

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

AUDIT REPORT

For the Year Ended June 30, 2008

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, 2007 through June 30, 2008. 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

February 3, 2009

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OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO
AUDIT REPORT
For the Year Ended June 30, 2008

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

REPORT OF INDEPENDENT ACCOUNTANTS

Oregon City School District
Lucas County
5721 Seaman Road
Oregon, OH 43420

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the Oregon City School District, Lucas County, Ohio, (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the Oregon City School District, Lucas County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District changed their capital assets threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Charles E. Harris & Associates, Inc.

December 18, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The management's discussion and analysis of the Oregon City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$1,285,504 which represents a 6.83% decrease from 2007. The net assets at June 30, 2007 have been restated as described in Note 3.A.
- General revenues accounted for \$38,605,529 in revenue or 84.84% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,900,188 or 15.16% of total revenues of \$45,505,717.
- The District had \$46,791,221 in expenses related to governmental activities; \$6,900,188 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and building fund. The general fund had \$38,670,887 in revenues and other financing sources and \$41,298,140 in expenditures and other financing uses. The fund balance of the general fund decreased from a balance of \$381,130 to a deficit of \$2,246,123. The fund balance of the general fund at June 30, 2007 has been restated as described in Note 3.A.
- The building fund had \$708,402 in revenues and \$8,640,928 in expenditures. The fund balance of the building fund decreased from \$12,121,082 to \$4,188,556. The fund balance of the building fund at June 30, 2007 has been restated as described in Note 3.A.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has two major funds: the general fund and the building fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all non-fiduciary assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and building fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 22 and 23, these activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-62 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. Net assets at June 30, 2007 have been restated, as described in Note 3.A. of the notes to the basic financial statements.

The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities 2008	Restated Governmental Activities 2007
<u>Assets:</u>		
Current and other assets	\$ 42,133,455	\$ 60,035,864
Capital assets, net	<u>58,028,797</u>	<u>49,273,851</u>
Total assets	<u>100,162,252</u>	<u>109,309,715</u>
<u>Liabilities:</u>		
Current liabilities	29,613,783	39,439,113
Long-term liabilities	<u>53,019,910</u>	<u>55,092,323</u>
Total liabilities	<u>82,633,693</u>	<u>94,531,436</u>
<u>Net assets:</u>		
Invested in capital assets, net of related debt	14,243,203	3,051,171
Restricted	9,200,001	16,409,905
Unrestricted (deficit)	<u>(5,914,645)</u>	<u>(647,013)</u>
Total net assets	<u>\$ 17,528,559</u>	<u>\$ 18,814,063</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

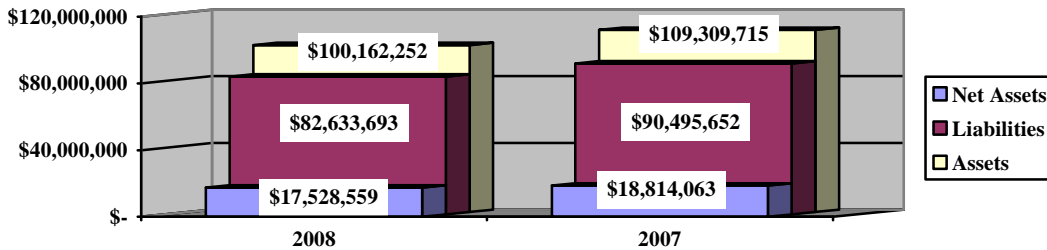
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$17,528,559.

At year-end, capital assets represented 57.93% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$14,243,203. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$9,200,001, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$6,593,143 is restricted for capital projects.

The table below provides a summary of the District's assets, liabilities and net assets for fiscal year 2008 and 2007.

Governmental Activities



The table below shows the change in net assets for fiscal years 2008 and 2007.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Revenues:		
Program revenues:		
Charges for services and sales	\$ 2,915,694	\$ 2,815,684
Operating grants and contributions	3,963,406	3,395,643
Capital grants and contributions	21,088	34,882
General revenues:		
Property taxes	21,275,838	30,759,666
Payment in lieu of taxes	708,411	969,536
Grants and entitlements	15,588,304	12,645,590
Investment earnings	985,679	2,330,303
Other	47,297	8,298
Total revenues	45,505,717	52,959,602

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

	Change in Net Assets (Continued)	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Expenses:</u>		
Program expenses:		
Instruction:		
Regular	\$ 17,065,504	\$ 17,408,161
Special	3,806,767	3,355,659
Vocational	3,517,701	3,321,686
Adult/continuing	916,854	769,645
Other	211,798	604,544
Support services:		
Pupil	2,709,389	2,487,946
Instructional staff	2,891,269	3,050,706
Board of education	48,546	48,251
Administration	2,603,712	2,707,467
Fiscal	910,136	950,942
Business	290,107	357,243
Operations and maintenance	4,696,891	4,905,407
Pupil transportation	2,286,098	2,334,773
Central	9,219	2,750
Operations of non-instructional services:		
Food service operations	1,623,452	1,588,283
Other non-instructional services	188,255	167,672
Extracurricular activities	1,010,097	952,644
Interest and fiscal charges	<u>2,005,426</u>	<u>2,056,803</u>
Total	<u>46,791,221</u>	<u>47,070,582</u>
Change in net assets	(1,285,504)	5,889,020
Net assets at beginning of year (restated)	<u>18,814,063</u>	<u>12,925,043</u>
Net assets at end of year	<u>\$ 17,528,559</u>	<u>\$ 18,814,063</u>

Tax revenue decreased \$9,483,828 during fiscal year 2008. The decrease was primarily due to the lost tangible personal property tax revenue because of House Bill 66, the timing of the reporting of taxes available for advance at fiscal year end, and the Bay Park Hospital property becoming tax-exempt. Overall, expenses for instruction and support services remained consistent with the prior year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Governmental Activities

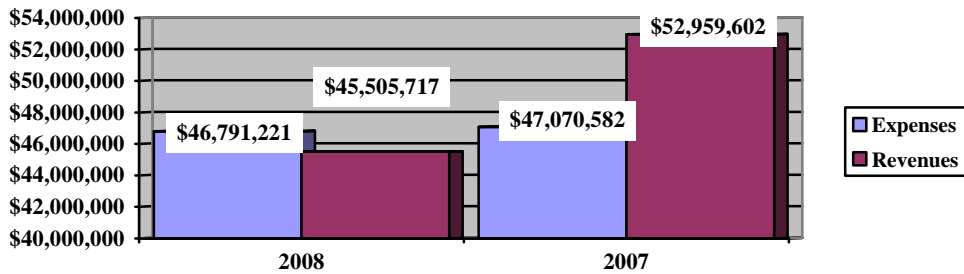
Net assets of the District's governmental activities decreased \$1,285,504. Total governmental expenses of \$46,791,221 were offset by program revenues of \$6,900,188, and general revenues of \$38,605,529. Program revenues supported 14.75% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 81.01% of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$25,518,624 or 54.54% of total governmental expenses for fiscal year 2008.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

