

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

**AUDIT REPORT**

**For the Year Ended June 30, 2006**

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





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Oregon City School District, Lucas County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Oregon City School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 11, 2007

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**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO  
AUDIT REPORT  
For the Year Ended June 30, 2006**

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

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oregon City School District, Lucas County, Ohio, (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Oregon City School District, Lucas County, Ohio, as of June 30, 2006, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

***Charles E. Harris & Associates, Inc.***  
May 17, 2007



Oregon City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

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The discussion and analysis of Oregon City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Highlights for fiscal year 2006 were as follows:

Net assets increased \$1,525,391, or approximately 14 percent. This was primarily the result of revenues in excess of expenses for General Fund related activities.

General revenues were \$44,495,171, or 87 percent of all governmental activities revenues, and demonstrate the School District's significant dependence on property taxes as well as unrestricted State funding.

**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 Oregon City School 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 School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in a single column.

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School 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 School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Oregon City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

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In the statement of net assets and the statement of activities, all of the School District's activities are reflected as governmental activities. The programs and services reported here include instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and unrestricted State entitlements.

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

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Building Fund.

Governmental Funds - All of the School 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 School 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.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2006 and fiscal year 2005:

Table 1  
Net Assets

	Governmental Activities	
	2006	2005
<u>Assets</u>		
Current and Other Assets	\$93,235,723	\$132,342,805
Capital Assets, Net	13,736,915	8,127,415
Total Assets	106,972,638	140,470,220
 <u>Liabilities</u>		
Current and Other Liabilities	37,042,988	31,431,155
Long-Term Liabilities	57,170,625	97,805,431
Total Liabilities	94,213,613	129,236,586

(continued)

Oregon City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

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Table 1  
Net Assets  
(continued)

	Governmental Activities	
	2006	2005
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	\$7,052,434	\$7,240,630
Restricted	4,648,700	3,352,624
Unrestricted	1,057,891	640,380
Total Net Assets	\$12,759,025	\$11,233,634

A review of the above table reveals a number of significant changes in assets and liabilities from the prior fiscal year. Within current and other assets, cash and cash equivalents decreased almost \$4.7 million as a result of construction activities on the first phase of the high school construction (note the increase in capital assets, net) and for the retirement of bond anticipation notes as reflected in the decrease in current and other liabilities. One other item of note within current and other assets was a \$3 million prepaid for monies paid in advance to H.E.A.T., Total Facility Solutions for their portion of the building construction. The increase in long-term liabilities is due to the issuance of energy conservation bonds in fiscal year 2006 as well as an increase in compensated absences.

Table 2 reflects the change in net assets for fiscal year 2006 and fiscal year 2005:

Table 2  
Change in Net Assets

	Governmental Activities	
	2006	2005
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$3,167,471	\$2,052,511
Operating Grants, Contributions, and Interest	3,294,286	3,266,170
Capital Grants and Contributions	30,000	33,600
Total Program Revenues	6,491,757	5,352,281
General Revenues		
Property Taxes	28,676,628	26,502,541
Payment in Lieu of Taxes	1,483,661	2,391,290
Grants and Entitlements	11,554,004	10,211,072
Interest	2,543,233	626,772
Miscellaneous	237,645	279,421
Total General Revenues	44,495,171	40,011,096
Total Revenues	50,986,928	45,363,377

(continued)

Oregon City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

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Table 2  
Change in Net Assets  
(continued)

	Governmental Activities	
	2006	2005
Instruction:		
Regular	\$20,026,374	\$17,468,485
Special	4,034,256	3,119,489
Vocational	4,112,118	3,487,769
Adult/Continuing	699,301	703,975
Support Services:		
Pupils	1,852,242	1,358,916
Instructional Staff	2,602,225	2,444,355
Board of Education	72,843	25,842
Administration	2,575,613	2,613,906
Fiscal	967,571	730,050
Business	267,944	286,391
Operation and Maintenance of Plant	4,685,687	5,088,719
Pupil Transportation	2,318,165	1,740,430
Central	4,576	1,800
Non-Instructional Services	1,764,888	1,723,256
Extracurricular Activities	843,013	734,395
Interest and Fiscal Charges	2,634,721	183,215
Total Expenses	49,461,537	41,710,993
Increase in Net Assets	1,525,391	3,652,384
Net Assets at Beginning of Year	11,233,634	7,581,250
Net Assets at End of Year	\$12,759,025	\$11,233,634

Overall, revenues increased 12 percent from the prior fiscal year with increases reflected in both program revenues and general revenues. The increase in charges for services program revenues is the result of open enrollment. The increase in general revenues is due to general increases in both property taxes and State entitlement funding as well as a substantial increase in interest revenue (the result of earnings on invested debt proceeds).

Expenses also increased from the prior fiscal year, primarily in two significant areas. First, overall instruction costs increased 16.5 percent due to staffing increases. Second, interest and fiscal charges increased as a result of both debt issuance and retirement.

As is to be expected, instruction programs are the School District's largest expense, accounting for 58 percent of all governmental activities expenses. Combined with the support services primarily related to instruction, such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 82 percent of all of the School District's expenses are related to the functions of delivering education and maintaining facilities.

Oregon City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

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, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported primarily from tax revenues and unrestricted State entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction:				
Regular	\$20,026,374	\$17,468,485	\$18,119,816	\$16,197,206
Special	4,034,256	3,119,489	2,457,004	2,308,344
Vocational	4,112,118	3,487,769	3,691,546	3,174,437
Adult/Continuing	699,301	703,975	238,177	290,691
Support Services:				
Pupils	1,852,242	1,358,916	1,825,074	1,324,430
Instructional Staff	2,602,225	2,444,355	2,602,225	2,371,966
Board of Education	72,843	25,842	72,843	25,842
Administration	2,575,613	2,613,906	2,575,613	1,959,755
Fiscal	967,571	730,050	967,571	730,050
Business	267,944	286,391	267,944	286,391
Operation and Maintenance of Plant				
Pupil Transportation	4,685,687	5,088,719	4,685,687	5,088,719
Central	2,318,165	1,740,430	2,158,534	1,574,672
Non-Instructional Services	4,576	1,800	4,576	1,800
Extracurricular Activities	1,764,888	1,723,256	45,342	83,516
Interest and Fiscal Charges	843,013	734,395	623,107	757,678
Total Expenses	\$49,461,537	\$41,710,993	\$42,969,780	\$36,358,712

The percentage of the costs of programs provided for through general revenues remained consistent with fiscal year 2005. However, the above table demonstrates that several of the School District's programs are substantially provided for through program revenues. For instance, 39 percent of the special instruction program costs were provided for through program revenues, those primarily being operating grants restricted for special instruction purposes. Program revenues also provided for 66 percent of the costs of adult/continuing education programs through both charges for services and restricted operating grants. For fiscal year 2006, 97 percent of the costs of the non-instructional programs were paid for through cafeteria sales, state and federal subsidies, and donated commodities for food service operations. In addition, the non-instructional program includes operating grants received on behalf of Cardinal Stritch parochial school. Extracurricular activities costs are largely supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

Oregon City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

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**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The significant increase in fund balance in the General Fund is primarily the result of bond proceeds issued for energy conservation improvements.

