

**OREGON CITY SCHOOL DISTRICT**



**Basic Financial Statements**

**June 30, 2015**

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Oregon City School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Oregon City School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Eagle Learning Center, Inc. (the Center) which represents 100 percent of the assets, net position and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Center, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. We did not modify our opinion regarding this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and schedules of net pension liabilities and pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 22, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(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, 2015. 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 fiscal year 2015 are as follows:

- In total, net position of governmental activities increased \$466,569 which represents a 1.23% increase from 2014's net position, as restated.
- General revenues accounted for \$39,222,170 in revenue or 83.93% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,511,876 or 16.07% of total revenues of \$46,734,046.
- The District had \$46,267,477 in expenses related to governmental activities; \$7,511,876 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$39,222,170 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$39,338,350 in revenues and other financing sources and \$40,016,181 in expenditures and other financing uses. The fund balance of the general fund decreased from \$5,763,994 to \$5,086,163.

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

**Reporting the District as a Whole**

*Statement of Net Position 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 2015?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

These two statements report the District's net position and changes in that position. This change in net position 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 position 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 position and statement of activities can be found on pages 15-16 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

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

***Reporting the District's Fiduciary Responsibilities***

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-67 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 70 through 76 of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The following table provides a summary of the District's net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

	<b>Net Position</b>	
	Governmental Activities 2015	Restated Governmental Activities 2014
<b><u>Assets</u></b>		
Current and other assets	\$ 34,776,838	\$ 37,048,391
Capital assets, net	<u>53,473,914</u>	<u>54,607,763</u>
Total assets	<u>88,250,752</u>	<u>91,656,154</u>
<b><u>Deferred outflows of resources</u></b>		
Unamortized deferred charges on debt refunding	3,082,224	3,259,194
Pensions	<u>3,862,160</u>	<u>3,065,483</u>
Total deferred outflows of resources	<u>6,944,384</u>	<u>6,324,677</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,476,948	5,082,505
Long-term liabilities:		
Due within one year	2,825,288	2,929,904
Due in more than one year:		
Net pension liability	52,181,817	62,018,710
Other amounts	<u>43,361,343</u>	<u>45,766,675</u>
Long-term liabilities	<u>98,368,448</u>	<u>110,715,289</u>
Total liabilities	<u>102,845,396</u>	<u>115,797,794</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes and PILOTs levied for the next fiscal year	20,328,487	20,085,853
Pensions	<u>9,457,500</u>	-
Total deferred inflows of resources	<u>29,785,987</u>	<u>20,085,853</u>
<b><u>Net position</u></b>		
Net investment in capital assets	18,102,351	17,319,176
Restricted	2,301,362	3,964,412
Unrestricted (deficit)	<u>(57,839,960)</u>	<u>(59,186,404)</u>
Total net position (deficit)	<u>\$ (37,436,247)</u>	<u>\$ (37,902,816)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$21,050,411 to \$(37,902,816).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$37,436,247.

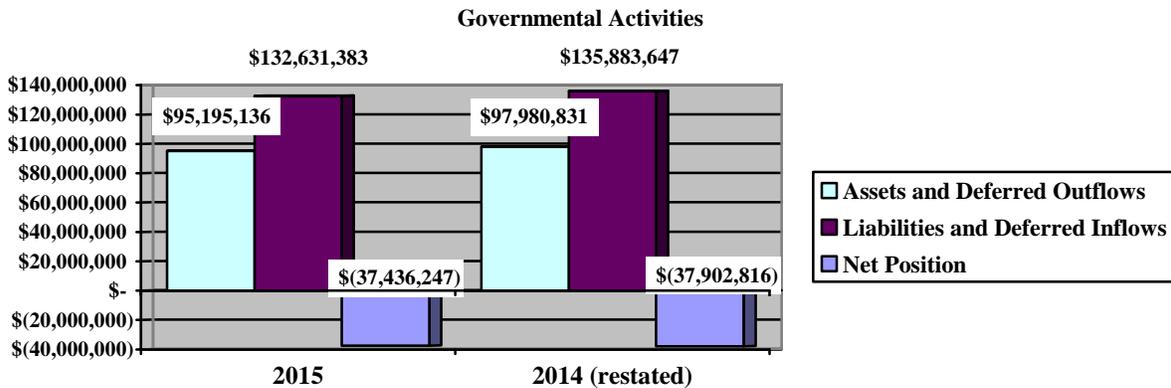
The decrease in current assets is mostly due to lower cash balances at year-end as expenses exceeded revenues for the year. Capital assets decreased as a result of depreciation expense exceeding capital acquisitions during the year.