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

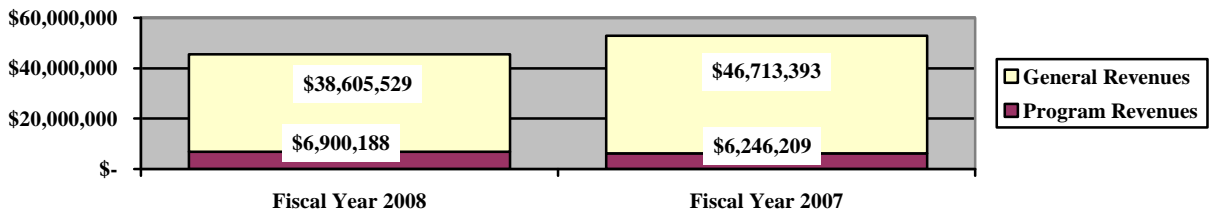
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Program expenses:	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Instruction:				
Regular	\$ 17,065,504	\$ 15,809,201	\$ 17,408,161	\$ 16,047,925
Special	3,806,767	2,791,652	3,355,659	2,371,004
Vocational	3,517,701	3,252,884	3,321,686	2,985,776
Adult/continuing	916,854	259,313	769,645	172,245
Other	211,798	159,099	604,544	549,619
Support services:				
Pupil	2,709,389	2,512,262	2,487,946	2,350,298
Instructional staff	2,891,269	2,222,611	3,050,706	2,745,439
Board of education	48,546	48,546	48,251	48,251
Administration	2,603,712	2,193,089	2,707,467	2,438,028
Fiscal	910,136	910,136	950,942	944,768
Business	290,107	290,107	357,243	357,243
Operations and maintenance	4,696,891	4,676,065	4,905,407	4,888,279
Pupil transportation	2,286,098	2,100,221	2,334,773	2,062,870
Central	9,219	9,219	2,750	(199)
Operations of non-instructional services:				
Food service operations	1,623,452	(98,851)	1,588,283	154,766
Other non-instructional services	188,255	24,201	167,672	(70,663)
Extracurricular activities	1,010,097	725,852	952,644	721,921
Interest and fiscal charges	<u>2,005,426</u>	<u>2,005,426</u>	<u>2,056,803</u>	<u>2,056,803</u>
Total	<u>\$ 46,791,221</u>	<u>\$ 39,891,033</u>	<u>\$ 47,070,582</u>	<u>\$ 40,824,373</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 87.28% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.25%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$7,335,860, which is lower than last year's total of \$16,431,402. The fund balances of the general fund and building fund have been restated at June 30, 2007. See Note 3.A. for detail. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance (Deficit) <u>June 30, 2008</u>	Restated Fund Balance <u>June 30, 2007</u>	Increase <u>(Decrease)</u>
General	\$ (2,246,123)	\$ 381,130	\$ (2,627,253)
Building	4,188,556	12,121,082	(7,932,526)
Other governmental	<u>5,393,427</u>	<u>3,929,190</u>	<u>1,464,237</u>
Total	<u>\$ 7,335,860</u>	<u>\$ 16,431,402</u>	<u>\$ (9,095,542)</u>

The fund balance of the other governmental funds increased primarily due to revenues in the permanent improvement fund and bond retirement fund being more than sufficient to cover capital expenditures and debt service expenditures, respectively.

An analysis of the general fund and building fund is provided below.

General Fund

During fiscal year 2008, the District's general fund balance decreased \$2,627,253. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2008 Amount</u>	<u>2007 Amount</u>	<u>Percentage Change</u>
<u>Revenues:</u>			
Taxes	\$ 20,896,249	\$ 23,157,231	(9.76) %
Payment in lieu of taxes	688,239	930,987	(26.07) %
Tuition	950,954	1,038,396	(8.42) %
Earnings on investments	238,199	1,170,987	(79.66) %
Intergovernmental	15,728,193	13,650,149	15.22 %
Other revenues	<u>159,748</u>	<u>151,118</u>	5.71 %
Total	<u>\$ 38,661,582</u>	<u>\$ 40,098,868</u>	(3.58) %
<u>Expenditures:</u>			
Instruction	\$ 24,649,450	\$ 26,200,018	(5.92) %
Support services	15,346,292	15,700,505	(2.26) %
Extracurricular activities	677,676	669,327	1.25 %
Facilities acquisition and construction	149,350	2,928,175	(94.90) %
Debt service	<u>473,012</u>	<u>475,597</u>	(0.54) %
Total	<u>\$ 41,295,780</u>	<u>\$ 45,973,622</u>	(10.18) %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Tax revenue decreased \$2,260,982 or 9.76% from fiscal year 2007 coupled with less taxes being collected by the County Auditor and available as an advance at fiscal year end 2008 versus 2007. The amount of taxes collected and available as an advance is recorded as tax revenue on a GAAP basis and can vary depending upon when tax bills are sent out by the County Auditor. Payments in lieu of taxes decreased as the District was entitled to less of these payments in fiscal year 2008 versus 2007. Earnings on investments decreased due to decreasing interest rates and the District having less funds available to invest during fiscal year 2008. Intergovernmental revenue increased due to increase in the amount received from the State of Ohio in the form of foundation payments and reimbursements for lost tangible personal property tax revenue. All other revenue amounts remained consistent with fiscal 2007.

Instruction and support services decreased due the District's cost control policies. Facilities acquisition and construction expenditures decreased due to the District making capital expenditures from the permanent improvement fund, a nonmajor governmental fund, instead of the general fund. All other expenditure amounts remained consistent with 2007.

Building Fund

During fiscal year 2008, the District's building fund balance decreased \$7,932,526. The building fund had \$708,402 in revenues and \$8,640,928 in expenditures. The fund balance of the building fund decreased from \$12,121,082 to \$4,188,556. The expenditures of the building fund are for various building projects undertaken by the District. These expenditures are recorded as construction in progress on the government wide financial statements.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the District amended its general fund budgeted revenue. For the general fund, original budgeted revenues and other financing sources of \$39,489,148 were decreased to \$38,884,250 in the final budget. Actual revenues and other financing sources for fiscal 2008 were \$39,379,956 which was \$495,706 more than the final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$42,500,737 were decreased \$1,046,230 to \$41,454,507 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$41,216,293, which was \$238,214 lower than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$58,028,797 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets at June 30, 2007 have been restated as described in Note 3.A. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	\$ 495,967	\$ 495,967
Construction in progress	49,949,939	41,046,182
Land improvements	255,158	283,554
Buildings and improvements	5,176,281	5,281,612
Furniture and equipment	730,444	827,323
Vehicles	1,120,152	1,045,990
Infrastructure	300,856	293,223
Total	\$ 58,028,797	\$ 49,273,851

Total additions to capital assets for 2008 were \$9,216,924. The overall increase in capital assets of \$8,754,946 is primarily due to capital outlays exceeding the \$440,628 in depreciation expense for fiscal 2008. See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2008, the District had \$41,722,457 in general obligation bonds and \$3,243,647 in energy conservation bonds outstanding. Of these totals, \$1,220,659 is due within one year and \$43,745,445 is due in more than one year. The following table summarizes the governmental activities bonds, notes and capital lease obligations outstanding.

Outstanding Debt, at Year End

	June 30, 2008	June 30, 2007
General obligation bonds	\$ 41,722,457	\$ 42,708,480
Energy conservation notes	3,243,647	3,545,830
Capital lease obligations	-	6,857
Total	\$ 44,966,104	\$ 46,261,167

See Note 11 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Current Related Financial Activities

The District is primarily a suburban school district located on the eastern edge of Lucas County, which relies heavily on the local taxpayers for general fund revenue. Approximately 30 percent of the 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 a large concern to the District. Regardless of the amount compared to the overall local revenue, it is still a loss that most likely will be passed on to the local taxpayer. The District has also suffered with an unintended consequence of HB 66 with the loss of monies previously abated from local companies of over \$1.3 million. The State is not compensating the District for this lost revenue.

A 4.4 mill bond levy was approved by the District's residents in November 2004. Proceeds from this bond have been used to renovate three elementary schools and Clay High School along with construction of one new elementary school and demolition of older sections of Clay High School. The only work remaining to be completed is remodeling projects at both middle schools, which are scheduled to be completed during the upcoming 2009 summer break. The District is in the process of auctioning off closed elementary school property.

