



**Auditor of State
Betty Montgomery**

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' 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, 2004, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2004, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2005, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine 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 also 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 12, 2005

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004**

The discussion and analysis of the Oregon City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. 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 2004 are as follows:

- In total, net assets decreased \$1,014,533.
- General revenues accounted for \$36,295,783, or 90 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$4,076,974 or 10 percent of total revenues of \$40,372,757.
- The District's only major fund is the General Fund. The General Fund had \$34,110,396 in revenues and \$35,220,255 in expenditures. The General Fund's balance decreased \$1,109,859 from the prior fiscal year.
- During the fiscal year, the District retired a portion of the outstanding energy conservation loans and issued \$1,050,000 in tax anticipation notes.
- The District passed a 2 mill replacement Permanent Improvement levy in 2002 which they started collecting in 2004 and they passed a new 5.9 mill operating levy in November 2003 which they started collecting in 2004.

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.

For the District, the General Fund is by far the most significant 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

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

did we do financially during 2004?" 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.

General Fund revenues increased by \$1.88 million from 2003 to 2004. This increase was due to the passage of a new 5.9 mill operating levy. Expenditures increased by \$2.52 million due to increases in salaries and benefits during the same period.

Governmental Funds - 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 accompanying financial statements. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance operations.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

The District as a Whole

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 District is scheduled for its next triennial update in calendar year 2006. The increase in General Revenues- Property Taxes was due to a new 5.9 mill operating levy being passed in November 2003.

Table 1 provides a summary of the District's net assets for fiscal year 2004. A comparative analysis of fiscal year 2004 to restated 2003 follows:

Table 1
Net Assets
Governmental Activities

	2004	2003
Assets:		
Current and Other Assets	\$ 32,017,635	\$ 30,485,782
Capital Assets, Net	5,094,625	4,265,194
<i>Total Assets- Restated</i>	37,112,260	34,750,976
Liabilities:		
Current and Other Liabilities	23,590,838	22,597,167
Long-Term Liabilities	9,080,108	7,479,837
<i>Total Liabilities</i>	32,670,946	30,077,004
Net Assets:		
Invested in CA, Net of Related Debt	3,529,625	3,320,194
Restricted	2,234,162	1,732,291
Unrestricted	(1,322,473)	(378,513)
<i>Total- Restated</i>	\$ 4,441,314	\$ 4,673,972

Table 2 reflects the changes in net assets for fiscal year 2004. A comparative analysis of fiscal year 2004 to restated 2003 follows:

Table 2
Change in Net Assets
Governmental Activities

	2004	2003
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$ 1,923,868	\$ 1,532,456
Operating Grants, Contributions and Interest	1,653,106	2,223,572
Capital Grants and Contributions	500,000	60,076
<i>Total Program Revenues</i>	4,076,974	3,816,104

(Continued)

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Table 2 (Continued)
Change in Net Assets
Governmental Activities

	2004	2003
General Revenues:		
Property Taxes	22,341,387	19,974,871
Payment in Lieu of Taxes	1,535,060	1,575,043
Grants and Entitlements	11,984,734	12,018,384
Interest	127,561	188,274
Gifts and Donations	92,301	138,054
Miscellaneous	204,162	160,303
Premium on Debt Issue	10,578	-
<i>Total General Revenues</i>	36,295,783	34,054,929
<i>Total Revenues</i>	40,372,757	37,871,033
 Expenses:		
Instruction	24,038,476	25,410,989
Support Services:		
Pupils	1,603,162	1,438,066
Instructional Staff	2,442,878	2,105,680
Board of Education	1,674	20,868
Administration	2,488,749	2,048,105
Fiscal	695,960	632,304
Business	261,237	253,405
Operation and Maintenance of Plant	4,393,323	4,167,518
Pupil Transportation	1,783,390	1,768,421
Central	12,753	16,948
Non-Instructional	1,614,502	1,453,965
Extracurricular Activities	798,002	683,408
Capital Outlay	414,370	548,900
Interest and Fiscal Charges	56,939	61,266
<i>Total Expenses</i>	40,605,415	40,609,843
<i>Decrease in Net Assets</i>	\$ (232,658)	\$ (2,738,810)