Liabilities decreased for the District, mostly due to a significant decrease in net pension liability. This decrease, however, was offset by a similarly large increase in deferred inflows of resources related to pensions.

At year-end, capital assets represented 60.59% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. The net investment in capital assets at June 30, 2015, was \$18,102,351. Capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$2,301,362, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$1,148,812 is restricted for capital projects. The remaining balance of unrestricted net position is a deficit of \$57,839,960.

The chart below shows the District's governmental activities assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2015 and 2014. The 2014 amounts have been restated as described in Note 3.A.



The following table shows the change in net position for fiscal years 2015 and 2014. Net position for 2014 has been restated as described in Note 3.A.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<b>Change in Net Position</b>	
	Governmental	Restated
	Activities	Governmental Activities
	<u>2015</u>	<u>2014</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,885,449	\$ 2,470,551
Operating grants and contributions	4,626,427	5,089,718
General revenues:		
Property taxes	21,106,943	21,028,477
Payments in lieu of taxes	337,963	286,954
Grants and entitlements	17,578,879	16,537,875
Investment earnings	116,312	104,423
Other	82,073	94,305
Total revenues	<u>46,734,046</u>	<u>45,612,303</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	17,717,432	17,526,512
Special	5,140,693	5,297,848
Vocational	2,049,983	2,373,511
Adult/continuing	108,254	122,426
Other	56,425	62,056
Support services:		
Pupil	2,020,449	1,873,962
Instructional staff	3,091,469	4,116,606
Board of education	30,650	44,053
Administration	3,218,634	3,148,351
Fiscal	810,688	904,443
Business	410,978	352,118
Operations and maintenance	4,985,135	4,905,376
Pupil transportation	2,064,161	2,112,697
Central	9,765	5,926
Operation of non-instructional services:		
Food service operations	1,494,509	1,571,753
Other non-instructional services	401,858	400,922
Extracurricular activities	1,261,023	1,285,946
Interest and fiscal charges	<u>1,395,371</u>	<u>1,376,628</u>
Total expenses	<u>46,267,477</u>	<u>47,481,134</u>
Change in net position	466,569	(1,868,831)
Net position (deficit) at beginning of year (restated)	<u>(37,902,816)</u>	<u>N/A</u>
Net position (deficit) at end of year	<u>\$ (37,436,247)</u>	<u>\$ (37,902,816)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

**Governmental Activities**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$3,065,483 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,193,379.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

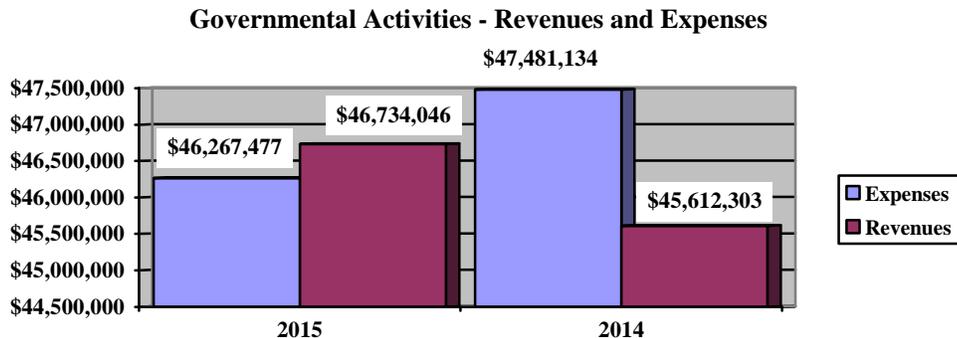
Total 2015 program expenses under GASB 68	\$ 46,267,477
Pension expense under GASB 68	(2,193,379)
2015 contractually required contributions	<u>3,369,449</u>
Adjusted 2015 program expenses	47,443,547
Total 2014 program expenses under GASB 27	<u>47,481,134</u>
Increase (decrease) in program expenses not related to pension	<u>\$ (37,587)</u>

Net position of the District's governmental activities increased \$466,569. Total governmental expenses of \$46,267,477 were offset by program revenues of \$7,511,876, and general revenues of \$39,222,170. Program revenues supported 16.24% 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, combined, accounted for 82.78% of total governmental revenue in fiscal year 2015. Unrestricted grants and entitlements increased due to an increase in State Foundation funding. Operating grants and contributions decreased in fiscal year 2015. This is a result of Straight A Grant funding from the State received in 2014 and a decrease in federal funding for the District's Title I grant program. The increase in sales and charges for services is primarily due to additional open enrollment tuition revenue in 2015.