The District has maintained enrollment over the last several years. The District serves approximately 3,899 and employs 301 teachers and 189 classified staff members. The District's employees work under three separate union contracts, which were rolled over for fiscal year 2008 with a zero percent increase on base wages. Negotiations were reopened for the 2008-2009 school term and all unions agreed to a one year one and one-half percent raise on base pay. The contracts will be subject to be renegotiated during the spring of 2009.

The District's current five-year forecast indicates the need for additional revenues or reductions in expenditures. The District approved over \$2 million in reductions, which were in place for the 2007-2008 school year. A failed November 2007 levy attempted prompted the need to further reduce spending for the 2008-2009 school year by \$1.5 million even with the passage of a 5.9 mill operating levy in March 2008. Collection of this levy will begin in January 2009; however, the financial concerns for the District are far from over. The Ohio Department of Education initiated a performance audit to be performed by the Auditor of State's Office. This was due to the trends within the District's five-year forecast, which shows a risk of the District entering fiscal caution.

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

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government	Component Unit
	Governmental Activities	Eagle Learning Center
Assets:		
Equity in pooled cash and investments.	\$ 13,227,164	\$ 219,648
Receivables:		
Taxes	27,839,738	-
Accounts	3,619	-
Intergovernmental	481,822	8,778
Accrued interest	58,222	-
Prepayments	61,389	800
Materials and supplies inventory.	18,194	-
Unamortized bond issue costs	443,307	-
Capital assets:		
Land	495,967	-
Construction in progress	49,949,939	-
Depreciable capital assets, net	7,582,891	10,648
Capital assets, net.	58,028,797	10,648
Total assets.	100,162,252	239,874
Liabilities:		
Accounts payable.	436,269	20,720
Contracts payable.	365,956	-
Retainage payable.	352,116	-
Accrued wages and benefits	3,287,659	-
Pension obligation payable.	1,006,180	-
Intergovernmental payable	231,942	9,880
Unearned revenue	23,779,536	-
Accrued interest payable	154,125	-
Long-term liabilities:		
Due within one year.	2,403,310	-
Due in more than one year	50,616,600	-
Total liabilities	82,633,693	30,600
Net assets:		
Invested in capital assets, net of related debt.	14,243,203	10,648
Restricted for:		
Capital projects	6,593,143	-
Debt service.	1,498,535	-
State funded programs	294,078	-
Federally funded programs	592,281	-
Student activities	20,404	-
Other purposes	201,560	-
Unrestricted (deficit)	(5,914,645)	198,626
Total net assets	\$ 17,528,559	\$ 209,274

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Instruction:				
Regular	\$ 17,065,504	\$ 1,057,355	\$ 198,948	\$ -
Special	3,806,767	-	1,015,115	-
Vocational	3,517,701	9,620	255,197	-
Adult/continuing	916,854	542,308	115,233	-
Other	211,798	-	52,699	-
Support services:				
Pupil	2,709,389	-	197,127	-
Instructional staff	2,891,269	-	668,658	-
Board of education	48,546	-	-	-
Administration	2,603,712	-	410,623	-
Fiscal	910,136	-	-	-
Business	290,107	-	-	-
Operations and maintenance	4,696,891	20,826	-	-
Pupil transportation	2,286,098	-	164,789	21,088
Central	9,219	-	-	-
Operation of non-instructional services:				
Food service operations	1,623,452	1,003,437	718,866	-
Other non-instructional services	188,255	-	164,054	-
Extracurricular activities	1,010,097	282,148	2,097	-
Interest and fiscal charges	2,005,426	-	-	-
Total governmental activities	<u>\$ 46,791,221</u>	<u>\$ 2,915,694</u>	<u>\$ 3,963,406</u>	<u>\$ 21,088</u>
Component unit:				
Eagle Learning Center	<u>\$ 612,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

- Property taxes levied for:
 - General purposes
 - Debt service
 - Capital projects
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Payment in lieu of taxes
- Miscellaneous

Total general revenues

Change in net assets

Net assets at beginning of year (restated). . .

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component Unit
Governmental Activities	Eagle Learning Center
\$ (15,809,201)	\$ -
(2,791,652)	-
(3,252,884)	-
(259,313)	-
(159,099)	-
(2,512,262)	-
(2,222,611)	-
(48,546)	-
(2,193,089)	-
(910,136)	-
(290,107)	-
(4,676,065)	-
(2,100,221)	-
(9,219)	-
98,851	-
(24,201)	-
(725,852)	-
(2,005,426)	-
(39,891,033)	-
-	(612,869)
18,120,743	-
2,264,226	-
890,869	-
15,588,304	782,803
985,679	-
708,411	-
47,297	9,820
38,605,529	792,623
(1,285,504)	179,754
18,814,063	29,520
<u>\$ 17,528,559</u>	<u>\$ 209,274</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 2,478,290	\$ 4,870,706	\$ 5,676,608	\$ 13,025,604
Receivables:				
Taxes.	24,310,257	-	3,529,481	27,839,738
Accounts	612	-	3,007	3,619
Intergovernmental	149,527	-	332,295	481,822
Accrued interest	-	58,222	-	58,222
Interfund loans	104,893	-	-	104,893
Prepayments	61,389	-	-	61,389
Materials and supplies inventory	-	-	18,194	18,194
Restricted assets:				
Equity in pooled cash and cash investments	201,560	-	-	201,560
Total assets	<u>\$ 27,306,528</u>	<u>\$ 4,928,928</u>	<u>\$ 9,559,585</u>	<u>\$ 41,795,041</u>
Liabilities:				
Accounts payable	\$ 362,495	\$ -	\$ 73,774	\$ 436,269
Contracts payable	-	365,956	-	365,956
Retainage payable	-	352,116	-	352,116
Accrued wages and benefits	3,162,997	-	124,662	3,287,659
Compensated absences payable	236,462	-	-	236,462
Early retirement incentive payable	854,006	-	-	854,006
Pension obligation payable.	933,963	-	72,217	1,006,180
Intergovernmental payable	214,096	-	17,846	231,942
Interfund loan payable	-	-	104,893	104,893
Deferred revenue	3,027,876	22,300	753,986	3,804,162
Unearned revenue	20,760,756	-	3,018,780	23,779,536
Total liabilities	<u>29,552,651</u>	<u>740,372</u>	<u>4,166,158</u>	<u>34,459,181</u>
Fund Balances:				
Reserved for encumbrances	216,025	17,123	45,828	278,976
Reserved for BWC refunds.	201,560	-	-	201,560
Reserved for materials and supplies inventory.	-	-	18,194	18,194
Reserved for property tax unavailable for appropriation	268,436	-	39,033	307,469
Reserved for prepayments	61,389	-	-	61,389
Reserved for debt service.	-	-	1,256,710	1,256,710
Unreserved, undesignated (deficit), reported in:				
General fund	(2,993,533)	-	-	(2,993,533)
Special revenue funds.	-	-	626,524	626,524
Capital projects funds.	-	4,171,433	3,407,138	7,578,571
Total fund balances (deficit).	<u>(2,246,123)</u>	<u>4,188,556</u>	<u>5,393,427</u>	<u>7,335,860</u>
Total liabilities and fund balances	<u>\$ 27,306,528</u>	<u>\$ 4,928,928</u>	<u>\$ 9,559,585</u>	<u>\$ 41,795,041</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$ 7,335,860
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		58,028,797
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 3,468,153	
Accrued interest receivable	22,300	
Intergovernmental receivables	313,709	
Total	3,804,162	3,804,162
Unamortized premiums on bond issuance is not recognized in the funds.		(443,535)
Unamortized bond issuance costs are not recognized in the funds.		443,307
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(154,125)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(41,722,457)	
Energy conservation bonds	(3,243,647)	
Compensated absences payable	(5,479,835)	
Early retirement incentive payable	(1,039,968)	
Total	(51,485,907)	(51,485,907)
Net assets of governmental activities		\$ 17,528,559