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, 2004
(Continued)**

Table 3
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$ 24,038,476	\$ 23,159,174	\$ 25,410,989	\$ 23,315,350
Support Services:				
Pupils	1,603,162	1,568,751	1,438,066	1,403,065
Instructional Staff	2,442,878	2,377,237	2,105,680	1,625,346
Board of Education	1,674	1,674	20,868	20,868
Administration	2,488,749	2,033,725	2,048,105	2,033,671
Fiscal	695,960	695,960	632,304	632,304
Business	261,237	261,237	253,405	253,405
Operation and Maintenance of Plant	4,393,323	4,393,323	4,167,518	4,167,518
Pupil Transportation	1,783,390	1,783,390	1,768,421	1,768,421
Central	12,753	12,753	16,948	16,948
Non-Instructional	1,614,502	511,823	1,453,965	448,963
Extracurricular Activities	798,002	539,960	683,408	497,714
Capital Outlay	414,370	(85,630)	548,900	548,900
Interest and Fiscal Charges	56,939	56,939	61,266	61,266
<i>Total Expenses</i>	<u>\$ 40,605,415</u>	<u>\$ 37,310,316</u>	<u>\$ 40,609,843</u>	<u>\$ 36,793,739</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 93 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 90 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 \$40,353,549 and expenditures of \$40,884,575. The net negative change of \$531,026 in fund balance for the year indicates that the District had difficulty in meeting current costs.

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 2004, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$35,287,068 while actual expenditures and encumbrances were \$35,207,905. The \$79,163 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. The District uses a conservative approach to budgeting revenues, thus actual General Fund revenues were \$3,164,781 higher than final budgeted revenues. Actual General Fund revenues were less than expenditures by \$1,082,562. During fiscal year 2004, interest revenue decreased significantly due to the

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

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 2004, the District had \$5,094,625 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, 2004, 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, 2004, the District's overall legal debt margin was \$56,807,773 with a direct limit un-voted debt margin of \$642,864.

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

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. The 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 2004 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 2003 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 District.

The District passed a 5.9 mill-operating levy in November 2003 to generate approximately \$3,100,000 per year. This levy provides a continuous source of funds for the financial operations and stability of the District.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

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.

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**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Net Assets
June 30, 2004**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 8,271,130
Materials and Supplies Inventory	36,620
Receivables:	
Accounts Receivable	12,452
Intergovernmental	282,939
Taxes Receivable	23,118,607
Prepaid Items	295,887
Capital Assets:	
Non-Depreciable Capital Assets	525,507
Depreciable Capital Assets, Net	4,569,118
<i>Total Assets</i>	<u>37,112,260</u>
Liabilities:	
Accounts Payable	230,123
Accrued Wages and Benefits Payable	2,848,896
Intergovernmental Payable	536,417
Notes Payable	1,050,000
Deferred Revenue	19,912,143
Long Term Liabilities:	
Due Within One Year	777,353
Due in More Than One Year	7,316,014
<i>Total Liabilities</i>	<u>32,670,946</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	3,529,625
Restricted for Capital Outlay	1,122,146
Restricted for Budget Stabilization	201,560
Restricted for Other Purposes	910,456
Unrestricted	(1,322,473)
<i>Total Net Assets</i>	<u><u>\$ 4,441,314</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2004**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 14,624,760	\$ 499,905	\$ 363,299		\$ (13,761,556)
Special	3,122,463		299,384		(2,823,079)
Vocational	3,540,677		36,450		(3,504,227)
Adult/Continuing	742,456	291,643	170,496		(280,317)
Other	2,008,120				(2,008,120)
Support services:					
Pupils	1,603,162		34,411		(1,568,751)
Instructional Staff	2,442,878		65,641		(2,377,237)
Board of Education	1,674				(1,674)
Administration	2,488,749		455,024		(2,033,725)
Fiscal	695,960				(695,960)
Business	261,237				(261,237)
Operation and					
Maintenance of Plant	4,393,323				(4,393,323)
Pupil Transportation	1,783,390				(1,783,390)
Central	12,753				(12,753)
Non-Instructional Services	1,614,502	874,278	228,401		(511,823)
Extracurricular Activities	798,002	258,042			(539,960)
Capital Outlay	414,370			\$ 500,000	85,630
Interest and Fiscal Charges	56,939				(56,939)
<i>Total Governmental Activities</i>	<u>\$ 40,605,415</u>	<u>\$ 1,923,868</u>	<u>\$ 1,653,106</u>	<u>\$ 500,000</u>	<u>(36,528,441)</u>

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	21,445,999
Property Taxes, Levied for Capital Outlay	895,388
Payment in Lieu of Taxes	1,535,060
Grants and Entitlements not Restricted to Specific Programs	11,984,734
Gifts and Donations	92,301
Investment Earnings	127,561
Miscellaneous	204,162
Premium on Debt Issuance	10,578
<i>Total General Revenues</i>	<u>36,295,783</u>
<i>Change in Net Assets</i>	(232,658)
Net Assets Beginning of Year - Restated	4,673,972
<i>Net Assets End of Year</i>	<u>\$ 4,441,314</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2004**