Overall, expenses were comparable to the prior year; the total decrease in expenses not related to pensions was \$37,587. The largest expense of the District is for instructional programs. Instruction expenses totaled \$25,072,787 or 54.19% of total governmental expenses for fiscal year 2015.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2015 and 2014.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
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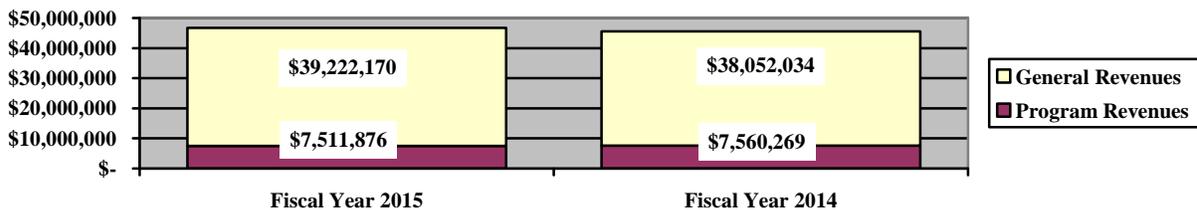
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
<b>Program expenses:</b>				
Instruction:				
Regular	\$ 17,717,432	\$ 15,775,065	\$ 17,526,512	\$ 15,624,924
Special	5,140,693	3,158,719	5,297,848	3,409,225
Vocational	2,049,983	1,725,818	2,373,511	2,073,277
Adult/continuing	108,254	66,454	122,426	68,213
Other	56,425	56,425	62,056	62,056
Support services:				
Pupil	2,020,449	1,915,449	1,873,962	1,858,700
Instructional staff	3,091,469	2,854,650	4,116,606	3,687,598
Board of education	30,650	30,650	44,053	44,053
Administration	3,218,634	2,913,077	3,148,351	2,734,607
Fiscal	810,688	810,688	904,443	904,443
Business	410,978	410,978	352,118	352,118
Operations and maintenance	4,985,135	4,985,135	4,905,376	4,881,104
Pupil transportation	2,064,161	1,912,348	2,112,697	1,934,364
Central	9,765	9,765	5,926	5,926
Operation of non-instructional services:				
Food service operations	1,494,509	(122,642)	1,571,753	14,073
Other non-instructional services	401,858	(17,437)	400,922	15,655
Extracurricular activities	1,261,023	875,088	1,285,946	873,901
Interest and fiscal charges	1,395,371	1,395,371	1,376,628	1,376,628
<b>Total</b>	<b><u>\$ 46,267,477</u></b>	<b><u>\$ 38,755,601</u></b>	<b><u>\$ 47,481,134</u></b>	<b><u>\$ 39,920,865</u></b>

The dependence upon tax and other general revenues for governmental activities is apparent; 82.89% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.76%. 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 2015 and 2014.

**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, 2015  
(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 \$8,322,834, which is \$1,783,425 lower than last year's total of \$10,106,259. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance <u>June 30, 2015</u>	Fund Balance <u>June 30, 2014</u>	<u>(Decrease)</u>
General fund	\$ 5,086,163	\$ 5,763,994	\$ (677,831)
Nonmajor governmental funds	<u>3,236,671</u>	<u>4,342,265</u>	<u>(1,105,594)</u>
Total	<u>\$ 8,322,834</u>	<u>\$ 10,106,259</u>	<u>\$ (1,783,425)</u>