**General Fund Budgeting Highlights**

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

As can be seen on the statement of revenues, expenditures, and changes in fund balance - budget and actual, there were no changes made from the original to final budget for either revenues or expenditures. The 12 percent increase in actual revenues from the final budget was due to conservative estimates for property taxes and State foundation resources. The decrease in actual expenditures from budgeted amounts was due to savings in almost all programs; however, there were expenditures for capital outlay which had not been anticipated.

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2006, the School District had \$13,736,915 invested in capital assets (net of accumulated depreciation) for governmental activities, a 69 percent increase from the prior fiscal year. Most of this was related to construction in progress for the new high school. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

During fiscal year 2006, the School District paid off bond anticipation notes, in the amount of \$45,525,000. At June 30, 2006, the School District had outstanding general obligation bonds, in the amount of \$47,977,211. These bonds will not be fully retired until fiscal year 2033. The School District's long-term obligations also include capital leases and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 18 to the basic financial statements.

Oregon City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

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**Current Issues**

The School District is primarily a suburban school district located on the eastern edge of Lucas County which relies heavily on the local taxpayer's for General Fund revenue. Approximately 30 percent of the School District's local revenue came from tangible personal property tax. The systematic elimination of this tax under HB 66 and the State's temporary reimbursement of the loss is quite concerning to the School District. Regardless of the amount compared to the overall local revenue, it is still a loss that most likely will be passed onto the local taxpayer. A 4.4 mill bond levy was approved by School District residents in November 2004. Proceeds from this levy are for renovations to three elementary schools, both middle schools, and Clay High School along with construction of one new elementary school, and demolition of older sections of Clay High School upon completion of the new addition.

The School District has experienced mild increases in enrollment the last several years. The School District serves approximately 3,965 students and employs three hundred one teachers and one hundred eighty-nine classified staff members. Union contracts are in place through fiscal year 2007 with negotiations planned for spring 2007.

The School District's current financial forecast indicates the need for additional revenues as early as fiscal year 2008. The School District is in the process of reviewing expenditures for reductions. The School District continues to spend as prudently as possible to provide an outstanding education to the youth in the School District.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School 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 Jane Fruth, Treasurer, Oregon City School District, 5721 Seaman Road, Oregon, Ohio 43616.

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Oregon City School District  
Statement of Net Assets  
June 30, 2006

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$52,707,577
Accounts Receivable	13,673
Accrued Interest Receivable	377,479
Intergovernmental Receivable	700,501
Due From External Parties	1,006
Prepaid Items	3,094,373
Inventory Held for Resale	9,188
Materials and Supplies Inventory	6,478
Property Taxes Receivable	35,844,587
Unamortized Issuance Cost	480,861
Nondepreciable Capital Assets	5,767,826
Depreciable Capital Assets, Net	7,969,089
Total Assets	106,972,638
 <u>Liabilities:</u>	
Accounts Payable	318,826
Contracts Payable	1,477,995
Accrued Wages and Benefits Payable	3,057,143
Intergovernmental Payable	1,409,586
Retainage Payable	122,575
Deferred Revenue	30,505,230
Accrued Interest Payable	151,633
Long-Term Liabilities:	
Due Within One Year	2,540,848
Due in More Than One Year	54,629,777
Total Liabilities	94,213,613
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	7,052,434
Restricted For:	
Capital Projects	3,679,171
Debt Service	67,826
Setasides	201,560
Adult Education	224,767
Title VI-B	351,040
Other Purposes	124,336
Unrestricted	1,057,891
Total Net Assets	\$12,759,025

See Accompanying Notes to Basic Financial Statements

Oregon City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$20,026,374	\$1,683,283	\$193,275	\$30,000
Special	4,034,256	0	1,577,252	0
Vocational	4,112,118	23,003	397,569	0
Adult/Continuing	699,301	291,465	169,659	0
Support Services:				
Pupils	1,852,242	0	27,168	0
Instructional Staff	2,602,225	0	0	0
Board of Education	72,843	0	0	0
Administration	2,575,613	0	0	0
Fiscal	967,571	0	0	0
Business	267,944	0	0	0
Operation and Maintenance of Plant	4,685,687	0	0	0
Pupil Transportation	2,318,165	0	159,631	0
Central	4,576	0	0	0
Non-Instructional Services	1,764,888	949,814	769,732	0
Extracurricular Activities	843,013	219,906	0	0
Interest and Fiscal Charges	2,634,721	0	0	0
Total Governmental Activities	<u>\$49,461,537</u>	<u>\$3,167,471</u>	<u>\$3,294,286</u>	<u>\$30,000</u>

General Revenues:

Property Taxes Levied for General Purposes  
Property Taxes Levied for Debt Service  
Property Taxes Levied for Permanent Improvements  
Payment in Lieu of Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Miscellaneous  
Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year - Restated (Note 3)  
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue  
and Change in  
Net Assets

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Governmental  
Activities

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(\$18,119,816)  
(2,457,004)  
(3,691,546)  
(238,177)

(1,825,074)  
(2,602,225)  
(72,843)  
(2,575,613)  
(967,571)  
(267,944)  
(4,685,687)  
(2,158,534)  
(4,576)  
(45,342)  
(623,107)  
(2,634,721)  

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(42,969,780)

24,721,675  
2,749,659  
1,205,294  
1,483,661  
11,554,004  
2,543,233  
237,645  