	General Fund	Other Governmental Funds	Totals Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 6,043,779	\$ 2,025,791	\$ 8,069,570
Receivables:			
Accounts	153	12,299	12,452
Interfund	246,400		246,400
Intergovernmental		282,939	282,939
Taxes	22,052,576	1,066,031	23,118,607
Prepaid Items	285,462	10,425	295,887
Materials and Supplies Inventory		36,620	36,620
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	201,560		201,560
<i>Total Assets</i>	\$ 28,829,930	\$ 3,434,105	\$ 32,264,035
Liabilities:			
Accounts Payable	\$ 120,785	\$ 109,338	\$ 230,123
Accrued Wages and Benefits	2,745,787	103,109	2,848,896
Interfund Payable		246,400	246,400
Intergovernmental Payable	536,417		536,417
Matured Compensated Absences Payable	63,259		63,259
Notes Payable		1,050,000	1,050,000
Deferred Revenue	21,395,983	1,227,189	22,623,172
<i>Total Liabilities</i>	24,862,231	2,736,036	27,598,267
Fund Balances:			
Reserved for Encumbrances	156,135	42,896	199,031
Reserved for Prepaid Items	285,462	10,425	295,887
Reserved for Property Taxes	656,593	22,407	679,000
Reserved for Budget Stabilization	201,560		201,560
Unreserved, Undesignated Reported In			
General Fund	2,667,949		2,667,949
Special Revenue Funds		684,179	684,179
Capital Projects Funds		(61,838)	(61,838)
<i>Total Fund Balances</i>	3,967,699	698,069	4,665,768
<i>Total Liabilities and Fund Balances</i>	\$ 28,829,930	\$ 3,434,105	\$ 32,264,035

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, 2004**

Total Governmental Fund Balances		\$ 4,665,768
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		5,094,625
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Intergovernmental Receivable	183,565	
Property Taxes Receivable	<u>2,527,464</u>	
		2,711,029
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(288,469)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(515,000)	
Severance Payable	(781,875)	
Compensated Absences Payable	<u>(6,444,764)</u>	
		<u>(7,741,639)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 4,441,314</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, 2004**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Local Taxes	\$ 20,140,963	\$ 834,046	\$ 20,975,009
Payment in Lieu of Taxes	1,472,575	62,485	1,535,060
Intergovernmental	11,649,224	2,785,786	14,435,010
Interest	115,289	12,272	127,561
Tuition and Fees	467,893	291,643	759,536
Rent	13,396	4,483	17,879
Extracurricular Activities		258,042	258,042
Gifts and Donations	40,662	51,639	92,301
Customer Sales and Services	14,133	874,278	888,411
Miscellaneous	196,261	7,901	204,162
<i>Total Revenues</i>	<u>34,110,396</u>	<u>5,182,575</u>	<u>39,292,971</u>
Expenditures:			
Current:			
Instruction:			
Regular	14,049,720	371,093	14,420,813
Special	2,564,077	416,086	2,980,163
Vocational	3,220,497	68,361	3,288,858
Adult/Continuing	235,116	504,585	739,701
Other	2,008,120		2,008,120
Support services:			
Pupils	1,228,018	277,295	1,505,313
Instructional Staff	2,085,216	221,236	2,306,452
Board of Education	2,526		2,526
Administration	2,054,318	266,875	2,321,193
Fiscal	678,443	21,360	699,803
Business	260,669		260,669
Operation and Maintenance of Plant	4,303,612	102,472	4,406,084
Pupil Transportation	1,806,542	334,390	2,140,932
Central		12,753	12,753
Operation of Non-Instructional Services		1,596,454	1,596,454
Extracurricular activities	535,746	268,911	804,657
Capital Outlay		1,178,145	1,178,145
Debt Service			
Principal Retirement	155,000		155,000
Interest and Fiscal Charges	32,635	24,304	56,939
<i>Total Expenditures</i>	<u>35,220,255</u>	<u>5,664,320</u>	<u>40,884,575</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,109,859)</u>	<u>(481,745)</u>	<u>(1,591,604)</u>
Other Financing Sources (Uses):			
Proceeds from the Sale of Notes		10,578	10,578
<i>Total Other Financing Sources (Uses)</i>		<u>10,578</u>	<u>10,578</u>
<i>Net Change in Fund Balance</i>	(1,109,859)	(471,167)	(1,581,026)
Fund Balances at Beginning of Year	5,077,558	1,169,236	6,246,794
<i>Fund Balances at End of Year</i>	<u>\$ 3,967,699</u>	<u>\$ 698,069</u>	<u>\$ 4,665,768</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, 2004**