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 20,896,249	\$ -	\$ 3,677,244	\$ 24,573,493
Tuition.	950,954	-	522,855	1,473,809
Charges for services	-	-	1,000,011	1,000,011
Earnings on investments.	238,199	708,402	94,296	1,040,897
Extracurricular.	-	-	242,367	242,367
Classroom materials and supplies	116,050	-	-	116,050
Other local revenues.	43,698	-	87,082	130,780
Payment in lieu of taxes.	688,239	-	20,172	708,411
Intergovernmental - State	15,723,664	-	1,323,495	17,047,159
Intergovernmental - Federal.	4,529	-	2,318,664	2,323,193
Total revenue	<u>38,661,582</u>	<u>708,402</u>	<u>9,286,186</u>	<u>48,656,170</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,336,678	-	233,302	17,569,980
Special.	3,382,543	-	385,274	3,767,817
Vocational.	3,524,212	-	12,244	3,536,456
Adult/continuing	247,533	-	669,701	917,234
Other.	158,484	-	53,314	211,798
Support services:				
Pupil.	2,700,556	-	130,735	2,831,291
Instructional staff	2,337,584	-	549,511	2,887,095
Board of education	48,546	-	-	48,546
Administration.	2,410,524	-	320,606	2,731,130
Fiscal	859,608	-	73,857	933,465
Business	285,288	-	-	285,288
Operations and maintenance.	4,600,856	-	64,806	4,665,662
Pupil transportation	2,094,111	-	269,654	2,363,765
Central.	9,219	-	-	9,219
Operation of non-instructional services:				
Food service operations	-	-	1,616,502	1,616,502
Other non-instructional services.	-	-	180,740	180,740
Extracurricular activities.	677,676	-	294,691	972,367
Facilities acquisition and construction	149,350	8,640,928	133,146	8,923,424
Debt service:				
Principal retirement	309,040	-	1,005,000	1,314,040
Interest and fiscal charges	163,972	-	1,825,747	1,989,719
Total expenditures	<u>41,295,780</u>	<u>8,640,928</u>	<u>7,818,830</u>	<u>57,755,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,634,198)</u>	<u>(7,932,526)</u>	<u>1,467,356</u>	<u>(9,099,368)</u>
Other financing sources (uses):				
Sale of capital assets	9,305	-	-	9,305
Transfers in.	-	-	2,360	2,360
Transfers (out)	(2,360)	-	-	(2,360)
Total other financing sources (uses)	<u>6,945</u>	<u>-</u>	<u>2,360</u>	<u>9,305</u>
Net change in fund balances	(2,627,253)	(7,932,526)	1,469,716	(9,090,063)
Fund balances at beginning of year (restated) .	381,130	12,121,082	3,929,190	16,431,402
Decrease in reserve for inventory	-	-	(5,479)	(5,479)
Fund balances (deficit) at end of year.	<u>\$ (2,246,123)</u>	<u>\$ 4,188,556</u>	<u>\$ 5,393,427</u>	<u>\$ 7,335,860</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ (9,090,063)

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

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

Capital assets additions	\$	9,216,924	
Current year depreciation		(440,628)	
Total			8,776,296

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-in, and donations) is to decrease net assets. (21,350)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. (5,479)

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

Delinquent property taxes		(3,297,655)	
Intergovernmental revenue		196,269	
Earnings on investments		(49,067)	
Total			(3,150,453)

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 1,314,040

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. More interest is reported in the statement of activities due to the following:

Decrease in accrued interest payable		3,270	
Accreted interest on capital appreciation bonds		(18,977)	
Amortization of bond issuance costs		(18,777)	
Amortization of bond premiums		18,777	
Total			(15,707)

Some expenses reported in the statement of activities, such as compensated absences and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 907,212

Change in net assets of governmental activities \$ (1,285,504)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Taxes	\$ 21,701,128	\$ 21,368,708	\$ 21,601,098	\$ 232,390
Tuition.	842,912	830,000	801,697	(28,303)
Earnings on investments.	262,318	258,300	238,199	(20,101)
Classroom materials and supplies	117,805	116,000	116,050	50
Other local revenues.	53,672	52,850	46,674	(6,176)
Payment in lieu of taxes	619,490	610,000	688,239	78,239
Intergovernmental - State	15,724,257	15,483,392	15,723,664	240,272
Intergovernmental - Federal.	-	-	4,529	4,529
Total revenue	<u>39,321,582</u>	<u>38,719,250</u>	<u>39,220,150</u>	<u>500,900</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,013,665	17,570,227	17,327,540	242,687
Special.	3,432,923	3,348,416	3,396,572	(48,156)
Vocational.	3,574,641	3,486,645	3,488,623	(1,978)
Adult/continuing.	253,839	247,590	247,590	-
Other.	109,790	107,087	158,484	(51,397)
Support services:				
Pupil.	2,679,284	2,613,329	2,613,329	-
Instructional staff	2,413,955	2,354,532	2,354,823	(291)
Board of education	49,314	48,100	46,301	1,799
Administration.	2,406,247	2,347,013	2,340,156	6,857
Fiscal	894,942	872,911	837,392	35,519
Business	293,883	286,649	284,997	1,652
Operations and maintenance.	4,892,321	4,771,888	4,771,427	461
Pupil transportation	2,158,189	2,105,061	2,096,747	8,314
Central.	9,452	9,219	9,219	-
Extracurricular activities.	686,686	669,782	669,782	-
Debt service:				
Principal retirement.	308,817	302,183	302,183	-
Interest and fiscal charges.	169,003	163,875	163,875	-
Total expenditures	<u>42,346,951</u>	<u>41,304,507</u>	<u>41,109,040</u>	<u>195,467</u>
Deficiency of revenues under expenditures.	<u>(3,025,369)</u>	<u>(2,585,257)</u>	<u>(1,888,890)</u>	<u>696,367</u>
Other financing sources (uses):				
Refund of prior year expenditure	15,233	15,000	11,427	(3,573)
Transfers (out)	(2,420)	(2,360)	(2,360)	-
Advances in.	152,333	150,000	139,074	(10,926)
Advances (out).	(151,366)	(147,640)	(104,893)	42,747
Sale of capital assets.	-	-	9,305	9,305
Total other financing sources (uses)	<u>13,780</u>	<u>15,000</u>	<u>52,553</u>	<u>37,553</u>
Net change in fund balance	(3,011,589)	(2,570,257)	(1,836,337)	733,920
Fund balance at beginning of year	3,518,335	3,518,335	3,518,335	-
Prior year encumbrances appropriated	617,242	617,242	617,242	-
Fund balance at end of year.	<u>\$ 1,123,988</u>	<u>\$ 1,565,320</u>	<u>\$ 2,299,240</u>	<u>\$ 733,920</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trusts	
	Scholarships	Agency
Assets:		
Equity in pooled cash and investments	\$ 372,984	\$ 158,893
Total assets	372,984	\$ 158,893
Liabilities:		
Accounts payable	18,550	\$ 10,497
Due to students	-	107,846
Due to other governments	-	327
Undistributed assets	-	40,223
Total liabilities	18,550	\$ 158,893
Net assets:		
Held in trust for scholarships	92,634	
Endowment	261,800	
Total net assets	\$ 354,434	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trusts
	Scholarships
Additions:	
Interest	\$ 19,982
Gifts and contributions.	90,957
	110,939
Total additions	110,939
Deductions:	
Scholarships awarded	83,190
	27,749
Change in net assets	27,749
Net assets at beginning of year	326,685
Net assets at end of year.	\$ 354,434

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is located in Lucas County, and includes all of the City of Oregon, and portions of surrounding townships. The District is the 99th largest in the State of Ohio (among the 896 public school districts and community schools) in terms of enrollment. It is staffed by 189 classified employees, 301 certified teaching personnel, and 18 administrative employees who provide services to 3,899 students and other community members. The District currently operates four elementary schools, two middle schools, and one comprehensive high school.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Oregon City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) 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 District's accounting policies:

A. 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 District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Oregon City School District, this includes general operations, food service, and student related activities of the District.