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44,495,171

1,525,391

11,233,634  

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\$12,759,025

Oregon City School District  
Balance Sheet  
Governmental Funds  
June 30, 2006

	General	Building	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$6,245,783	\$43,909,364	\$2,350,870	\$52,506,017
Accounts Receivable	13,161	0	512	13,673
Accrued Interest Receivable	21,228	356,251	0	377,479
Interfund Receivable	68,692	0	0	68,692
Intergovernmental Receivable	630,959	0	69,542	700,501
Due From External Parties	1,006	0	0	1,006
Prepaid Items	3,094,373	0	0	3,094,373
Inventory Held for Resale	0	0	9,188	9,188
Materials and Supplies Inventory	0	0	6,478	6,478
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	201,560	0	0	201,560
Property Taxes Receivable	30,869,245	0	4,975,342	35,844,587
Total Assets	<u>\$41,146,007</u>	<u>\$44,265,615</u>	<u>\$7,411,932</u>	<u>\$92,823,554</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$244,472	\$16,685	\$57,669	\$318,826
Contracts Payable	0	1,477,995	0	1,477,995
Accrued Wages and Benefits Payable	2,949,833	0	107,310	3,057,143
Interfund Payable	0	0	68,692	68,692
Intergovernmental Payable	1,351,736	0	57,850	1,409,586
Retainage Payable	0	118,183	4,392	122,575
Deferred Revenue	29,559,136	129,172	4,755,490	34,443,798
Total Liabilities	<u>34,105,177</u>	<u>1,742,035</u>	<u>5,051,403</u>	<u>40,898,615</u>
<u>Fund Balances:</u>				
Reserved for Property Taxes	567,600	0	70,152	637,752
Reserved for Budget Stabilization	201,560	0	0	201,560
Reserved for Encumbrances	263,815	111,768	236,953	612,536
Unreserved, Reported in:				
General Fund	6,007,855	0	0	6,007,855
Special Revenue Funds	0	0	461,502	461,502
Debt Service Fund	0	0	434,600	434,600
Capital Projects Funds	0	42,411,812	1,157,322	43,569,134
Total Fund Balances	<u>7,040,830</u>	<u>42,523,580</u>	<u>2,360,529</u>	<u>51,924,939</u>
Total Liabilities and Fund Balances	<u>\$41,146,007</u>	<u>\$44,265,615</u>	<u>\$7,411,932</u>	<u>\$92,823,554</u>

See Accompanying Notes to the Basic Financial Statements

Oregon City School District  
 Reconciliation of Total Governmental Fund Balances  
 to Net Assets of Governmental Activities  
 June 30, 2006

Total Governmental Fund Balances		\$51,924,939
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		13,736,915
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Accounts Receivable	8,216	
Accrued Interest Receivable	136,402	
Intergovernmental Receivable	668,441	
Property Taxes Receivable	3,125,509	
		3,938,568
<p>Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.</p>		480,861
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued Interest Payable	(151,633)	
General Obligation Bonds Payable	(44,147,286)	
Energy Conservation Bonds Payable	(3,829,925)	
Capital Leases Payable	(20,049)	
Compensated Absences Payable	(9,173,365)	
		(57,322,258)
Net Assets of Governmental Activities		\$12,759,025

See Accompanying Notes to the Basic Financial Statements

Oregon City School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2006

	General	Building	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$26,680,683	\$0	\$4,226,348	\$30,907,031
Payment in Lieu of Taxes	1,429,655	0	54,006	1,483,661
Intergovernmental	12,343,170	0	2,687,235	15,030,405
Interest	441,727	1,884,172	82,569	2,408,468
Tuition and Fees	1,070,790	0	272,139	1,342,929
Extracurricular Activities	0	0	219,906	219,906
Charges for Services	23,003	0	949,814	972,817
Gifts and Donations	0	0	39,000	39,000
Miscellaneous	227,384	231	2,674	230,289
Total Revenues	<u>42,216,412</u>	<u>1,884,403</u>	<u>8,533,691</u>	<u>52,634,506</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	18,481,832	0	203,811	18,685,643
Special	3,266,230	0	421,186	3,687,416
Vocational	3,669,351	0	40,236	3,709,587
Adult/Continuing	247,947	0	441,979	689,926
Support Services:				
Pupils	1,453,629	0	256,547	1,710,176
Instructional Staff	2,480,087	0	221,822	2,701,909
Board of Education	72,843	0	0	72,843
Administration	2,427,482	0	55,639	2,483,121
Fiscal	742,476	0	57,984	800,460
Business	276,806	0	0	276,806
Operation and Maintenance of Plant	4,662,302	0	10,987	4,673,289
Pupil Transportation	2,214,382	0	315	2,214,697
Central	0	0	4,576	4,576
Non-Instructional Services	0	0	1,727,121	1,727,121
Extracurricular Activities	590,102	0	214,490	804,592
Capital Outlay	512,400	4,181,365	728,855	5,422,620
Debt Service:				
Principal Retirement	121,565	0	1,355,000	1,476,565
Interest and Fiscal Charges	18,454	0	2,583,196	2,601,650
Total Expenditures	<u>41,237,888</u>	<u>4,181,365</u>	<u>8,323,744</u>	<u>53,742,997</u>
Excess of Revenues Over (Under) Expenditures	978,524	(2,296,962)	209,947	(1,108,491)
<u>Other Financing Sources:</u>				
Energy Conservation Bonds Issued	<u>3,589,925</u>	<u>0</u>	<u>0</u>	<u>3,589,925</u>
Changes in Fund Balances	4,568,449	(2,296,962)	209,947	2,481,434
Fund Balances at Beginning of Year - Restated (Note 3)	<u>2,472,381</u>	<u>44,820,542</u>	<u>2,150,582</u>	<u>49,443,505</u>
Fund Balances at End of Year	<u>\$7,040,830</u>	<u>\$42,523,580</u>	<u>\$2,360,529</u>	<u>\$51,924,939</u>

See Accompanying Notes to the Basic Financial Statements

Oregon City School District  
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
 of Governmental Funds to Statement of Activities  
 For the Fiscal Year Ended June 30, 2006

Changes in Fund Balances - Total Governmental Funds \$2,481,434

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

Governmental funds report capital outlays 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 - Nondepreciable Capital Assets	5,184,219	
Capital Outlay - Depreciable Capital Assets	864,624	
Depreciation	<u>(439,343)</u>	5,609,500

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

Property Taxes	(2,230,403)	
Intergovernmental	(192,752)	
Interest	136,402	
Tuition and Fees	631,819	
Miscellaneous	<u>7,356</u>	(1,647,578)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 1,476,565

Bond proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net assets. (3,589,925)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net assets.

