as savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are 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 not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or other obligations of securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio.
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) and (2) and repurchase agreements secured by such obligations,

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provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's Investment Pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits**

At year-end, the carrying amount of the School District's deposits was \$3,401,748 and the bank balance was \$4,127,522. Of the bank balance:

1. \$138,514 was covered by federal depository insurance;
2. \$3,989,008 was covered by collateral held in the pledging financial institution's trust department in the District's name. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District also had cash on hand of \$6,362.

**OREGON CITY SCHOOL DISTRICT  
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**Notes to the Basic Financial Statements  
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**Investments**

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The School District had investments in non-participating repurchase agreements, which are classified as Category 3.

	<u>Risk Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreements	\$ 4,048,491	\$ 4,048,491	\$ 4,048,491
STAR Ohio	-	1,809,940	1,809,940
Totals	<u>\$ 4,048,491</u>	<u>\$ 5,858,431</u>	<u>\$ 5,858,431</u>

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$ 9,266,541	\$ -
Cash on Hand	(6,362)	-
Repurchase Agreements	(4,048,491)	4,048,491
Investments of the Cash Management Pool:		
STAR Ohio	(1,809,940)	1,809,940
GASB Statement 3	<u>\$ 3,401,748</u>	<u>\$ 5,858,431</u>

**OREGON CITY SCHOOL DISTRICT  
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**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes for 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2003, 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 revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002, and are collected in 2003 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes for 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Wood and Lucas Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$479,514 in the General Fund and \$9,786 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Industrial/Commercial	\$ 94,219,760	16%	\$ 101,240,960	17%
Agricultural/Residential	315,305,930	53%	320,337,520	54%
Public Utility	50,818,540	9%	50,886,040	9%
Tangible Personal	127,604,506	22%	116,516,416	20%
Total Assessed Value	<u>\$587,948,736</u>	<u>100%</u>	<u>\$588,980,936</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$ 49.20		\$ 49.20	

**7. RECEIVABLES**

Receivables at June 30, 2003, consisted of property taxes, intergovernmental, 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

A summary of the principal items of intergovernmental receivables follows:

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	Amount
Governmental Activities	
Taxes	\$ 20,856,834
Intergovernmental	623,509
Total Governmental Activities	\$ 21,480,343

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
<b>Governmental Activities</b>				
Nondepreciable Capital Assets				
Land	\$ 497,255	\$ -	\$ -	\$ 497,255
Total Nondepreciable Capital Assets	497,255	-	-	497,255
Depreciable Capital Assets				
Buildings and Building Improvements	12,339,975	-	-	12,339,975
Furniture, Fixtures, and Equipment	7,000,564	57,345	2,655	7,055,254
Vehicles	2,213,761	-	-	2,213,761
Totals	21,554,300	57,345	2,655	21,608,990
Less Accumulated Depreciation				
Land Improvements	-	-	-	-
Buildings and Building Improvements	10,435,405	23,556	-	10,458,961
Furniture, Fixtures, and Equipment	4,302,246	309,616	2,390	4,609,472
Vehicles	1,994,171	176,532	-	2,170,703
Total Accumulated Depreciation	16,731,822	509,704	2,390	17,239,136
Depreciable Capital Assets, Net	4,822,478	(452,359)	265	4,369,854
Governmental Activities Capital Assets, Net	\$ 5,319,733	\$ (452,359)	\$ 265	\$ 4,867,109

Depreciation expense was charged to governmental functions as follows:

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Instruction:	
Regular	\$ 504,626
Operation of Non-Instruction Services	<u>5,078</u>
Total Depreciation Expense	<u><u>\$ 509,704</u></u>

**9. INTERFUND ASSETS/LIABILITIES**

As of June 30, 2003, on the fund financial statements, the Rotary, Auxiliary Services, Ohio Reads, Computer Technologies, Miscellaneous State Grants, Adult Basic Education, Eisenhower Grant, Vocational Education, Title VI and Miscellaneous Federal Grant special revenue funds owed the General Fund \$20,231, \$8,948, \$2,617, \$17,477, \$9,448, \$12,879, \$16, \$47,622, \$7,455, and \$16,081, respectively. These amounts are represented as "Interfund Receivable/Payable" on the balance sheet

**10. RISK MANAGEMENT**

**A. Comprehensive**

The School District maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured.