Net Change in Fund Balances - Total Governmental Funds \$ (1,581,026)

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 - Capital Assets	1,313,594	
Depreciation	(446,471)	
	<u>867,123</u>	867,123

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	(37,692)	
	<u>(37,692)</u>	(37,692)

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

Property Taxes	1,366,378	
Intergovernmental	(297,170)	
	<u>1,069,208</u>	1,069,208

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

155,000

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	(15,868)	
Compensated Absences Payable	(689,403)	
	<u>(705,271)</u>	(705,271)

<i>Change in Net Assets of Governmental Activities</i>		<u>\$ (232,658)</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, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property and Other Local Taxes	\$ 17,401,400	\$ 17,401,400	\$ 20,235,908	\$ 2,834,508
Intergovernmental	10,543,500	11,443,500	11,649,224	205,724
Interest	125,001	125,001	146,511	21,510
Tuition and Fees	433,000	433,000	467,740	34,740
Rent	10,300	10,300	13,396	3,096
Gifts and Donations	48,795	48,795	40,662	(8,133)
Customer Sales and Services	11,500	11,500	14,133	2,633
Miscellaneous	1,426,400	1,426,400	1,497,103	70,703
<i>Total Revenues</i>	<u>29,999,896</u>	<u>30,899,896</u>	<u>34,064,677</u>	<u>3,164,781</u>
Expenditures				
Current:				
Instruction:				
Regular	14,327,077	14,362,077	13,935,196	426,881
Special	2,718,244	2,718,244	2,538,308	179,936
Vocational	3,170,263	3,170,263	3,219,057	(48,794)
Adult/Continuing	212,648	212,648	225,764	(13,116)
Other	1,500,000	1,500,000	2,081,570	(581,570)
Support Services:				
Pupils	1,513,088	1,513,088	1,117,609	395,479
Instructional Staff	1,952,194	1,952,194	1,971,912	(19,718)
Board of Education	33,950	33,950	24,811	9,139
Administration	2,067,906	2,067,906	2,113,750	(45,844)
Fiscal	646,056	646,299	669,026	(22,727)
Business	261,726	261,726	253,651	8,075
Operation and Maintenance of Plant	4,249,669	4,249,669	4,482,073	(232,404)
Pupil Transportation	1,892,064	1,892,064	1,872,253	19,811
Extracurricular Activities	519,305	519,305	515,290	4,015
Debt Service:				
Principal	155,000	155,000	155,000	
Interest	32,635	32,635	32,635	
<i>Total Expenditures</i>	<u>35,251,825</u>	<u>35,287,068</u>	<u>35,207,905</u>	<u>79,163</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,251,929)</u>	<u>(4,387,172)</u>	<u>(1,143,228)</u>	<u>3,243,944</u>
Other Financing Sources and (Uses)				
Refund of Prior Year Expenditures	100,000	100,000	171,733	71,733
Advances In	112,099	112,099	112,099	
Advances Out			(223,166)	(223,166)
<i>Total Other Financing Sources and Uses</i>	<u>212,099</u>	<u>212,099</u>	<u>60,666</u>	<u>(151,433)</u>
<i>Net Change in Fund Balances</i>	<u>(5,039,830)</u>	<u>(4,175,073)</u>	<u>(1,082,562)</u>	<u>3,092,511</u>
<i>Fund Balance at Beginning of Year</i>	6,672,153	4,809,041	6,676,426	1,867,385
Prior Year Encumbrances Appropriated	448,214	448,214	448,214	
<i>Fund Balance at End of Year</i>	<u>\$ 2,080,537</u>	<u>\$ 1,082,182</u>	<u>\$ 6,042,078</u>	<u>\$ 4,959,896</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 264,846	\$ 192,724
Liabilities:		
Due to Students		\$ 192,724
Net Assets:		
Held in Trust for Scholarships	\$ 26,696	
Endowment	238,150	
<i>Total Net Assets</i>	<u>\$ 264,846</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, 2004**

	Private Purpose Trust
Additions:	
Interest	\$ 5,337
<i>Total Additions</i>	<u>5,337</u>
Deductions:	
Scholarships	<u>3,150</u>
<i>Total Deductions</i>	<u>3,150</u>
<i>Change in Net Assets</i>	2,187
Net Assets at Beginning of Year	<u>262,659</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 264,846</u></u>

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, 2004**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The 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 District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 4 elementary schools, 2 middle schools, and 1 comprehensive high school. The District employs 183 non-certified, 309 (including administrative) full-time and part-time employees to provide services to approximately 3,862 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 District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

The District is associated with one jointly governed organization, the Northwest Ohio Computer Association. This organization is presented in Note 16 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 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.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories 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 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

Fiduciary Funds

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

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 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. 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 District, available means expected to be received within sixty days of fiscal year end.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

Nonexchange transactions, in which the 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, 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, 2004, but which were levied to finance fiscal year 2005 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.