Accrued Interest Payable	(12,842)	
Annual Accretion on Capital Appreciation Bonds	(20,236)	
Amortization of Premium	<u>14,936</u>	(18,142)

Issuance costs are reported as an expenditure when paid in the governmental funds, but is accrued on outstanding debt on the statement of net assets. (14,929)

Amortization of Issuance Costs

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (2,771,534)

Change in Net Assets of Governmental Activities \$1,525,391

See Accompanying Notes to the Basic Financial Statements

Oregon City School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
<u>Revenues:</u>				
Property Taxes	\$22,429,973	\$22,429,973	\$25,192,257	\$2,762,284
Payment in Lieu of Taxes	1,269,971	1,269,971	1,429,655	159,684
Intergovernmental	10,989,765	10,989,765	12,343,170	1,353,405
Interest	381,154	381,154	428,094	46,940
Tuition and Fees	958,796	958,796	1,076,873	118,077
Charges for Services	20,481	20,481	23,003	2,522
Miscellaneous	22,692	22,692	24,187	1,495
Total Revenues	<u>36,072,832</u>	<u>36,072,832</u>	<u>40,517,239</u>	<u>4,444,407</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	19,442,908	19,442,908	18,590,447	852,461
Special	3,427,811	3,427,811	3,270,034	157,777
Vocational	3,905,723	3,905,723	3,732,676	173,047
Adult/Continuing	261,625	261,625	249,551	12,074
Support Services:				
Pupils	1,555,743	1,555,743	1,486,226	69,517
Instructional Staff	2,602,114	2,602,114	2,477,601	124,513
Board of Education	45,393	45,393	43,298	2,095
Administration	2,607,631	2,607,631	2,477,714	129,917
Fiscal	792,071	792,071	760,317	31,754
Business	311,084	311,084	296,727	14,357
Operation and Maintenance of Plant	5,065,814	5,065,814	4,814,099	251,715
Pupil Transportation	2,385,115	2,385,115	2,237,415	147,700
Extracurricular Activities	619,884	619,884	592,281	27,603
Capital Outlay	0	0	3,589,925	(3,589,925)
Debt Service:				
Principal Retirement	115,322	115,322	110,000	5,322
Interest and Fiscal Charges	18,163	18,163	17,325	838
Total Expenditures	<u>43,156,401</u>	<u>43,156,401</u>	<u>44,745,636</u>	<u>(1,589,235)</u>
Excess of Revenues				
Under Expenditures	(7,083,569)	(7,083,569)	(4,228,397)	2,855,172
<u>Other Financing Sources (Uses):</u>				
Energy Conservation Bonds Issued	0	0	3,589,925	3,589,925
Refund of Prior Year Expenditures	177,168	177,168	198,986	21,818
Refund of Prior Year Receipts	(4,665)	(4,665)	(4,450)	215
Advances In	0	0	53,518	53,518
Advances Out	(73,071)	(73,071)	(68,692)	4,379
Total Other Financing Sources (Uses)	<u>99,432</u>	<u>99,432</u>	<u>3,769,287</u>	<u>3,669,855</u>
Changes in Fund Balance	(6,984,137)	(6,984,137)	(459,110)	6,525,027
Fund Balance at Beginning of Year	5,958,357	5,958,357	5,958,357	0
Prior Year Encumbrances Appropriated	483,845	483,845	483,845	0
Fund Balance (Deficit) at End of Year	<u>(\$541,935)</u>	<u>(\$541,935)</u>	<u>\$5,983,092</u>	<u>\$6,525,027</u>

See Accompanying Notes to the Basic Financial Statements



Oregon City School District  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$315,281	\$179,326
<u>Liabilities:</u>		
Undistributed Assets	0	\$8,298
Due to Students	0	170,022
Due to External Parties	0	1,006
Total Liabilities	0	\$179,326
<u>Net Assets:</u>		
Held in Trust for Scholarships	79,318	
Endowment	235,963	
Total Net Assets	\$315,281	

See Accompanying Notes to the Basic Financial Statements

Oregon City School District  
Statement of Change in Fiduciary Net Assets  
Private Purpose Trust Fund  
June 30, 2006

	Private Purpose Trust
<u>Additions:</u>	
Interest	\$15,801
Gifts and Donations	21,818
Miscellaneous	8,976
Total Additions	46,595
 <u>Deductions:</u>	
Non-Instructional	39,049
	7,546
Change in Net Assets	7,546
Net Assets at Beginning of Year - Restated (Note 3)	307,735
Net Assets at End of Year	\$315,281

See Accompanying Notes to the Basic Financial Statements

**Note 1 - Description of the School District and Reporting Entity**

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

The School District is located in Lucas County, and includes all of the City of Oregon, and portions of surrounding townships. The School District is the 109th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred eighty-nine classified employees, three hundred one certified teaching personnel, and eighteen administrative employees who provide services to three thousand nine hundred sixty-five students and other community members. The School District currently operates four elementary schools, two middle schools, and one comprehensive high school.

**Reporting Entity**

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

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

The following activity is included within the School District’s reporting entity:

Within the School District boundaries, Cardinal Stritch High School is operated as a private school. Current State legislation provides funding to this parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. This activity is reflected in a special revenue fund for financial reporting purposes by the School District.

The School District participates in five jointly governed organizations and one insurance pool. These organizations are the Northwest Ohio Computer Association, Northern Buckeye Education Council, Northwestern Ohio Educational Research Council, Inc., Northwest Ohio Regional Professional Development Center, Northwest Ohio Special Education Regional Resource Center, and the Northwest Ohio Educational Council Insurance Pool. These organizations are presented in Notes 22 and 23 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Governmental Funds**

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

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

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

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**Fiduciary Funds**

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

**C. Measurement Focus**

**Government-Wide Financial Statements**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Fund Financial Statements**

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange Transactions**

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

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Deferred Revenues**

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

Property taxes for which there was an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, are 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 are reported as deferred revenue.

**Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgetary Process**

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

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

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**F. Cash and Investments**

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

During fiscal year 2006, investments included mutual funds, federal agency securities, and STAR Ohio. Investments are reported at fair value, which is based on quoted market price or current share price. 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, 2006.

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 2006 was \$441,727, which includes \$22,977 assigned from other School District funds.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

**I. Restricted Assets**

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

**J. Capital Assets**

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



**Note 2 - Summary of Significant Accounting Policies** (continued)

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Useful Lives
Land Improvements	10 - 40 years
Buildings and Building Improvements	30 - 100 years
Furniture, Fixtures, and Equipment	8 - 40 years
Vehicles	10 - 15 years
Infrastructure	50 years

**K. Interfund Assets/Liabilities**

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

**L. Unamortized Issuance Costs and Premiums**

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

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

**M. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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

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

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

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2006, there were no net assets restricted by enabling legislation.

**P. Fund Balance Reserves**

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

**Q. Interfund Transactions**

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

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

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

**S. Estimates**

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

**Note 3 - Change in Accounting Principles, Correction of Errors, and Restatement of Fund Balance/Net Assets**

**A. Change in Accounting Principles**

For fiscal year 2006, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries". GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. The implementation of this statement did not result in any change to the School District's financial statements.