**B. Health Insurance**

The School District has joined together with other School Districts in the area to form the San-Ott Schools Employee Welfare Benefit Association, whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The School District pays premiums to the Association based upon the benefit structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$100,000 and aggregate claims in excess of 120 percent of expected claims.

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**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$621,456, \$619,248, and \$582,576, respectively; 51 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest



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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$2,347,157, \$2,188,980, and \$2,088,095, respectively; 83 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

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**12. POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, health care and benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2003, the board allocated employer contributions equal to 1 percent covered payroll to Health Care Stabilization Fund. For the fiscal year ended June 30, 2002, 4.5 percent of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$2.8 billion on June 30, 2003.

For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000. There were 108,294 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2003, the allocation rate is 5.83 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2003, the minimum pay has been established as \$14,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits were \$303.6 million.

The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .4164, then adding the surcharge due as of June 30, 2003, as certified to your district by SERS.

**13. LONG-TERM OBLIGATIONS**

A. During the fiscal year ended June 30, 2003, the following changes occurred in liabilities reported in the statement of net assets.

	Balance 07/01/02	Increase	Decrease	Balance 06/30/03
Energy Conservation Bonds	\$ 650,000	\$ -	\$ 95,000	\$ 555,000
Energy Conservation Bonds	165,000	-	50,000	115,000
Intergovernmental Payable	213,586	272,601	213,586	272,601
Severance Payable 1/1/04	-	260,625	-	260,625
Compensated Absences	7,545,848	5,494,736	7,545,848	5,494,736
Total	<u>\$ 8,574,434</u>	<u>\$ 6,027,962</u>	<u>\$ 7,904,434</u>	<u>\$ 6,697,962</u>

  

	Balance 07/01/02	Increase	Decrease	Balance 06/30/03
<u>Capital Project Fund Liability</u>				
Tax Anticipation Note	<u>\$ 550,000</u>	<u>\$ -</u>	<u>\$ 275,000</u>	<u>\$ 275,000</u>

During fiscal years 1994 and 1998, energy conservation loans were established under the rules of H.B. 264. The 1994 loan had an interest rate of 5.9 percent, while the 1998 loan had an interest rate of 4.95 percent with semi-annual payments of principal and interest. Proceeds of these loans were used to make energy improvements to all buildings of the School District.

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Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

School Improvement Tax Anticipation Notes - On August 1, 2000, the School District issued \$825,000 in voted general obligation notes for the purpose of renovating, rehabilitation, adding to, acquiring, furnishing, equipping and otherwise improving school facilities and sites. The notes will be retired from and are included as a liability to the capital projects fund.

- B.** The following is a schedule of the future debt service requirements to retire the general obligation debt and the notes outstanding:

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$ 430,000	\$ 39,579	\$ 469,579
2005	165,000	24,293	189,293
2006	110,000	17,325	127,325
2007	115,000	11,880	126,880
2008	125,000	6,187	131,187
Total	<u>\$ 945,000</u>	<u>\$ 99,264</u>	<u>\$ 1,044,264</u>

- C.** The School District's voted legal debt margin was \$53,008,284 with an unvoted debt margin of \$588,981 at June 30, 2003.

**14. SET-ASIDES**

The School District is required by state law to annually set aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward and used for the same purposes in future years. In addition, in prior years the School District was required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital acquisition, and budget stabilization during fiscal year 2003.

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	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Balance as of June 30, 2002	\$ (26,770)	\$ -	\$ 201,560
Current Year Set-aside Requirement	517,705	517,705	-
Off-set credits	-	(561,175)	-
Qualifying Disbursements	(662,945)	(635,386)	-
Total	<u>\$ (172,010)</u>	<u>\$ (678,856)</u>	<u>\$ 201,560</u>
Amount Carried Forward to Future Fiscal Years	<u>\$ (172,010)</u>	<u>\$ -</u>	<u>\$ 201,560</u>

For fiscal year 2003, only the unspent portion of certain workers compensation refunds was required to be set-aside at fiscal year end. The balance no longer required by statute for budget stabilization was returned to the general fund. The remaining portion of workers compensation refunds can only be spent for certain qualifying expenditures.