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 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 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and United States Agency Bonds and Notes. Investments are reported at fair value, which is based on quoted market prices.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. 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, 2004.

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 2004 amounted to \$115,289; interest in the amount of \$12,272 was the amount 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 District are considered to be cash equivalents. Investments with 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 District receives payments from BP Oil Company in lieu of taxes that would be due the District per an Enterprise zone agreement that allows tax abatement to BP Oil Company. This abatement stipulates that BP Oil Company will pay the District an amount of money that would be equal to the taxes the District would have received.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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 governments 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, 2004
(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 District maintains a capitalization threshold of five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building 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 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 District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the 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, 2004.

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.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

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 District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The 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 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. The reserve for encumbrances represents commitments for purchases and the reserve for prepaid items represents amounts paid in advance for services.

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.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

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.

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 District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

3. RESTATEMENT OF CAPITAL ASSETS, LONG-TERM LIABILITIES, AND NET ASSETS

Capital assets were restated from the prior year. The capital assets' costs were overstated by \$1,109,229 and the accumulated depreciation was overstated by \$507,314. Long-term Liabilities were restated from the prior year. The Severance Payable was understated by \$781,875. The net effect is shown below.

	Governmental Activities
Net Asset Balance at June 30, 2003 as reported	\$ 6,057,762
Capital Assets, Net	(601,915)
Long-Term Liabilities increased	(781,875)
Net Asset Balance at June 30, 2003 as restated	\$ 4,673,972

4. BUDGETARY BASIS OF ACCOUNTING

While the 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:

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.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

Net Change in Fund Balance Major Governmental Fund	General
GAAP Basis	\$ (1,109,859)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2003, Received In Cash FY 2004	782,760
Accrued FY 2004, Not Yet Received in Cash	(828,479)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(2,941,394)
Accrued FY 2004, Not Yet Paid in Cash	3,359,960
Advances Net	(111,067)
Encumbrances Outstanding at Year End (Budget Basis)	(234,483)
Budget Basis	\$ (1,082,562)

5. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits the 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 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,

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

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, 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 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 District's deposits was \$3,611,289 and the bank balance was \$4,445,644. Of the bank balance:

1. \$139,912 was covered by federal depository insurance;
2. \$4,305,732 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 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 District to a successful claim by the Federal Deposit Insurance Corporation.

The District also had cash on hand of \$7,877.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

Investments

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

The District's investments are summarized below:

	Risk Category 3	Carrying Value	Fair Value
U.S. Agency Bonds and Notes	\$ 2,997,407	\$ 2,997,407	\$ 2,997,407
STAR Ohio	-	2,112,127	2,112,127
<i>Totals</i>	<u>\$ 2,997,407</u>	<u>\$ 5,109,534</u>	<u>\$ 5,109,534</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:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 8,728,700	\$ -
Cash on Hand	(7,877)	-
Sky Trust Investment Account	(2,997,407)	2,997,407
Investments of the Cash Management Pool:		
STAR Ohio	(2,112,127)	2,112,127
GASB Statement No. 3	<u>\$ 3,611,289</u>	<u>\$ 5,109,534</u>

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes for 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2004, 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.

**OREGON CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2001, was 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, 2003, on the value as of December 31, 2003. 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 District prior to June 30.

The District receives property taxes from Wood and Lucas Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2004 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, 2004, was \$656,593 in the General Fund and \$22,407 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Industrial/Commercial	\$ 101,240,960	17%	\$ 109,766,030	17%
Agricultural/Residential	320,337,520	54%	365,633,480	57%
Public Utility	50,886,040	9%	48,679,700	8%
Tangible Personal	116,516,416	20%	118,784,931	18%
Total Assessed Value	<u>\$ 588,980,936</u>	<u>100%</u>	<u>\$ 642,864,141</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$ 49.20		\$ 55.10	

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes, intergovernmental, accounts and interfund 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:

	Amount
Governmental Activities	
Taxes	\$ 23,118,607
Intergovernmental	282,939
Total Governmental Activities	\$ 23,401,546