The following activity is also included within the District's reporting entity:

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following organizations are described due to their relationship to the District:

DISCRETELY PRESENTED COMPONENT UNIT

The Eagle Learning Center, Inc. (the "Learning Center") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapter 3314. The Learning Center is a conversion school that addresses the needs of students who desire a curriculum delivery system that allows for individualized self-paced instruction through distance learning technologies. The mission of the Learning Center is to provide a pathway for life-long educational pursuits, employment opportunities, and responsible citizenry. The Learning Center is governed by a seven voting and two non-voting member Board of Directors which are appointed by the District. The Learning Center Board of Directors may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. The District is able to impose its will upon the operations for the Learning Center; therefore, the Learning Center is considered a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Eagle Learning Center at 5721 Seaman Rd., Oregon, Ohio 43616.

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2008, the District paid \$185,106 to NWOCA for various services, supplies and equipment. Financial information can be obtained from the Northwest Ohio Computer Association, 22-900 State Route 34, Archbold, Ohio 43502.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Northwestern Ohio Educational Research Council, Inc.

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

Northwest Ohio Regional Professional Development Center

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

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

PUBLIC ENTITY RISK POOL

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

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

The NWOEC Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc. for claims processing. To obtain financial information write to Frank McKain, Marsh USA, One Seagate Center, Suite 1860, Toledo, Ohio 43604.

Effective July 1, 2007, Paul Brotzki, Treasurer of Maumee City School District, took over as fiscal agent of the NWOEC Program. Maumee City School District acts as the fiscal agent for the NWOEC Program, but the NWOEC Program's financial statements are reported separately from those of Maumee City School District. Separately issued financial statements for the NWOEC Program can be obtained by writing to Paul Brotzki, Treasurer, 716 Askin Street, Maumee, Ohio 43537.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by the Building fund; (c) for grants and other resources whose use is restricted to a particular purpose; and (d) for food service operations.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

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

D. Basis of Accounting

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Revenue from PILOTs, grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

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

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

E. Budgetary Process

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Lucas County Budget Commission for rate determination. The Lucas County Budget Commission waived the tax budget filing requirement for fiscal year 2008.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final amended certificate of estimated resources issued during the fiscal year.

Appropriations:

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

F. Cash and Investments

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

During fiscal year 2008, investments included federal agency securities, U.S. Government money market mutual funds, a State of Ohio bond, repurchase agreements, nonnegotiable certificates of deposit, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposits, are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2008.

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 2008 was \$238,199, which includes \$103,799 assigned from other District funds.

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

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

G. Inventory

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

H. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. During fiscal year 2008, the District decreased its capitalization threshold from \$10,000 to \$5,000. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	10 - 40 years
Buildings and Improvements	30 - 100 years
Furniture and Equipment	8 - 40 years
Vehicles	10 - 15 years
Infrastructure	50 years

I. Interfund Balances

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

J. Compensated Absences

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Unamortized Bond Issuances Costs and Bond Premium

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

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

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

M. Fund Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service, BWC refunds and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

N. Net Assets

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

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

O. Prepayments

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

P. Estimates

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

Q. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2008.

S. Restricted Assets

Restricted assets in the general fund represent cash and investments that are restricted in use by State statute. A fund balance reserve has also been established. See Note 19 for details.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustments

Beginning net assets of the governmental activities have been restated in order to reflect the District's reduction of the capitalization threshold for capital assets from \$10,000 to \$5,000. See Note 9 for detail. The adjustment had the following effect on net assets of the governmental activities at June 30, 2007:

	Governmental Activities
Net assets at June 30, 2007	\$ 18,648,045
Adjustment for capital assets	166,018
Restated net assets at June 30, 2007	\$ 18,814,063

The beginning fund balances of the District's general fund and building fund have been restated in order to correct errors for earnings on investments reported in the prior fiscal year. The restatement of the general fund and building fund's fund balance at June 30, 2007 is as follows:

	General	Building
Fund balance at June 30, 2007	\$ 1,166,076	\$ 11,336,136
Adjustment for earnings on investments	(784,946)	784,946
Restated fund balance at June 30, 2007	\$ 381,130	\$ 12,121,082

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 15) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

C. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 2,246,123
 <u>Nonmajor governmental funds</u>	
Oregon CSD Foundation	17,098
Title I	40,685
Improving teacher quality	640

The deficit fund balance in the general fund is primarily the result of expenditures exceeding revenues, which caused the general fund's equity in pooled cash and cash equivalents balance to decrease from the prior fiscal year. General fund revenues are decreasing mainly due to the phase-out of the tangible personal property tax under House Bill 66. The Title I fund's deficit fund balance resulted from adjustments for accrued liabilities. The deficit fund balances in the Oregon CSD foundation fund and the improving teacher quality fund resulting from advances in being recorded as a fund liability rather than as an "other financing source". The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year-end, the District had \$6,985 in undeposited cash on hand, which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$280,763, exclusive of the investments reported below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,052,327 of the District's bank balance of \$1,318,634 was exposed to custodial risk as discussed below, while \$266,307 was covered by the Federal Deposit Insurance Corporation.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2008, the District had the following investments:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 199,282	\$ -	\$ -	\$ 99,688	\$ -	\$ 99,594
FHLMC	2,006,820	2,006,820	-	-	-	-
FHLMC discount note	995,200	995,200	-	-	-	-
FHLB discount note	989,400	989,400	-	-	-	-
FNMA	3,006,890	3,006,890	-	-	-	-
State of Ohio bond	201,970	201,970	-	-	-	-
U.S. Government money market funds	1,628,292	1,628,292	-	-	-	-
Repurchase agreements	2,283,681	2,283,681	-	-	-	-
STAR Ohio	2,159,758	2,159,758	-	-	-	-
Total	<u>\$ 13,471,293</u>	<u>\$ 13,272,011</u>	<u>\$ -</u>	<u>\$ 99,688</u>	<u>\$ -</u>	<u>\$ 99,594</u>

The weighted average maturity of investments is .14 years.

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

Credit Risk: The District's investments in federal agency securities, the federal agency securities that underlie the repurchase agreement, and the State of Ohio bond were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market funds an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
FHLB	\$ 199,282	1.48%
FHLMC	2,006,820	14.89%
FHLMC discount note	995,200	7.39%
FHLB discount note	989,400	7.34%
FNMA	3,006,890	22.31%
State of Ohio bond	201,970	1.50%
U.S. Government money market funds	1,628,292	12.09%
Repurchase agreements	2,283,681	16.95%
STAR Ohio	<u>2,159,758</u>	<u>16.05%</u>
Total	<u>\$ 13,471,293</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 280,763
Investments	13,471,293
Cash on hand	<u>6,985</u>
Total	<u>\$ 13,759,041</u>

<u>Cash and investments per financial statements</u>	
Governmental activities	\$13,227,164
Private-purpose trust funds	372,984
Agency funds	<u>158,893</u>
Total	<u>\$13,759,041</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2008 consisted of the following as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$ 2,360

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

- B. Interfund balances at June 30, 2008 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 104,893

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the statement of net assets.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Lucas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The amount available as an advance at June 30, 2008, was \$268,436 in the general fund, \$31,934 in the bond retirement fund, a nonmajor governmental fund, and \$7,099 in the permanent improvement fund, a nonmajor governmental fund. The amount that was available as an advance at June 30, 2007, was \$1,226,474 in the general fund, \$189,811 in the bond retirement fund, a nonmajor governmental fund, and \$48,803 in the permanent improvement fund, a nonmajor governmental fund.