**B. Correction of Errors**

In the prior fiscal year, the School District reported several funds incorrectly, made errors in reporting interfund activity, notes payable, capital assets, and capital leases, and did not record the issuance costs or premium on capital appreciation bonds.

**C. Restatement of Fund Balance/Net Assets**

The restatement due to the above corrections had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Building	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2005	\$2,491,670	\$89,820,542	\$2,750,486	\$95,062,698
Change in Fund Structure	11,386	0	(105,579)	(94,193)
Interfund Activity	(30,675)	0	30,675	0
Notes Payable	0	(45,000,000)	(525,000)	(45,525,000)
Restated Fund Balance at June 30, 2005	<u>\$2,472,381</u>	<u>\$44,820,542</u>	<u>\$2,150,582</u>	<u>\$49,443,505</u>

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 3 - Change in Accounting Principles, Correction of Errors, and Restatement of Fund Balance/Net Assets** (continued)

The restatement had the following effect on net assets.

	Total Governmental Activities	Private Purpose Trust
Net Assets at June 30, 2005	\$8,026,149	\$262,011
Change in Fund Structure	(94,193)	45,724
Capital Assets	(4,376,142)	0
Accumulated Depreciation	7,709,669	0
Capital Leases	(31,614)	0
Capital Appreciation Bonds - Issuance Costs	495,790	0
Capital Appreciation Bonds - Premium	(496,025)	0
Adjusted Governmental Activities Net Assets at June 30, 2005	\$11,233,634	
Adjusted Fiduciary Net Assets at June 30, 2005		\$307,735

**Note 4 - Accountability and Compliance**

**A. Accountability**

At June 30, 2006, the following funds had deficit fund balances:

Fund	Deficit
Special Revenue Funds	
Other Local Grants	\$5,828
Vocational Education	4,772
Title I	47,737
Title II-A	1,944

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

**B. Compliance**

The General Fund had original appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2006, in the amount of \$541,935. The Treasurer will review budgeted resources to ensure they are sufficient for amounts appropriated.

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**Note 4 - Accountability and Compliance** (continued)

The following funds had final appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2006.

Fund Type/Fund	Estimated Resources Plus Available Balances	Appropriations	Excess
General Fund	\$42,692,202	\$43,234,137	\$541,935
Special Revenue Funds			
Athletics	237,985	245,944	7,959
EMIS	19,818	28,400	8,582
Adult Basic Education	46,681	47,045	364
Title VI-B	627,191	937,069	309,878
Title I	234,471	287,494	53,023
Title VI	8,576	11,825	3,249
Drug Free	19,179	22,864	3,685
Title II-A	102,476	135,022	32,546
Miscellaneous Federal Grants	45,194	46,969	1,775
Capital Projects Fund			
Permanent Improvement	2,309,873	2,321,838	11,965

The Treasurer will review budgeted resources to ensure they are sufficient for amounts appropriated.

The following funds had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2006.

Fund	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund	\$43,156,401	\$44,745,636	\$1,589,235
Special Revenue Funds			
Food Service	1,308,260	1,412,855	104,595
Auxiliary Services	233,095	251,913	18,818
Data Communication	21,000	42,000	21,000
Ohio Reads	20,380	43,276	22,896
Summer School	353	1,062	709
Computer Tech	18,012	20,039	2,027
Vocational Education	52,131	87,637	35,506
Title I	287,494	326,506	39,012

(continued)

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 4 - Accountability and Compliance** (continued)

Fund	Appropriations	Expenditures Plus Encumbrances	Excess
Special Revenue Funds (continued)			
Title II-A	\$135,022	\$140,438	\$5,416
Debt Service Fund			
Bond Retirement	3,585,000	48,971,979	45,386,979
Capital Projects Fund			
SchoolNet	180	14,458	14,278

In the future, the Treasurer will monitor appropriations to ensure they are sufficient for expenditures that are due.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

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

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

Changes in Fund Balance

GAAP Basis	\$4,568,449
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received in Cash FY 2006	481,104
Accrued FY 2006, Not Yet Received in Cash	(1,975,457)
	(continued)

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 5 - Budgetary Basis of Accounting**

Changes in Fund Balance  
(continued)

Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(\$4,848,203)
Accrued FY 2006, Not Yet Paid in Cash	4,545,035
Cash Adjustments:	
Unrecorded Activity FY 2006	(5,834)
Prepaid Items	(2,750,613)
Advances In	53,518
Advances Out	(68,692)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(458,417)
Budget Basis	<u><u>(\$459,110)</u></u>

**Note 6 - Deposits and Investments**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 6 - Deposits and Investments** (continued)

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

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$931,662 of the School District's bank balance of \$6,030,958 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.



Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 6 - Deposits and Investments** (continued)

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2006, the School District had the following investments:

	Fair Value	Maturity
Mutual Fund	\$2,913,727	average 32.29 days
Mutual Fund	674,044	average 8.39 days
Federal Home Loan Mortgage Corporation Notes	1,993,600	8/15/06
Federal Home Loan Mortgage Corporation Bonds	149,097	9/29/06
Federal Home Loan Mortgage Corporation Notes	988,270	11/28/06
Federal Home Loan Mortgage Corporation Notes	1,976,800	12/15/06
Federal Home Loan Mortgage Corporation Notes	99,032	7/18/07
Federal Home Loan Bank Bonds	4,988,000	8/11/06
Federal Home Loan Bank Bonds	2,989,200	8/15/06
Federal Home Loan Bank Bonds	7,464,750	9/15/06
Federal Home Loan Bank Notes	198,438	10/25/06
Federal Home Loan Bank Bonds	993,400	10/27/06
Federal Home Loan Bank Bonds	8,975,810	11/15/06
Federal Home Loan Bank Notes	148,336	3/30/07
Federal Home Loan Bank Bonds	98,954	4/12/07
Federal Home Loan Bank Bonds	493,907	6/28/07
Federal Home Loan Bank Notes	295,875	8/10/07
Federal Home Loan Bank Bonds	297,704	2/13/08
Federal Home Loan Bank Notes	149,695	6/27/08
Federal National Mortgage Association Notes	7,494,000	7/15/06
Federal National Mortgage Association Notes	1,121,661	9/28/06
Federal National Mortgage Association Notes	1,034,341	11/15/06
Federal National Mortgage Association Notes	297,282	11/23/07
Federal National Mortgage Association Notes	297,798	12/13/07
STAR Ohio	2,409,825	average 34.8 days
Total Investments	\$48,543,546	

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

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 6 - Deposits and Investments** (continued)

The mutual funds and all of the federal agency securities carry a rating of AAA by Moodys or Standards & Poor's. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Mutual funds must consist of securities listed in items 1 and 2 on pages 33 and 34 or repurchase agreements secured by such obligations.