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance at 6/30/2003	Additions	Reductions	Balance at 6/30/2004
Governmental Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$ 497,255	\$ -	\$ 1,288	\$ 495,967
Construction In Progress	-	29,540	-	29,540
<i>Total Nondepreciable Capital Assets</i>	497,255	29,540	1,288	525,507
<i>Depreciable Capital Assets</i>				
Land Improvements	-	405,864	-	405,864
Buildings and Building Improvements	11,854,761	297,003	-	12,151,764
Furniture, Fixtures, and Equipment	5,796,394	129,210	23,115	5,902,489
Vehicles	2,848,606	451,977	280,200	3,020,383
<i>Total Depreciable Capital Assets</i>	20,499,761	1,284,054	303,315	21,480,500
<i>Less Accumulated Depreciation</i>				
Land Improvements	-	18,264	-	18,264
Buildings and Building Improvements	10,435,405	30,242	-	10,465,647
Furniture, Fixtures, and Equipment	4,302,246	216,097	14,731	4,503,612
Vehicles	1,994,171	181,868	252,180	1,923,859
<i>Total Accumulated Depreciation</i>	16,731,822	446,471	266,911	16,911,382
<i>Depreciable Capital Assets, Net</i>	3,767,939	837,583	36,404	4,569,118
<i>Governmental Activities Capital Assets, Net</i>	\$ 4,265,194	\$ 867,123	\$ 37,692	\$ 5,094,625

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 437,062
Operation of Non-Instruction Services	<u>9,409</u>
<i>Total Depreciation Expense</i>	<u><u>\$ 446,471</u></u>

9. INTERFUND ASSETS/LIABILITIES

As of June 30, 2004, on the fund financial statements, the Rotary, District Managed Activities, Summer School Subsidy, Computer Technologies, Miscellaneous State Grants, Adult Basic Education, Vocational Education, Title VI, Title II-A, and Miscellaneous Federal Grant Special Revenue Funds owed the General Fund \$5,408, \$48,492, \$6,925, \$6,700, \$4,092, \$16,353, \$56,859, \$27, \$82,639, and \$18,905, respectively. These amounts are represented as "Interfund Receivable/Payable" on the balance sheet.

10. RISK MANAGEMENT

A. Comprehensive

The District participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (the Program), a public entity insurance purchasing pool which consists of school districts within Northwest Ohio. The District pays annual premiums into the program for comprehensive insurance coverage including liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured. The Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc. for claims processing.

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

B. Health Insurance

The District is insured with private carriers for health, vision, and dental benefits for the eligible employees and their dependents. Health and vision coverage is through Medical Mutual of Ohio and dental insurance is through CoreSource, Inc.

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

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

A DBP or CP member with five or more years of 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 DCP 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, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2002 was \$2,653,820, \$2,347,157, and \$2,188,980, respectively; 85 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002. Member and employer contributions actually made for Defined Contribution and Combined Plan participants will be provided upon written request.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. 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.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 10 percent 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,

**OREGON CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$446,045, \$621,456, and \$619,248, respectively; 68.43 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

12. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. The Balance in the Health Care Stabilization Fund was 2.8 billion on June 30, 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$352,301,000, and STRS had 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, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$312,528 for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004 (the latest information available), were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

13. OPERATING LEASE

The District entered into an operating lease in fiscal year 2002 with the Northwest Ohio Computer Association (NWOCA) for a high bandwidth dedicated connection to NWOCA for a period of fifteen (15) years. The District elected a payment plan over 15 years, with annual payments of \$31,000. Lease payments totaled \$31,000 for the year.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2004:

Fiscal Year Ending June 30,	
2005	\$ 31,000
2006	31,000
2007	31,000
2008	31,000
2009	31,000
2010-2014	155,000
2015-2016	62,000
<i>Total Minimum Lease Payments</i>	\$ 372,000

14. LONG-TERM OBLIGATIONS

A. During the fiscal year ended June 30, 2004, the following changes occurred in liabilities reported in the statement of net assets.

	Restated Balance 7/1/2003	Increase	Decrease	Balance 6/30/2004	Amount Due in One Year
Energy Conservation Bonds	\$ 555,000	\$ -	\$ 100,000	\$ 455,000	\$ 105,000
Energy Conservation Bonds	115,000	-	55,000	60,000	60,000
Intergovernmental Payable	272,601	288,469	272,601	288,469	288,469
Severance Payable	1,042,500	-	260,625	781,875	260,625
Compensated Absences	5,494,736	6,508,023	5,494,736	6,508,023	63,259
<i>Total</i>	\$ 7,479,837	\$ 6,796,492	\$ 6,182,962	\$ 8,093,367	\$ 777,353
Capital Project Fund Liability					
Tax Anticipation Note	\$ 275,000	\$ -	\$ 275,000	\$ -	\$ -
Tax Anticipation Note	-	1,050,000	-	1,050,000	525,000
<i>Total</i>	\$ 275,000	\$ 1,050,000	\$ 275,000	\$ 1,050,000	\$ 525,000

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 District.