**General Fund**

During fiscal year 2015, the District's general fund balance decreased \$677,831. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Percentage Change</u>
<b><u>Revenues:</u></b>			
Property taxes	\$ 18,294,104	\$ 18,148,349	0.80 %
Payment in lieu of taxes	337,963	286,954	17.78 %
Tuition	1,677,396	1,439,096	16.56 %
Earnings on investments	96,050	82,717	16.12 %
Intergovernmental	18,553,924	17,361,192	6.87 %
Other revenues	<u>370,290</u>	<u>442,427</u>	(16.30) %
Total	<u>\$ 39,329,727</u>	<u>\$ 37,760,735</u>	4.16 %
<b><u>Expenditures:</u></b>			
Instruction	\$ 24,210,963	\$ 23,533,987	2.88 %
Support services	14,495,393	14,100,248	2.80 %
Operation of non-instructional services	229	-	100.00 %
Extracurricular activities	818,437	786,313	4.09 %
Debt service	<u>305,025</u>	<u>306,400</u>	(0.45) %
Total	<u>\$ 39,830,047</u>	<u>\$ 38,726,948</u>	2.85 %

The overall increase in general fund revenues is mostly due to additional intergovernmental and tuition revenue. Intergovernmental revenues for the general fund consist primarily of revenue allocated from the State Foundation program. The increase in general fund expenditures is mostly related to increases in employee salaries which were made in accordance with the negotiated agreements with the labor unions.

**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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

During the course of fiscal year 2015, the District amended its general fund budget as needed. Original budgeted revenues and other financing sources of \$38,189,340 were increased slightly to \$39,164,845 in the final budget. Actual revenues and other financing sources for fiscal year 2015 were \$39,962,680 which is \$797,835 more than the final budgeted revenues. The most significant variance between the final budgeted and actual revenues was a positive variance for intergovernmental - state revenues in the amount of \$601,608. This is reflective of the increased State Foundation funding received during the year.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$40,724,622 were increased slightly to \$41,517,524 in the final budget. The increase is mostly due to budget amendments related to employees' wages and benefits. The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$40,618,357, which is \$899,167 less than the final budget appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2015, the District had \$53,473,914 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. This entire amount is reported in governmental activities. The following table shows fiscal year 2015 balances compared to 2014:

**Capital Assets at June 30 (Net of Depreciation)**

	Governmental Activities	
	2015	2014
Land	\$ 495,967	\$ 495,967
Land improvements	210,082	250,871
Buildings and improvements	50,340,684	51,465,214
Furniture and equipment	999,488	1,006,532
Vehicles	1,020,113	969,378
Infrastructure	407,580	419,801
Total	\$ 53,473,914	\$ 54,607,763

The overall decrease in capital assets is due to depreciation expense of \$1,540,759 and disposals, net of accumulated depreciation, of \$32,482 exceeding capital outlays of \$439,392 in fiscal year 2015. See Note 9 in the notes to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2015, the District had \$33,338,494 in general obligation bonds, \$1,907,488 in energy conservation bonds and \$674,735 in capital lease obligations outstanding. Of these totals, \$2,266,347 is due within one year and \$33,654,370 is due in more than one year. The following table summarizes the governmental activities debt outstanding.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

**Outstanding Debt, at Year End**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
General obligation bonds	\$ 33,338,494	\$ 34,634,601
Energy conservation bonds	1,907,488	2,160,566
Capital lease obligation	<u>674,735</u>	<u>1,123,973</u>
Total	<u>\$ 35,920,717</u>	<u>\$ 37,919,140</u>

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

**Current Related Financial Activities**

The District is primarily a suburban school district located on the eastern edge of Lucas County, which relies heavily on the local taxpayers for general fund revenue. The District received only approximately 27% of its revenue from the State Educational Foundation funding formula. The systematic elimination of the tangible personal property tax under House Bill 66 and reductions in the State's temporary reimbursement of the loss has been a major concern for the District. The District has also suffered with an unintended consequence of House Bill 66 with the loss of monies previously abated from local companies of over \$1.3 million per year. The State did not compensate the District for this lost revenue.

The fiscal year 2012 - fiscal year 2013 biennial budget passed by the Ohio legislature accelerated the reduction of the State's reimbursement of monies paid to Oregon schools to replace monies lost through H.B. 66 as mentioned above. While the District has been reducing expenditures and planning for the loss of this income, the ability of the legislature to change the process of reimbursement with just a quick motion puts a large revenue stream in a state of flux and uncertainty. In fiscal year 2015, the District received 4.8 million dollars in replacement monies for tangible personal property taxes. The legislature is again restarting the reduction of these payments.