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

	Fair Value	Percentage of Portfolio
Federal Home Loan Mortgage Corporation	\$5,206,799	10.7%
Federal Home Loan Bank	27,094,069	55.8
Federal National Mortgage Association	10,245,082	21.1

**Note 7 - Receivables**

Receivables at June 30, 2006, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, amounts due from external parties, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Various School Districts	\$630,959
Other Governmental Funds	
Adult Education	13,440
Adult Basic Education	5,000
Title VI-B	24,042
Title II-A	27,060
Total Governmental Activities	\$700,501

**Note 8 - Property Taxes**

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

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 8 - Property Taxes** (continued)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, this settlement was not received by the School District within fiscal year 2006.

The School District receives property taxes from Lucas County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2006, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006, was \$567,600 in the General Fund, \$47,162 in the Bond Retirement debt service fund, and \$22,990 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2005, was \$468,088 in the General Fund, \$76,036 in the Bond Retirement debt service fund, and \$102,752 in the Permanent Improvement capital projects fund.

The late tax settlement made by the counties for fiscal year 2006 was \$1,388,914 in the General Fund, \$130,750 in the Bond Retirement debt service fund, and \$56,432 in the Permanent Improvement capital projects fund.

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 8 - Property Taxes** (continued)

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

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$372,646,530	56.41%	\$380,272,080	54.50%
Industrial/Commercial	115,829,110	17.53	119,540,770	17.13
Public Utility	48,956,380	7.41	49,655,450	7.12
Tangible Personal	123,211,663	18.65	148,232,758	21.25
<b>Total Assessed Value</b>	<b>\$660,643,683</b>	<b>100.00%</b>	<b>\$697,701,058</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$59.50		\$59.50	

**Note 9 - Payment in Lieu of Taxes**

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

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Restated Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$495,967	\$0	\$0	\$495,967
Construction in Progress	87,640	5,184,219	0	5,271,859
<b>Total Nondepreciable Capital Assets</b>	<b>583,607</b>	<b>5,184,219</b>	<b>0</b>	<b>5,767,826</b>

(continued)

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**Note 10 - Capital Assets** (continued)

	Restated Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Governmental Activities (continued)				
Depreciable Capital Assets				
Land Improvements	\$521,952	\$161,888	(\$20,541)	\$663,299
Buildings and Building Improvements	11,448,764	0	(23,698)	11,425,066
Furniture, Fixtures, and Equipment	2,205,984	37,395	0	2,243,379
Vehicles	2,887,943	365,625	0	3,253,568
Infrastructure	0	299,716	0	299,716
Total Depreciable Capital Assets	<u>17,064,643</u>	<u>864,624</u>	<u>(44,239)</u>	<u>17,885,028</u>
Less Accumulated Depreciation				
Land Improvements	(353,121)	(17,926)	20,541	(350,506)
Buildings and Building Improvements	(5,889,549)	(121,222)	23,698	(5,987,073)
Furniture, Fixtures, and Equipment	(1,400,606)	(134,387)	0	(1,534,993)
Vehicles	(1,877,559)	(165,309)	0	(2,042,868)
Infrastructure	0	(499)	0	(499)
Total Accumulated Depreciation	<u>(9,520,835)</u>	<u>(439,343)</u>	<u>44,239</u>	<u>(9,915,939)</u>
Depreciable Capital Assets, Net	<u>7,543,808</u>	<u>425,281</u>	<u>0</u>	<u>7,969,089</u>
Governmental Activities Capital Assets, Net	<u>\$8,127,415</u>	<u>\$5,609,500</u>	<u>\$0</u>	<u>\$13,736,915</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$106,328
Special	8,067
Vocational	27,146
Support Services:	
Pupils	1,004
Instructional Staff	4,875
Administration	16,790
Fiscal	580
Operation and Maintenance of Plant	54,904
Pupil Transportation	161,777
Non-Instructional Services	24,380
Extracurricular Activities	33,492
Total Depreciation Expense	<u>\$439,343</u>

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 11 - Interfund Assets/Liabilities**

At June 30, 2006, the General Fund had an interfund receivable from other governmental funds, in the amount of \$68,692, for short-term loans and to provide cash flow resources until the receipt of grant monies. All amounts are expected to be repaid within one year.

**Note 12 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted for the following insurance coverage:

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

General School District Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

Coverage provided by Federal Insurance is as follows:

Building and Contents	50,000,000
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Coverage provided by Westchester Fire Insurance is as follows:

Umbrella Liability	10,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2006, the School District participated in the Northwest Ohio Educational Council Insurance Pool (Pool), an insurance purchasing pool. Each participant enters into an individual agreement with the Pool for insurance coverage and pays annual premiums to the Pool based on the types and limits of coverage and deductibles selected by the participant.

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

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 13 - Contractual Commitments**

As of June 30, 2006, the School District had contractual commitments as follows:

Company	Total Contract	Contract Used	Contract Remaining
Bostleman Corporation	\$700,000	\$442,205	\$257,795
Helm & Associates	590,000	291,348	298,652
The Spieker Company	7,027,000	772,236	6,254,764
The Collaborative, Inc.	2,924,967	2,270,689	654,278
Quality Environmental Services	505,851	167,984	337,867
Brooks Contracting, Inc.	689,248	255,280	433,968
Northwest Electrical	362,675	107,810	254,865
Regent Electric, Inc.	639,800	52,486	587,314
Schoen, Inc.	163,203	145,578	17,625

**Note 14 - 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.

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.

**Note 14 - Defined Benefit Pension Plans** (continued)

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, 2006, 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, 2006, 2005, and 2004 was \$2,670,174, \$2,543,487 and \$2,646,892, respectively; 84 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$11,206 made by the School District and \$50,123 made by plan members.

**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, 2006, 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 2006 was 14 percent of annual covered payroll; 10.58 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, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 was \$561,715, \$758,640, and \$446,045, respectively; 48 percent has been contributed for the fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2006, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.



**Note 15 - 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.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All 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 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$206,260.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

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

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 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 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$261,520 for fiscal year 2006.

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, 2006, were \$158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will not be sufficient, in the long-term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 59,492 participants currently receiving health care benefits.

**Note 16 - Other Employee Benefits**

**A. Compensated Absences**

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

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 16 - Other Employee Benefits** (continued)

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

**B. Health Care Benefits**

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

**Note 17 - Notes Payable**

During fiscal year 2006, the School District retired bond anticipation notes issued for the construction of a new elementary school and improvements to other School District buildings and also retired tax anticipation notes issued in anticipation of a new tax levy, in the amount of \$45,000,000 and \$525,000, respectively. The notes had interest rates of 2.60 and 2.65 percent, respectively.