**15. JOINTLY GOVERNED ORGANIZATION**

**Northwest Ohio Computer Association**

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, and Williams 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 school districts.

The NWOCA Assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the five counties in which the member school districts are located and the representative from the member school district serving as fiscal agent for NWOCA. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
June 30, 2003  
(Continued)**

**16. SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**17. INTERFUND TRANSFERS**

During the year ended June 30, 2003, the General Fund transferred \$3,618 to Other Non-major Governmental Funds. This transfer was made to move unrestricted balances to support programs and projects accounted for in other funds.

**18. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

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**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Schedule of Federal Awards Expenditures  
For the Period Ended June 30, 2003**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>		
<u>Child Nutrition Cluster:</u>		
Food Donation	10.550	-
School Breakfast Program	10.553	-
National School Lunch Program	10.555	-
Total United States Department of Agriculture - Child Nutrition Cluster		
<b>UNITED STATES DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>		
Adult Education State Grant Program	84.002	AB-S1-99 AB-S1-01 AB-S1-02
Total Adult Education		
Title I Grants to Local Educational Agencies	84.010	C1S1-02 C1S1-03
Total Title I		
Special Education Grants to States	84.027	6B-SF-02 6B-SF-03
Total Special Education		
Vocational Education Basic Grants to States	84.048	20-A0-02 20-C1-02 20-C1-03
Total Vocational Education		
Safe and Drug-Free Schools and Communities State Grants	84.186	DR-S1-94 DR-S1-95 DR-S1-99 DR-S1-01 DR-S1-02 DR-S1-03
Total Safe and Drug-Free Schools and Communities		
Eisenhower Professional Development State Grants	84.281	MS-S1-00 MS-S1-01 MS-S1-02
Total Eisenhower Grant		



Receipts	Non-cash Receipts	Disbursements	Non-cash Disbursements
	\$ 149,843		\$ 141,745
\$ 13,505		\$ 13,505	
288,588		288,588	
<b>302,093</b>	<b>149,843</b>	<b>302,093</b>	<b>141,745</b>
		5,113	
23,246		10,786	
26,984		13,122	
50,230		29,021	
50,941		46,666	
259,682		252,148	
310,623		298,814	
205,015		28,321	
220,480		145,133	
425,495		173,454	
35,600		20,835	
34,752		7,174	
14,576		30,592	
84,928		58,601	
		6,204	
		9,854	
		8,542	
11,028			
11,391			
12,582		10,762	
35,001		35,362	
		525	
1,434			
1,517		6,506	
2,951		7,031	

(Continued)

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Schedule of Federal Awards Expenditures  
For the Period Ended June 30, 2003  
(Continued)**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education</i>		
(Continued)		
Innovative Education Program Strategies	84.298	C2-S1-98 C2-S1-99 C2-S1-01 C2-S1-02 C2-S1-03
Total Innovative Education Program Strategies		
Educational Technology State Grants	84.318	TJ-S1-03
Teacher Quality Enhancement Grants	84.336	QE-S1-02
Class Size Reduction	84.340	CR-S1-02 CR-S1-02
Total Class Size Reduction		
School Renovation, IDEA and Technology Grant	84.352A	AT-S2-02 AT-S3-02
Total School Renovation, IDEA and Technology Grant		
Improving Teacher Quality State Grants	84.367	TR-S1-03
Total Department of Education		
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>		
Medical Assistance Program	93.778	-
Total United States Department of Health and Human Services		
<b>UNITED STATES DEPARTMENT OF LABOR</b>		
<i>Passed through Ohio Department of Job and Family Services</i>		
<i>Passed through Lucas County Department of Job and Family Service</i>		
<i>Passed through Lucas County Economic &amp; Workforce Development Department</i>		
WIA Dislocated Workers	17.260	-
Total United States Department of Labor		
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