A 4.4 mill bond levy was approved by the District's residents in November 2004. Proceeds from this bond have been used to renovate three elementary schools and Clay High School along with construction of one new elementary school and demolition of older sections of Clay High School. Construction/demolition is complete. The District is still holding the old Coy Elementary property for sale. An auction was held for this property but the top bid was rejected. Demolition of the old Coy building using permanent improvement funds was completed during fiscal year 2012.

The District has experienced fairly stable enrollment in the last several years. The Board of Education approved allowing open enrollment of students according to space during the 2009-2010 school year as well as school employees' children regardless of grade level. This was done to increase operational efficiencies and is projected to bring in approximately \$1,198,416 in additional State funds in fiscal year 2016. The District serves approximately 3,672 students and employs 252 certified, 185 classified, and 23 administrative staff members. All employees accepted a 0% increase on base pay but received a step increase for fiscal years 2015 through 2016. All employees are paying higher deductibles for medical insurance along with paying a 15% share of medical premiums. This cooperation greatly improved the financial picture for the District. Union contracts are in place through fiscal year 2016.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

The Oregon community approved a new 5.9 mill operating levy in March 2008. Fiscal year 2010 was the first full year of collection for this new operating levy. Unfortunately, property values have continued to decline in the Oregon district which means that this levy has brought in less money than originally anticipated. The Board of Education approved additional budgetary reductions for fiscal year 2010 totaling approximately \$3.5 million to ensure the District's financial stability for another year. The Board placed a 5.9 mill emergency operating levy on the November 2, 2010 ballot. This levy was soundly defeated by the community causing the Board to further reduce the operating budget by 2.4 million dollars for the 2011-2012 school year. The Board is now once again on the ballot but have reduced the millage amount requested, we are asking for 3.95 November 3, 2015. The District did not replace several retiring individuals and have reduced the fiscal year 2016 budget by an additional \$500,000 in order to request less tax millage from our community.

The Oregon and Jerusalem community passed a renewal of a 2.0 mill permanent improvement levy in the May 7, 2013 election. This renewal enables the District to continue to maintain our properties and invest in additional technology for another 5 year term. This levy will maintain uninterrupted collection of these funds until 2018.

These are tough times for the District as we look for ways to maintain outstanding student services and achievement in a challenging financial environment. On a positive note the City of Oregon has attracted a Natural Gas Electric Generating Plant which is slated to provide additional funding beginning in 2017. This will be a much needed positive impact for the community and District.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to 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.

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

STATEMENT OF NET POSITION  
JUNE 30, 2015

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Eagle Learning Center</b>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$ 12,110,124	\$ 798,672
Receivables:		
Property taxes . . . . .	21,542,179	-
Payment in lieu of taxes . . . . .	329,000	-
Accounts. . . . .	40,909	-
Intergovernmental . . . . .	672,891	-
Accrued interest . . . . .	17,818	-
Prepayments . . . . .	46,603	4,190
Materials and supplies inventory. . . . .	5,852	-
Inventory held for resale . . . . .	11,462	-
Capital assets:		
Nondepreciable capital assets . . . . .	495,967	-
Depreciable capital assets, net. . . . .	52,977,947	22,849
Capital assets, net. . . . .	53,473,914	22,849
Total assets. . . . .	88,250,752	825,711
<b>Deferred outflows of resources:</b>		
Unamortized deferred charges on debt refunding . . . . .	3,082,224	-
Pension - STRS . . . . .	3,102,478	-
Pension - SERS. . . . .	759,682	-
Total deferred outflows of resources . . . . .	6,944,384	-
<b>Liabilities:</b>		
Accounts payable. . . . .	367,782	599
Accrued wages and benefits payable . . . . .	3,235,676	-
Intergovernmental payable . . . . .	178,555	37,910
Pension and postemployment benefits payable. . . . .	604,622	-
Accrued interest payable . . . . .	90,313	-
Long-term liabilities:		
Due within one year. . . . .	2,825,288	-
Due in more than one year:		
Net pension liability (See Note 15) . . . . .	52,181,817	-
Other amounts due in more than one year. . . . .	43,361,343	-
Total liabilities . . . . .	102,845,396	38,509
<b>Deferred inflows of resources:</b>		
Property taxes levied for the next fiscal year. . . . .	19,999,487	-
Payment in lieu of taxes levied for the next fiscal year . . . . .	329,000	-
Pension - STRS. . . . .	8,053,792	-
Pension - SERS. . . . .	1,403,708	-
Total deferred inflows of resources . . . . .	29,785,987	-
<b>Net position:</b>		
Net investment in capital assets . . . . .	18,102,351	22,849
Restricted for:		
Capital projects . . . . .	1,148,812	-
Debt service. . . . .	541,401	-
State funded programs. . . . .	69,423	10,000
Federally funded programs . . . . .	34,543	-
Student activities . . . . .	77,716	-
Food service oprations . . . . .	429,467	-
Unrestricted (deficit) . . . . .	(57,839,960)	754,353
Total net position (deficit) . . . . .	\$ (37,436,247)	\$ 787,202