**Note 18 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06	Amounts Due Within One Year
General Obligation Bonds					
2005 School Facilities Improvement					
Serial Bonds 3 - 5%	\$22,250,000	\$0	\$1,355,000	\$20,895,000	\$975,000
Term Bonds 4.5 - 5%	20,595,000	0	0	20,595,000	0
Capital Appreciation Bonds	2,154,993	0	0	2,154,993	0
Accretion on Capital Appreciation Bonds	968	20,236	0	21,204	0
Premium	496,025	0	14,936	481,089	0
1998 Energy Conservation	350,000	0	110,000	240,000	115,000
2006 Energy Conservation	0	3,589,925	0	3,589,925	169,095
Total General Obligation Bonds	45,846,986	3,610,161	1,479,936	47,977,211	1,259,095
Capital Leases Payable	31,614	0	11,565	20,049	13,192
Compensated Absences Payable	6,401,831	3,404,401	632,867	9,173,365	1,268,561
Total Governmental Activities Long-Term Liabilities	\$52,280,431	\$7,014,562	\$2,124,368	\$57,170,625	\$2,540,848

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 18 - Long-Term Obligations** (continued)

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

At June 30, 2006, \$4,670,368 of the bonds have been expended for construction.

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

Year	Amount
2024	\$1,880,000
2025	1,975,000
2026	2,070,000

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

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

Year	Amount
2028	\$2,285,000
2029	2,385,000
2030	2,495,000
2031	2,605,000

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

The capital appreciation bonds are not subject to redemption prior to maturity. The capital appreciation bonds will mature on December 1, 2011, and December 1, 2012, in the amount of \$1,145,000 and \$1,145,000, respectively. For fiscal year 2006, \$20,236 was accreted on the capital appreciation bonds for a total outstanding bond value of \$2,176,197 at fiscal year end.

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

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

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 18 - Long-Term Obligations** (continued)

Compensated absences will be paid from the General Fund, and the Food Service, Title VI-B, and Title I special revenue funds. Capital leases will be paid from the General Fund.

The School District's overall debt margin was \$1,735,429 with an unvoted debt margin of \$504,227 at June 30, 2006.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2006, were as follows:

Fiscal Year Ending June 30,	School Facilities Improvement				
	Serial	Term	Capital	Interest	Total
2007	\$975,000	\$0	\$0	\$1,855,447	\$2,830,447
2008	1,005,000	0	0	1,825,747	2,830,747
2009	1,035,000	0	0	1,789,972	2,824,972
2010	1,075,000	0	0	1,753,147	2,828,147
2011	1,110,000	0	0	1,719,679	2,829,679
2012-2016	3,555,000	0	2,154,993	8,459,843	14,169,836
2017-2021	7,020,000	0	0	7,028,125	14,048,125
2022-2026	5,120,000	3,855,000	0	5,038,250	14,013,250
2027-2031	0	11,410,000	0	2,552,062	13,962,062
2032-2033	0	5,330,000	0	242,551	5,572,551
	<u>\$20,895,000</u>	<u>\$20,595,000</u>	<u>\$2,154,993</u>	<u>\$32,264,823</u>	<u>\$75,909,816</u>

Fiscal Year Ending June 30,	Energy Conservation		
	Principal	Interest	Total
2007	\$284,095	\$178,016	\$462,111
2008	302,184	164,061	466,245
2009	185,659	149,211	334,870
2010	194,540	140,330	334,870
2011	203,846	131,024	334,870
2012-2016	1,175,162	499,188	1,674,350
2017-2021	1,484,439	189,911	1,674,350
	<u>\$3,829,925</u>	<u>\$1,451,741</u>	<u>\$5,281,666</u>

Oregon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Note 19 - Capital Leases - Lessee Disclosure**

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2006 were \$11,565.

	Governmental Activities
Equipment	\$50,437
Less Accumulated Depreciation	(13,019)
Total June 30, 2006	\$37,418

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2006.

Fiscal Year	Principal	Interest
2007	\$13,192	\$655
2008	6,857	92
	\$20,049	\$747

**Note 20 - Set Asides**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future fiscal years. In prior fiscal years, the School District was also required to set aside money for budget stabilization. At June 30, 2006, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2006.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2005	\$80,817	\$0	\$201,560
Current Year Set Aside Requirement	585,158	585,158	0
Current Year Offsets	0	(585,158)	0
Qualifying Expenditures	(763,677)	0	0
Reserve Balance June 30, 2006	0	0	201,560
Amount Carried Forward to Fiscal Year 2007	(\$97,702)	\$0	\$201,560

**Note 20 - Set Asides** (continued)

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

**Note 21 - Donor Restricted Endowments**

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$235,963 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$79,318 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**Note 22 - Jointly Governed Organizations**

**A. Northwest Ohio Computer Association**

The School District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2006, the School District paid \$151,806 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

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

**Note 22 - Jointly Governed Organizations** (continued)

**C. Northwestern Ohio Educational Research Council, Inc.**

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

**D. Northwest Ohio Regional Professional Development Center**

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

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

**E. Northwest Ohio Special Education Regional Resource Center**

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

**Note 23 - Insurance Pools**

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

**Note 24 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

**B. Litigation**

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

**Note 25 - Subsequent Events**

The Oregon City School District entered into an agreement with the Eagle Learning Center (Center), a community school which provides educational opportunities through distance learning technologies. The Center began operations the first day of the 2006-2007 academic year. Oregon City School District is the Center's sponsoring government and the Center's seven voting and two non-voting member Board of Directors is appointed by the Oregon City School District Board of Education. Eagle Learning Center will be reported as a discretely presented component unit on Oregon City School District's financial statements for fiscal year 2007.