<u>Receipts</u>	<u>Non-cash Receipts</u>	<u>Disbursements</u>	<u>Non-cash Disbursements</u>
		29	
		517	
16605			
14877		1703	
20406		20491	
<u>51888</u>		<u>22740</u>	
4367			
		4522	
48190			
58456			
<u>106646</u>			
1697		1765	
19717			
<u>21414</u>		<u>1765</u>	
68787		5423	
<u>1162330</u>		<u>636733</u>	
42503		42503	
<u>42503</u>		<u>42503</u>	
503,911		469,069	
<u>503,911</u>		<u>469,069</u>	
<u>\$ 2,010,837</u>	<u>\$ 149,843</u>	<u>\$ 1,450,398</u>	<u>\$ 141,745</u>

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Schedule of Federal Awards Expenditures  
Fiscal Year Ended June 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Oregon City School District  
Lucas County  
5721 Seaman Road  
Oregon, Ohio 43616-2631

To the Board of Education:

We have audited the financial statements of Oregon City School District as of and for the year ended June 30, 2003, and have issued our report thereon dated July 30, 2004 in which we noted the District implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and changed their method for accounting for compensated absences. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated July 30, 2004.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated July 30, 2004.

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



**Betty Montgomery**  
Auditor of State

July 30, 2004



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Oregon City School District  
Lucas County  
5721 Seaman Road  
Oregon, Ohio 43616-2631

To the Board of Education:

**Compliance**

We have audited the compliance of Oregon City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated July 30, 2004.

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



**Betty Montgomery**  
Auditor of State

July 30, 2004



**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Schedule of Findings  
OMB Circular A -133 §.505  
Fiscal Year End June 30, 2003**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster <ul style="list-style-type: none"> <li>• CFDA #10.550</li> <li>• CFDA #10.553</li> <li>• CFDA #10.555</li> </ul> WIA Dislocated Worker <ul style="list-style-type: none"> <li>• CFDA # 17.260</li> </ul>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2003-001**

Ohio Revised Code § 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue available for expenditure as certified by the budget commission. Appropriations exceeded estimated resources for the following funds:

<u>Fund</u>	<u>Certified Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Athletic	\$ 217,207	\$ 250,000	\$ (32,793)
Auxiliary Service	2,069	192,200	(190,131)
OneNet Ohio Program	45,500	70,000	(24,500)
Ohio Reads	20,358	24,000	(3,642)
Summer School Subsidy	3,019	4,160	(1,141)
Tech Prep Expanded Enroll	659	29,000	(28,341)
Miscellaneous State Grants	24,293	35,000	(10,707)
Adult Basic Education	55,343	80,000	(24,657)
Title II Grant	5,127	9,000	(3,873)
Title I Grant	78,073	320,000	(241,927)
Title VI Grant	36,799	61,500	(24,701)
LPDC Action Research	118	4,700	(4,582)
Other Federal Grants	61,593	689,363	(627,770)
Food Service	1,118,775	1,278,761	(159,986)
Rotary	51,633	60,000	(8,367)
Nonexpendable Trust	37,604	272,000	(234,396)
Agency	486,046	500,000	(13,954)

Receipts were sufficient to have allowed the District to obtain an amended certificate of estimated resources. To prevent spending more monies than what are anticipated, we recommend the District ensure when passing an original appropriation or amending an appropriation that it is within certified resources.

**FINDING NUMBER 2003-002**

**Budgetary Procedures**

The amount of appropriations and estimated revenue posted to the budgetary statements on the computer does not agree with the estimated revenue per the amended certificate or the approved budgetary appropriations. In order to have accurate information on the budgetary financial statements that are being used to review the status of the District's funds, we recommend the Treasurer post the estimated revenue and annual appropriations when approved and post Board approved changes when they incur.

**3. FINDINGS FOR FEDERAL AWARDS**

None

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**Schedule of Prior Audit Findings  
OMB Circular A -133 §.315 (b)  
Fiscal Year End June 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Revised Code § 5705.39 appropriations exceeding estimated resources	No	Not corrected. Citation will be reissued as Finding number 2003-001
2002-002	Reportable Condition - Fixed Asset Procedures	Yes	
2002-003	Reportable Condition - Budgetary Procedures	No	Not corrected. Reportable condition will be reissued as Finding number 2003-002
2002-004	Reportable Condition - Free and Reduced Application Verification Process	Yes	



**Auditor of State  
Betty Montgomery**

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800-282-0370

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**OREGON CITY SCHOOL DISTRICT**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 18, 2004**