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, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services and Sales	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	Eagle Learning Center
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 17,717,432	\$ 1,816,031	\$ 126,336	\$ (15,775,065)	\$ -
Special . . . . .	5,140,693	-	1,981,974	(3,158,719)	-
Vocational . . . . .	2,049,983	9,449	314,716	(1,725,818)	-
Adult/continuing. . . . .	108,254	41,800	-	(66,454)	-
Other . . . . .	56,425	-	-	(56,425)	-
Support services:					
Pupil. . . . .	2,020,449	-	105,000	(1,915,449)	-
Instructional staff . . . . .	3,091,469	-	236,819	(2,854,650)	-
Board of education . . . . .	30,650	-	-	(30,650)	-
Administration. . . . .	3,218,634	-	305,557	(2,913,077)	-
Fiscal. . . . .	810,688	-	-	(810,688)	-
Business . . . . .	410,978	-	-	(410,978)	-
Operations and maintenance. . . . .	4,985,135	-	-	(4,985,135)	-
Pupil transportation. . . . .	2,064,161	-	151,813	(1,912,348)	-
Central . . . . .	9,765	-	-	(9,765)	-
Operation of non-instructional services:					
Food service operations . . . . .	1,494,509	632,606	984,545	122,642	-
Other non-instructional services . . . . .	401,858	-	419,295	17,437	-
Extracurricular activities. . . . .	1,261,023	385,563	372	(875,088)	-
Interest and fiscal charges . . . . .	1,395,371	-	-	(1,395,371)	-
Total governmental activities . . . . .	<u>\$ 46,267,477</u>	<u>\$ 2,885,449</u>	<u>\$ 4,626,427</u>	<u>(38,755,601)</u>	<u>-</u>
<b>Component unit</b>					
Eagle Learning Center . . . . .	<u>\$ 768,701</u>	<u>\$ -</u>	<u>\$ 639,047</u>	<u>-</u>	<u>(129,654)</u>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .				18,278,405	-
Debt service. . . . .				1,971,048	-
Capital outlay . . . . .				857,490	-
Payments in lieu of taxes. . . . .				337,963	-
Grants and entitlements not restricted					
to specific programs. . . . .				17,578,879	-
Investment earnings . . . . .				116,312	238
Miscellaneous . . . . .				82,073	46,276
Total general revenues . . . . .				<u>39,222,170</u>	<u>46,514</u>
Change in net position . . . . .				466,569	(83,140)
<b>Net position (deficit) at beginning of year (restated). . . . .</b>				<u>(37,902,816)</u>	<u>870,342</u>
<b>Net position (deficit) at end of year. . . . .</b>				<u>\$ (37,436,247)</u>	<u>\$ 787,202</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and investments. . . . .	\$ 8,368,275	\$ 3,741,849	\$ 12,110,124
Receivables:			
Property taxes. . . . .	18,634,211	2,907,968	21,542,179
Payment in lieu of taxes . . . . .	329,000	-	329,000
Accounts . . . . .	4,364	36,545	40,909
Intergovernmental. . . . .	568,823	104,068	672,891
Accrued interest. . . . .	17,818	-	17,818
Interfund loans . . . . .	447,355	-	447,355
Prepayments. . . . .	46,603	-	46,603
Materials and supplies inventory . . . . .	-	5,852	5,852
Inventory held for resale. . . . .	-	11,462	11,462
Total assets . . . . .	<u>\$ 28,416,449</u>	<u>\$ 6,807,744</u>	<u>\$ 35,224,193</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	255,795	111,987	367,782
Accrued wages and benefits payable . . . . .	3,150,158	85,518	3,235,676
Compensated absences payable . . . . .	416,567	-	416,567
Health care reimbursement payable. . . . .	2,714	-	2,714
Intergovernmental payable . . . . .	169,275	9,280	178,555
Pension and postemployment benefits payable. . . . .	582,828	21,794	604,622
Interfund loans payable. . . . .	-	447,355	447,355
Total liabilities. . . . .	<u>4,577,337</u>	<u>675,934</u>	<u>5,253,271</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	17,291,384	2,708,103	19,999,487
Payment in lieu of taxes levied for the next fiscal year. . . . .	329,000	-	329,000
Delinquent property tax revenue not available. . . . .	589,211	82,968	672,179
Intergovernmental revenue not available. . . . .	531,868	104,068	635,936
Accrued interest not available. . . . .	11,486	-	11,486
Total deferred inflows of resources . . . . .	<u>18,752,949</u>	<u>2,895,139</u>	<u>21,648,088</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory. . . . .	-	5,852	5,852
Prepays . . . . .	46,603	-	46,603
Restricted:			
Debt service . . . . .	-	1,262,112	1,262,112
Capital improvements . . . . .	-	1,125,234	1,125,234
Food service operations . . . . .	-	597,250	597,250
Non-public schools . . . . .	-	38,715	38,715
Special education . . . . .	-	31,211	31,211
Targeted academic assistance . . . . .	-	62,716	62,716
Vocational education. . . . .	-	5,491	5,491
Other purposes. . . . .	-	30,708	30,708
Extracurricular. . . . .	-	77,716	77,716
Committed:			
Termination benefits. . . . .	409,358	-	409,358
Assigned:			
Student instruction . . . . .	113,144	-	113,144
Student and staff support . . . . .	422,368	-	422,368
Extracurricular activities . . . . .	833	-	833
Subsequent year's appropriations . . . . .	1,325,716	-	1,325,716
Other purposes. . . . .	16,003	70	16,073
Unassigned (deficit) . . . . .	<u>2,752,138</u>	<u>(404)</u>	<u>2,751,734</u>
Total fund balances . . . . .	<u>5,086,163</u>	<u>3,236,671</u>	<u>8,322,834</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 28,416,449</u>	<u>\$ 6,807,744</u>	<u>\$ 35,224,193</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2015