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

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

Severance payable represents special termination benefits available to certain employees who elect to retire or resign on June 30, 2002 or 2004 and have a minimum of ten years service with the District. Participating employees are compensated for a portion of unused sick leave and an amount equal to seventy to eighty percent of their base salary, payable in five equal annual installments.

School Improvement Tax Anticipation Notes - On August 1, 2000, the District issued \$825,000 in voted general obligation notes for the purpose of renovating, rehabilitating, adding to, acquiring, furnishing, equipping and otherwise improving school facilities and sites. The notes were retired during the fiscal year.

School Improvement Tax Anticipation Notes - On September 15, 2003, the District issued \$1,050,000 in voted general obligation notes for the purpose of renovating, rehabilitating, adding to, acquiring, furnishing, equipping and otherwise improving school facilities and sites. The notes will be retired from the Capital Projects Fund.

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

Fiscal year Ending June 30,	Principal	Interest	Total
2005	690,000	43,455	733,455
2006	635,000	24,281	659,281
2007	115,000	11,880	126,880
2008	125,000	6,188	131,188
<i>Total</i>	<u>\$ 1,565,000</u>	<u>\$ 85,804</u>	<u>\$ 1,650,804</u>

- C.** The District's voted legal debt margin was \$56,807,773 with an unvoted debt margin of \$642,864 at June 30, 2004.

15. SET-ASIDES

The 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 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 2004.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Balance as of June 30, 2003	\$ (172,010)	\$ -	\$ 201,560
Current Year Set-aside Requirement	553,343	553,343	-
Off set Credits	-	(896,750)	-
Qualifying Disbursements	<u>(684,333)</u>	<u>(1,102,565)</u>	-
Total	<u>\$ (303,000)</u>	<u>\$ (1,445,972)</u>	<u>\$ 201,560</u>
Amount Carried Forward to Future Fiscal Years	<u>\$ (303,000)</u>	<u>\$ -</u>	<u>\$ 201,560</u>

For fiscal year 2004, 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.

16. JOINTLY GOVERNED ORGANIZATION

Northwest Ohio Computer Association

The 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 22900 State Route 34, Archbold, Ohio 43502

17. 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 decision 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 is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

18. CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

B. Litigation

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

19. BUDGETARY COMPLIANCE

The District's appropriations exceeded estimated resources in the General Fund by \$800,000 and in the Title VI Grant Fund by \$15,000.

20. SUBSEQUENT EVENTS

The District issued \$45 million in bond anticipation notes on January 19, 2005. The money is to be used for demolition of some of the current school buildings, construction of new school facilities and remodeling of the remaining buildings.

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**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

PROGRAM	CFDA NUMBER	PASS THROUGH NUMBER
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed through the Ohio Department of Education</i>		
<u>Child Nutrition Cluster:</u>		
Food Distribution Program	10.550	-
National School Breakfast Program	10.553	-
National School Lunch Program	10.555	-
<i>Total Nutrition Cluster</i>		
Total United States Department of Agriculture		
UNITED STATES DEPARTMENT OF EDUCATION		
<i>Passed Through the Ohio Department of Education</i>		
Special Education Grants to States	84.027	044602-6BSF-2002 044602-6BSF-2003-P 044602-6BSF-2004
<i>Total Special Education Grants to States</i>		
Title 1 Grants to Local Education Agencies:	84.010	044602-C1S1-2001 044602-C1S1-2003 044602-C1S1-2004
<i>Total Title 1 Grants to Local Education Agencies</i>		
Title IIA Improving Teacher Quality State Grants	84.367	044602-TR-S1-03 044602-TR-S1-04
<i>Total Title IIA Improving Teacher Quality State Grants</i>		
Vocational Education- Basic Grants to States:	84.048	20C1-2000 20C1-2001 20AO-2002 20C1-2002 20C1-2003 20C1-2004
<i>Total Vocational Education Basic Grants to States</i>		
Adult Education- State Grant Program	84.002	044602-ABS1-2003
<i>Total Adult Education- State Grant Program</i>		