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, 2008, 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 unearned revenue.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential	\$ 427,944,640	57.83	\$ 430,995,560	62.81
Industrial/commercial	121,816,330	16.46	116,754,050	17.02
Public utility	49,690,890	6.72	48,320,730	7.04
Tangible personal	<u>140,507,111</u>	<u>18.99</u>	<u>90,211,462</u>	<u>13.13</u>
 Total	 <u>\$ 739,958,971</u>	 <u>100.00</u>	 <u>\$ 686,281,802</u>	 <u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 59.50		 \$ 59.50	

NOTE 7 - PAYMENT IN LIEU OF TAXES

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

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

Governmental activities:	
Taxes	\$ 27,839,738
Accounts	3,619
Intergovernmental	481,822
Accrued interest	<u>58,222</u>
Total receivables	<u>\$ 28,383,401</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - CAPITAL ASSETS

Capital assets have been restated to reflect the change in the District's capitalization threshold from \$10,000 to \$5,000 during fiscal year 2008. The restatement increased the net capital asset balance of the governmental activities by \$166,018 at June 30, 2007.

	<u>Balance</u> <u>6/30/07</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/07</u>
Governmental activities:			
Capital assets, not being depreciated:			
Land	\$ 495,967	\$ -	\$ 495,967
Construction in progress	<u>41,046,182</u>	<u>-</u>	<u>41,046,182</u>
Total capital assets, not being depreciated	<u>41,542,149</u>	<u>-</u>	<u>41,542,149</u>
Capital assets, being depreciated:			
Land improvements	663,299	-	663,299
Buildings and improvements	11,425,066	(66,637)	11,358,429
Furniture and equipment	2,279,563	1,129,035	3,408,598
Vehicles	3,253,568	10,000	3,263,568
Infrastructure	<u>299,716</u>	<u>-</u>	<u>299,716</u>
Total capital assets, being depreciated	<u>17,921,212</u>	<u>1,072,398</u>	<u>18,993,610</u>
Less: accumulated depreciation			
Land improvements	(379,745)	-	(379,745)
Buildings and improvements	(6,105,740)	28,923	(6,076,817)
Furniture and equipment	(1,654,972)	(926,303)	(2,581,275)
Vehicles	(2,208,578)	(9,000)	(2,217,578)
Infrastructure	<u>(6,493)</u>	<u>-</u>	<u>(6,493)</u>
Total accumulated depreciation	<u>(10,355,528)</u>	<u>(906,380)</u>	<u>(11,261,908)</u>
Governmental activities capital assets, net	<u>\$ 49,107,833</u>	<u>\$ 166,018</u>	<u>\$ 49,273,851</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - CAPITAL ASSETS - (Continued)

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Restated Balance <u>7/1/07</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/08</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 495,967	\$ -	\$ -	\$ 495,967
Construction in progress	<u>41,046,182</u>	<u>8,903,757</u>	<u>-</u>	<u>49,949,939</u>
Total capital assets, not being depreciated	<u>41,542,149</u>	<u>8,903,757</u>	<u>-</u>	<u>50,445,906</u>
Capital assets, being depreciated:				
Land improvements	663,299	-	-	663,299
Buildings and improvements	11,358,429	15,081	-	11,373,510
Furniture and equipment	3,408,598	14,632	-	3,423,230
Vehicles	3,263,568	269,654	(160,500)	3,372,722
Infrastructure	<u>299,716</u>	<u>13,800</u>	<u>-</u>	<u>313,516</u>
Total capital assets, being depreciated	<u>18,993,610</u>	<u>313,167</u>	<u>(160,500)</u>	<u>19,146,277</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(379,745)	(28,396)	-	(408,141)
Buildings and improvements	(6,076,817)	(120,412)	-	(6,197,229)
Furniture and equipment	(2,581,275)	(111,511)	-	(2,692,786)
Vehicles	(2,217,578)	(174,142)	139,150	(2,252,570)
Infrastructure	<u>(6,493)</u>	<u>(6,167)</u>	<u>-</u>	<u>(12,660)</u>
Total accumulated depreciation	<u>(11,261,908)</u>	<u>(440,628)</u>	<u>139,150</u>	<u>(11,563,386)</u>
Governmental activities capital assets, net	<u>\$ 49,273,851</u>	<u>\$ 8,776,296</u>	<u>\$ (21,350)</u>	<u>\$ 58,028,797</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 87,091
Special	7,921
Vocational	27,227
 <u>Support services:</u>	
Pupil	1,005
Instructional staff	4,755
Administration	12,104
Fiscal	549
Operations and maintenance	59,402
Pupil transportation	180,261
Operation of non-instructional	7,515
Extracurricular	33,885
Food service operations	18,913
Total depreciation expense	<u>\$ 440,628</u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into capital leases for the acquisition of equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the leases were accounted for as an other financing source and a capital outlay expenditure in the general fund. Capital lease payments have been reclassified and shown as debt service expenditures in the general fund. These expenditures will be reflected as function expenditures on a budgetary basis.

The general capital assets acquired by this capital lease have been capitalized in the governmental activities on the statement of net assets in the amount of \$50,437, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2008 was \$39,057, leaving a current book value of \$11,380. Principal payments made during fiscal year 2008 totaled \$6,857. The lease obligations were completely retired during fiscal year 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2008 were as follows:

	Balance 6/30/07	Additions	Reductions	Balance 6/30/08	Amounts Due in One Year
Governmental activities:					
<u>General obligation bonds:</u>					
2005 School facilities improvement					
Serial bonds 3 - 5 %	\$ 19,920,000	\$ -	\$ (1,005,000)	\$ 18,915,000	\$1,035,000
Term bonds 4.5 - 5 %	20,595,000	-	-	20,595,000	-
Capital appreciation bonds	2,154,993	-	-	2,154,993	-
Accretion on capital appreciation bonds	38,487	18,977	-	57,464	-
Total general obligation bonds	42,708,480	18,977	(1,005,000)	41,722,457	1,035,000
<u>Energy conservation bonds:</u>					
1998 energy conservation	125,000	-	(125,000)	-	-
2006 energy conservation	3,420,830	-	(177,183)	3,243,647	185,659
Total energy conservation bonds	3,545,830	-	(302,183)	3,243,647	185,659
<u>Other long-term obligations:</u>					
Capital leases	6,857	-	(6,857)	-	-
Early retirement incentive	2,747,980	-	(854,006)	1,893,974	854,006
Compensated absences	5,620,864	320,988	(225,555)	5,716,297	328,645
Total other long-term obligations	8,375,701	320,988	(1,086,418)	7,610,271	1,182,651
Total governmental activities long-term liabilities	\$ 54,630,011	\$ 339,965	\$ (2,393,601)	52,576,375	\$2,403,310
			Unamortized premium on bonds	443,535	
			Total on statement of net assets	\$ 53,019,910	

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

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

At June 30, 2008 there was \$1,123,274 in unspent proceeds remaining on this bond issue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Amount</u>
2024	\$ 1,880,000
2025	1,975,000
2026	2,070,000

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

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Amount</u>
2028	\$ 2,285,000
2029	2,385,000
2030	2,495,000
2031	2,605,000

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

The capital appreciation bonds are not subject to redemption prior to maturity. The capital appreciation bonds will mature on December 1, 2011, and December 1, 2012, in the amount of \$1,145,000 and \$1,145,000, respectively. For fiscal year 2008, \$18,977 was accreted on the capital appreciation bonds for a total outstanding bond value of \$2,212,457 at fiscal year end.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the general obligation school facilities improvement bonds outstanding at June 30, 2008, were as follows:

Fiscal Year Ending	School Facilities Improvement - Term and Serial		
	Principal	Interest	Total
2009	\$ 1,035,000	\$ 1,810,672	\$ 2,845,672
2010	1,075,000	1,769,273	2,844,273
2011	1,110,000	1,737,022	2,847,022
2012	-	1,702,334	1,702,334
2013	-	1,702,335	1,702,335
2014 - 2018	6,160,000	8,069,245	14,229,245
2019 - 2023	7,745,000	6,483,875	14,228,875
2024 - 2028	9,890,000	4,342,875	14,232,875
2029 - 2033	<u>12,495,000</u>	<u>1,736,328</u>	<u>14,231,328</u>
Total	<u>\$ 39,510,000</u>	<u>\$ 29,353,959</u>	<u>\$ 68,863,959</u>

Fiscal Year Ending	School Facilities Improvement - Capital Appreciation		
	Principal	Interest	Total
2012	\$ 1,082,139	\$ 62,861	\$ 1,145,000
2013	<u>1,072,854</u>	<u>72,146</u>	<u>1,145,000</u>
Total	<u>\$ 2,154,993</u>	<u>\$ 135,007</u>	<u>\$ 2,290,000</u>

Energy Conservation Bonds FY 1998: - On June 15, 1998, the 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 final payment on these bonds was made from the general fund during fiscal year 2008.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the general obligation energy conservation bonds outstanding at June 30, 2008, were as follows:

Fiscal Year <u>Ending</u>	<u>Principal</u>	<u>Energy Conservation</u> <u>Interest</u>	<u>Total</u>
2009	\$ 185,659	\$ 149,211	\$ 334,870
2010	194,540	140,330	334,870
2011	203,846	131,024	334,870
2012	213,597	121,273	334,870
2013	223,814	111,056	334,870
2014 - 2018	1,290,279	384,072	1,674,351
2019 - 2022	<u>931,912</u>	<u>72,698</u>	<u>1,004,610</u>
Total	<u>\$ 3,243,647</u>	<u>\$ 1,109,664</u>	<u>\$ 4,353,311</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$12,648,881 (including available funds of \$1,288,644) and an unvoted debt margin of \$589,569.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated to an unlimited amount. Upon retirement, payment is made for one-half of their accrued, but unused sick leave credit to a maximum of one hundred fifty days for certified and classified employees. Year-round administrative employees, such as the superintendent and treasurer, will receive one hundred fifty days of severance pay or one-half of unused sick leave to a maximum of one hundred seventy days. Other administrative employees will receive one hundred forty-five days of severance pay or one-half of unused sick leave to a maximum of one hundred sixty-five days.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - OTHER EMPLOYEE BENEFITS - (Continued)

B. Health Care Benefits

The 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.

C. Early Retirement Incentive

The District has offered employees an early retirement incentive program (ERIP) whereby employees retiring under the ERIP are entitled to 80% of their base salary at separation as an additional severance benefit payable over a five year period. The ERIP is a voluntary termination benefit as defined by GASB Statement No. 47, "Accounting for Termination Benefits". A total ERIP liability of \$1,893,974 has been recorded on the government-wide financial statements. Of this total liability, \$854,006 has been recorded as a fund liability of the general fund. A fund liability is recorded to the extent that the payments are due at fiscal year-end and will be liquidated using current financial resources which, the District defines, as being paid in the next fiscal year.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District contracted for the following insurance coverage:

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

General School District Liability:

Per occurrence	\$ 1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000
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 American Alternative Insurance is as follows:

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

For fiscal year 2008, the District participated in the Northwest Ohio Educational Council Self-Insurance Pool Program (Program), an insurance purchasing pool (see Note 2). Each participant enters into an individual agreement with the Program for insurance coverage and pays annual premiums to the Program based on the types and limits of coverage and deductibles selected by the participant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 13 - RISK MANAGEMENT - (Continued)

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

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$461,591, \$537,832 and \$520,303, respectively; 43.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 14 - PENSION PLANS - (Continued)

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,727,749, \$2,817,041, and \$2,670,174, respectively; 82.84 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$21,048 made by the District and \$65,788 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or STRS Ohio have an option to choose Social Security or SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$291,990, \$258,560, and \$261,520, respectively; 43.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$33,259, \$36,573, and \$41,412, respectively; 43.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$209,827, \$216,695, and \$206,260, respectively; 82.84 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - CONTRACTUAL COMMITMENTS

As of June 30, 2008, the District had contractual commitments as follows:

<u>Project</u>	<u>Contract Amounts</u>	<u>Amount Paid</u>	<u>Remaining Commitment</u>
Clay High School	\$ 21,051,211	\$ 14,753,634	\$ 6,297,577
Starr Elementary	1,262,664	1,262,664	-
Coy Elementary	9,178,403	9,177,898	505
Jerusalem Elementary	4,260,449	4,260,449	-
Wynn Elementary	4,464,583	4,449,695	14,888
Central office	492,320	429,742	62,578
Hazardous abatement	<u>4,162,881</u>	<u>4,162,881</u>	-
Total contractual commitments	<u>\$ 44,872,511</u>	<u>\$ 38,496,963</u>	<u>\$ 6,375,548</u>

In addition to the amounts paid, the District has recorded \$365,956 in contracts payable and \$352,116 in retainage payable at June 30, 2008 related to the above construction projects.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures, and changes in fund balance - budget (non-GAAP basis) and actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis);
4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis);
5. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (1,836,337)
Net adjustment for revenue accruals	(558,568)
Net adjustment for expenditure accruals	(567,350)
Net adjustment for other sources/uses	(45,608)
Adjustment for encumbrances	<u>380,610</u>
GAAP basis	<u>\$ (2,627,253)</u>

NOTE 18 - DONOR RESTRICTED ENDOWMENTS

The District's private purpose trust funds include donor restricted endowments. The endowment, in the amount of \$261,800 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$92,634 and is included as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

NOTE 19 - STATUTORY RESERVES

The District is required by State statute to annually set aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future fiscal years. In prior fiscal years, the District was also required to set aside money for budget stabilization. At June 30, 2008, 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 2008.

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2007	\$ (262,854)	\$ -	\$ 201,560
Current year set-aside requirement	629,355	629,355	-
Current year offsets	-	(1,112,228)	-
Qualifying disbursements	<u>(706,784)</u>	<u>(958,734)</u>	<u>-</u>
Total	<u>\$ (340,283)</u>	<u>\$ (1,441,607)</u>	<u>\$ 201,560</u>
Balance carried forward to FY 2009	<u>\$ (340,283)</u>	<u>\$ -</u>	<u>\$ 201,560</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 19 - STATUTORY RESERVES - (Continued)

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

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

A schedule of the governmental fund restricted assets at June 30, 2008 follows:

Amount restricted for BWC refunds	<u>\$ 201,560</u>
Total restricted assets	<u>\$ 201,560</u>

NOTE 20 - CONTINGENCIES

A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

B. Litigation

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

NOTE 21 - EAGLE LEARNING CENTER

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 21 - EAGLE LEARNING CENTER - (Continued)

A. Significant Accounting Policies

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

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

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

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

Cash - All monies received by the Learning Center are deposited in a demand deposit account.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 21 - EAGLE LEARNING CENTER - (Continued)

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

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

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

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

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

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

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

B. Change in Accounting Principles

For fiscal year 2008, the Learning Center has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Learning Center.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 21 - EAGLE LEARNING CENTER - (Continued)

C. Deposits

At June 30, 2008, the carrying amount of the Learning Center's deposits was \$219,648. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$159,331 of the Learning Center's bank balance of \$259,331 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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

D. Receivables

At June 30, 2008, receivables consisted of intergovernmental revenue which is considered collectible within one year and presented on the statement of net assets in the amount of \$8,778.