**OREGON CITY SCHOOL DISTRICT**  
**LUCAS COUNTY, OHIO**  
Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2006

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Disbursements
<u><i>U.S. Department of Agriculture</i></u>				
Passed Through the Ohio Department of Education				
Nutrition Cluster:				
National School Breakfast Program	n/a	10.553	\$ 55,372	\$ 55,372
National School Lunch Program	n/a	10.555	378,245	378,245
Total Nutrition Cluster			433,617	433,617
Food Distribution		10.550	102,879	102,879
Total U.S. Department of Agriculture			536,496	536,496
<u><i>U.S. Department of Education</i></u>				
Pass through Ohio Department of Education				
Special Education Cluster:				
Title VI-B	9205	84.027	230,234	246,721
Title VI-B - IDEA-B	9206	84.027	611,853	611,853
Total Special Education Cluster			842,087	858,574
Title I	9205	84.010	-	30,887
Title I	9206	84.010	280,715	280,715
Total Title I			280,715	311,602
Title II-A Improving Teacher Quality	9205	84.367	-	23,182
Title II-A Improving Teacher Quality	9206	84.367	98,474	109,378
Total Title II-A Improving Teacher Quality			98,474	132,560
Title II-D - Educational Technology	9026	84.318	5,107	5,107
Vo-ed Basic Grant	9205	84.048	10,000	4,344
Vo-ed Basic Grant	9206	84.048	52,534	52,534
Total Vo-ed Basic Grant			62,534	56,878
Innovative Educational Program	9206	84.298	11,823	11,823
Adult Basic Education	9205	84.002	24,471	24,471
Adult Basic Education	9206	84.002	39,697	39,697
Total Adult Basic Education			64,168	64,168

(continued)

**OREGON CITY SCHOOL DISTRICT**  
**LUCAS COUNTY, OHIO**  
Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2006

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Disbursements
<i>U.S. Department of Education - (continued)</i>				
Safe and Drug Free Program	9205	84.186	-	9,449
Safe and Drug Free Program	9206	84.186	13,414	11,792
Total Safe and Drug Free Program			13,414	21,241
Total U.S. Department of Education			1,378,322	1,461,953
<i>U.S. Department of Health and Human Services</i>				
Pass Through Ohio Department of Mental Retardation and Developmental Disabilities				
Medicaid Title XIX	n/a	93.778	20,816	20,816
Total U.S. Department of Health and Human Services			20,816	20,816
Total Federal Expenditures			<u>\$ 1,935,634</u>	<u>\$ 2,019,265</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY  
Notes to the Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2006**

**1. Significant Accounting Policies**

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

**2. Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2006, the District had commodities in inventory recorded in the Food Service Fund.

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

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Oregon City School District, Lucas County, Ohio (District) as of and for the year ended June 30, 2006, which collectively comprise the District's financial statements and have issued our report thereon dated May 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2006-Oregon-001.

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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We do not consider the reportable condition described above to be a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated May 17, 2007.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-Oregon-002 through 2006-Oregon-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 17, 2007.

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

***Charles E. Harris and Associates, Inc.***  
May 17, 2007

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

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Cleveland OH 44113-1306  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Oregon City School District, Lucas County with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

**Internal Control Over Compliance**

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

**Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.**

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

***Charles E. Harris & Associates, Inc.***  
**May 17, 2007**

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

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY  
June 30, 2006**

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

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



**OREGON CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
JUNE 30, 2006**

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

**Finding Number: 2006- Oregon-001 – Reportable Condition**

**Budgetary Procedures:**

The amount of appropriations posted to the USAS budgetary reports did not agree with the approved appropriation resolutions adopted by the Board of Education. Budgetary variances need to be monitored on regular basis and the District needs to have timely and accurate information on the budgetary statements used in this review. We recommend the District establish procedures to ensure accurate appropriation information is posted to the USAS system as soon as approved by the Board of Education.

**Management Response:**

Management will implement procedures to post budgetary activity more promptly.

**Finding Number: 2006-Oregon-002 – Non-Compliance Citation**

**Appropriations Exceed Estimated Resources**

Section 5705.39, Revised Code, states that appropriations from each fund shall not exceed the total estimated resources certified as available for expenditure by the county budget commission. The following funds were found to have appropriations in excess of total estimated resources at June 30, 2006:

<u>Fund</u>	<u>Total Estimated Resources</u>	<u>Total Appropriations</u>	<u>Variance</u>
General	\$ 42,692,202	\$ 43,234,137	\$ (541,935)
Athletic	237,985	245,944	(7,959)
EMIS	19,818	28,400	(8,582)
Adult Basic Education	46,681	47,045	(364)
Title VI-B	627,191	937,069	(309,878)
Title I	234,471	287,494	(53,023)
Title VI	8,576	11,825	(3,249)
Drug Free Schools	19,179	22,864	(3,685)
Title II-A	102,476	135,022	(32,546)
Misc. Federal Grants	45,194	46,969	(1,775)
Permanent Improvement	2,309,873	2,321,838	(11,965)

**OREGON CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS – (continued)  
JUNE 30, 2006**

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

**Finding Number:** 2006-Oregon-002 – (continued)

**Management Response:**

Management will monitor appropriations versus estimated resources on a regular basis and make adjustments where necessary.

**Finding Number:** 2006-Oregon-003 – Non-Compliance Citation

**Expenditures and Encumbrances Exceed Appropriations**

Section 5705.41 (D), Revised Code, requires that encumbrances be charged against proper appropriations. Section 5705.41 (B), Revised Code, prohibits the District from making expenditure unless it has been properly appropriated. The following funds were found to have expenditures plus encumbrances exceed appropriations at June 30, 2006:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General	\$ 43,156,401	\$ 44,745,636	\$ (1,589,235)
Food Service	1,308,260	1,412,855	(104,595)
Auxiliary Services	233,095	251,913	(18,818)
Data Communications	21,000	42,000	(21,000)
Ohio Reads	20,380	43,276	(22,896)
Summer School	353	1,062	(709)
Computer Tech	18,012	20,039	(2,027)
Vocational Education	52,131	87,637	(35,506)
Title I	287,494	326,506	(39,012)
Title II-A	135,022	140,438	(5,416)
Bond Retirement	3,585,000	48,971,979	(45,386,979)
SchoolNet	180	14,458	(14,278)

**Management Response:**

Management will monitor expenditures versus appropriations on a regular basis and make adjustments where necessary.

**OREGON CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS – (continued)  
JUNE 30, 2006**

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

**Finding Number: 2006-Oregon-004 – Non-Compliance Citation**

Ohio Revised Code Section 5705.41 (D), requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less that \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**OREGON CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS – (continued)  
JUNE 30, 2006**

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

**Finding Number:** 2006-Oregon – 004 – (continued)

The District did not properly certify the availability of funds for 18 of 60 non-payroll expenditures tested for the audit period. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend the Treasurer certify the availability of funds prior to the commitment for the expenditure of District money. The District should consider the use of blanket purchase orders and "then and now" certificates to assist in complying with the above requirement.

**Management Response:**

Management will implement procedures to ensure encumbrances are made prior to incurring the obligation.

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: Per ADAM 2001-10-disclose the current year finding in this schedule</b>
<b>20053-Oregon-001</b>	<b>Reportable Condition - Budgetary Procedures</b>	<b>No</b>	<b>Not Corrected. Reissued as Finding number 2006-Oregon-001</b>





**Mary Taylor, CPA**  
Auditor of State

**OREGON CITY SCHOOL DISTRICT**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 21, 2007**