<u>FEDERAL RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>FEDERAL DISBURSEMENTS</u>	<u>NON-CASH DISBURSEMENTS</u>
	\$ 98,850		\$ 98,850
\$ 4,050		\$ 4,050	
243,023		243,023	
<u>247,073</u>	<u>98,850</u>	<u>247,073</u>	<u>98,850</u>
247,073	98,850	247,073	98,850
		164,448	
158,421		233,769	
369,174		160,194	
<u>527,595</u>		<u>558,411</u>	
		31,918	
55,102		62,636	
277,585		272,443	
<u>332,687</u>		<u>366,997</u>	
		125,258	
53,631		87,873	
23,286		213,131	
<u>76,917</u>			
		916	
		27,728	
		764	
		7,080	
34,011		41,443	
14,227		16,962	
<u>48,238</u>		<u>94,893</u>	
		27,483	
27,483		27,483	
<u>27,483</u>		<u>27,483</u>	

(Continued)

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

PROGRAM	CFDA NUMBER	PASS THROUGH NUMBER
Innovative Education Program Strategies	84.298	044602-C2S1-2002 044602-C2S1-2003 044602-C2S1-2004
<i>Total Innovative Education Program Strategies</i>		
Safe and Drug Free Schools and Communities- State Grants Drug Free Schools	84.186	044602-DRS1-2003 044602-DRS1-2004
<i>Total Safe and Drug Free Schools and Communities</i>		
Education Technology State Grants	84.318	044602-TJS1-2003 044602-TJS1-2004
<i>Total Education Technology State Grants</i>		
Total Ohio Department of Education		
<i>Passed Through the Ohio School Facilities Commission</i>		
Federal Emergency Repair Program	84.352A	044602-0BE0201-001-B1
Total United States Department of Education		
UNITED STATES DEPARTMENT OF LABOR		
<i>Passed Through Ohio Department of Job and Family Services</i>		
<i>Passed Through the Lucas County Department of Job and Family Services</i>		
<i>Passed through Lucas County Economic & Workforce Development Department</i>		
Workforce Investment Act- Dislocated Workers	17.260	-
Total United States Department of Labor		
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES		
<i>Passed through the Ohio Department of Mental Retardation and Developmental disabilities and then Through the Lucas County Department of mental retardation and developmental disabilities:</i>		
Medicaid Reimbursement	93.778	-
Total United States Department of Health and Human Services		
TOTAL - ALL FEDERAL ASSISTANCE		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

<u>FEDERAL RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>FEDERAL DISBURSEMENTS</u>	<u>NON-CASH DISBURSEMENTS</u>
		32	
2,814		2,729	
23,747		21,280	
<u>26,561</u>		<u>24,009</u>	
3,838		5,658	
10,909		9,632	
<u>14,747</u>		<u>15,290</u>	
4,251		8,619	
6,385		6,385	
10,636		15,004	
<u>1,064,864</u>		<u>1,315,218</u>	
1 500,000		499,990	
<u>1,564,864</u>		<u>1,815,208</u>	
43,843		74,359	
<u>43,843</u>		<u>74,359</u>	
31,428		31,428	
<u>31,428</u>		<u>31,428</u>	
<u>\$ 1,887,208</u>	<u>\$ 98,850</u>	<u>\$ 2,168,068</u>	<u>\$ 98,850</u>

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2004**

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. All food commodities are considered expended when received.

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 INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the 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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider 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 management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-002.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated May 12, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the District's management dated May 12, 2005, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

May 12, 2005



**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, Lucas County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Oregon City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when 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 matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated May 12, 2005.

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



Betty Montgomery
Auditor of State

May 12, 2005

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FISCAL YEAR ENDED JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	84.027 - Title VIB Special Education Grants to States 84.352A- Federal Emergency Repair Program 84.010 - Title I Grants to Local Education Agencies
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2004-001

Ohio Revised Code § 5705.39 states in part that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures therefrom, as certified by the budget commission or in case of appeal, by the board of tax appeals. Appropriations exceeded estimated resources for the following funds:

<u>Fund</u>	<u>Certified Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General	\$ 36,857,195	\$ 37,657,195	\$ (800,000)
Title VI Grant	2,846	17,846	(15,000)

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

FINDING NUMBER 2004-002

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 occur.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC § 5705.39 appropriations exceeding estimated resources	No	Not corrected. Reissued as finding number 2004-001.
2003-002	Reportable Condition-Budgetary Procedures	No	Not corrected. Reissued as finding number 2004-002.



**Auditor of State
Betty Montgomery**

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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
JUNE 30, 2005**