E. Risk Management

The Learning Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For the period July 1, 2007 through June 30, 2008, the Learning Center was named on the Sponsor's policy for property and general liability insurance. The Learning Center provides employee bond coverage in the following amounts: Treasurer \$50,000 and Board of Directors \$20,000.

F. Operation Lease

The Learning Center signed an operating lease for the period June 1, 2007 through June 1, 2008, with Free Realty Company to lease a school facility, with the option to renew the lease for an additional one year provided notice of election of this option is provided to the lessor in writing at least sixty days prior to termination of this period. This option was taken and the lease was renewed for the period of June 1, 2008 through June 1, 2009.

Payments made in fiscal year 2008 for the lease period ending June 1, 2008 totaled \$8,800.

The future minimum payments required under the operating lease at June 30, 2008 are \$8,800, which are to be paid during fiscal year 2009. An \$800 prepayment is recorded on the statement of net assets for July rent which was paid in June.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 21 - EAGLE LEARNING CENTER - (Continued)

G. Sponsorship Contract

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

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

H. ILS Agreement

On May 15, 2006, the Sponsor entered into an agreement with ILS for the performance of consulting services related to the formation and operation of the Learning Center (hereafter "the Agreement"). The Agreement covers the period May 15, 2006 through August 31, 2011 and shall automatically renew for successive five year terms, unless either party provides thirty (30) day written notice to the other party prior to the termination of the applicable or initial term. The Agreement can be terminated at any time upon the written approval of both parties.

Under the Agreement, ILS will perform consulting services including, but not limited to, the following: contract negotiations (vendor, bargaining unit, etc.), Sponsor contract, educational plan, Federal and State grant writing, and other consulting services desired by the Learning Center. As compensation for the consulting services, ILS shall be compensated as follows:

1. The sum of 12% of all gross Learning Center average daily membership (ADM) funds payable in monthly installments commencing September, 2007 and continuing monthly thereafter during the term of the Agreement; and
2. A fee of \$50,000 for the initial set-up and administration of the community school process. This fee is contingent upon the Learning Center receiving a Federal grant in the amount of \$100,000 or more within the first two years of this Agreement. Such payment will be due and payable upon receipt of the Federal grant by the Learning Center.

For fiscal year 2008, the Learning Center had \$93,990 in expenses to ILS, which includes accounts payable of \$18,981.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 21 - EAGLE LEARNING CENTER - (Continued)

I. Related Party Transaction

For fiscal year 2008, the Learning Center had expenses for purchased services and materials and supplies of \$345,487 to their Sponsor, which includes an intergovernmental payable of \$9,680.

J. Capital Assets

Capital asset activity for the period July 1, 2007 through June 30, 2008, was as follows:

	Balance <u>6/30/07</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/08</u>
Furniture, fixtures and equipment	\$ 2,866	\$ 10,965	\$ -	\$ 13,831
Less: accumulated depreciation	<u>(400)</u>	<u>(2,783)</u>	<u>-</u>	<u>(3,183)</u>
Capital assets, net	<u>\$ 2,466</u>	<u>\$ 8,182</u>	<u>\$ -</u>	<u>\$ 10,648</u>

K. Contingencies

Grants - The Learning Center received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Learning Center at June 30, 2008.

Litigation - A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is currently pending, and the effect of this suit, if any, on the Academy cannot presently be determined.

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

State Funding - The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation funding is calculated. The Learning Center has had a review for fiscal year 2008, which resulted in the ODE owing \$8,778 to the Learning Center. This amount has been recorded as an intergovernmental receivable at June 30, 2008. This amount was paid to the Learning Center with the November, 2008 Foundation settlement.

OREGON CITY SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2008

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
<u>U.S. Department of Agriculture</u>				
Passed Through the Ohio Department of Education				
Nutrition Cluster:				
National School Breakfast Program	LLP4-06	10.553	\$ 76,748	\$ 76,748
National School Lunch Program	LLP4-07	10.555	512,822	512,822
Total Nutrition Cluster			589,570	589,570
Food Distribution	N/A	10.550	85,266	85,266
Total U.S. Department of Agriculture			674,836	674,836
<u>U.S. Department of Education</u>				
Pass through Ohio Department of Education				
Special Education Cluster:				
Title VI-B	6BSF-07	84.027	52,595	279,718
Title VI-B	6BSF-08	84.027	915,007	599,989
Ohio Integrated System Model	6BSD-07	84.027	21,084	37,756
Ohio Integrated System Model	6BSD-08	84.027	51,014	32,855
Total Special Education Cluster			1,039,700	950,318
Title I - Disadvantaged Children	C1S1-07	84.010	10,926	23,464
Title I - Disadvantaged Children	C1S1-08	84.010	323,019	325,321
Total Title I			333,945	348,785
Title II-A Improving Teacher Quality	TRS1-07	84.367	5,248	22,419
Title II-A Improving Teacher Quality	TRS1-08	84.367	130,862	131,606
Total Title II-A			136,110	154,025
Title II-D - Educational Technology	TJS1-08	84.318	6,228	6,228
Total Title II-D			6,228	6,228
CDP HS Critical Transition	2OAO-07	84.048	29,693	26,952
Vocational Education Basic Grant	2OC1-08	84.048	4,465	15,829
Total Carl D Perkins Grant			34,158	42,781
Title V - Innovative Education Programs	C2S1-08	84.298	6,295	9,673
Total Title V			6,295	9,673
Adult Basic Education	ABS1-07	84.002	11,850	31,212
Adult Basic Education	ABS1-08	84.002	33,217	24,198
Total Adult Basic Education			45,067	55,410
Safe and Drug Free Program	DRS1-07	84.186	3,900	5,049
Safe and Drug Free Program	DRS1-08	84.186	11,845	11,781
Total Safe and Drug Free Program			15,745	16,830
Total U.S. Department of Education			1,617,248	1,584,050
Total Federal Expenditures			\$ 2,292,084	\$ 2,258,886

See accompanying Notes to the Schedule of Federal Awards Expenditures

OREGON CITY SCHOOL DISTRICT
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2008

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, 2008, the District had commodities in inventory recorded in the Food Service Fund.

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

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 remaining fund information of the Oregon City School District, Lucas County Ohio (District) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 18, 2008, wherein we noted the District changed its capital assets threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2008-Oregon-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We do not believe the significant deficiency described above to be a material weakness.

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, grants 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

We noted certain matters that we have reported to management of the District in a separate letter dated December 18, 2008.

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

Charles E. Harris and Associates, Inc.

December 18, 2008

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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of the Oregon City School District, Lucas County (District), 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 programs for the year ended June 30, 2008. The District's major federal programs are 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 programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major programs 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 programs for the year ended June 30, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

Charles E. Harris & Associates, Inc.

December 18, 2008

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

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY
June 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant deficiencies 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>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs</i>	No
(d)(1)(iv)	<i>Were there any other reportable significant deficiencies 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>	Nutrition Cluster CFDA 10.553 & 10.555 Title I CFDA 84.010
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY
SCHEDULE OF FINDINGS
JUNE 30, 2008

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

Finding Number: 2008- Oregon-001 – Significant Deficiency

In the prior audit for the fiscal year ending June 30, 2007, the District posted the accrued interest receivable for the Building Fund's investments to the General Fund instead of the Building Fund. This resulted in the general fund balance being overstated and the Building Fund's balance being understated by \$784,946. A restatement of the June 30, 2007 fund balances for the General Fund and the Building Fund was made in order to accurately reflect the correct balances.

We recommend the District develop procedures to ensure all accrued interest be credited to the proper funds.

Management Response:

This was a mistake made during the compilation of the GAAP Workpapers and was not noticed through several reviews and the audit process. Correction is appropriate and was not based upon a procedural or District posting mistake of any kind.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ending June 30, 2007, reported no material citations or recommendations.



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
FEBRUARY 17, 2009