<b>Total governmental fund balances</b>		\$	8,322,834
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			53,473,914
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	672,179	
Accrued interest receivable		635,936	
Intergovernmental receivable		11,486	
Total		1,319,601	1,319,601
Unamortized premiums on bonds issued are not recognized in the funds.			(3,897,593)
Unamortized amounts on refundings are not recognized in the funds.			3,082,224
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(90,313)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.			
Deferred outflows of resources - pension		3,862,160	
Deferred inflows of resources - pension		(9,457,500)	
Net pension liability		(52,181,817)	
Total		(57,777,157)	(57,777,157)
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		(33,338,494)	
Energy conservation bonds		(1,907,488)	
Capital lease obligation		(674,735)	
Compensated absences payable		(5,949,040)	
Total		(41,869,757)	(41,869,757)
<b>Net position of governmental activities</b>		\$	(37,436,247)

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, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 18,294,104	\$ 2,830,237	\$ 21,124,341
Payment in lieu of taxes . . . . .	337,963	-	337,963
Tuition. . . . .	1,677,396	41,800	1,719,196
Charges for services . . . . .	-	632,606	632,606
Earnings on investments . . . . .	96,050	23,786	119,836
Extracurricular. . . . .	85,805	232,086	317,891
Classroom materials and fees . . . . .	136,827	-	136,827
Other local revenues . . . . .	147,658	1,203	148,861
Intergovernmental - state . . . . .	18,494,075	1,419,857	19,913,932
Intergovernmental - federal . . . . .	59,849	2,379,022	2,438,871
Total revenues . . . . .	<u>39,329,727</u>	<u>7,560,597</u>	<u>46,890,324</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular. . . . .	17,217,095	475,362	17,692,457
Special . . . . .	4,678,820	472,904	5,151,724
Vocational . . . . .	2,199,961	-	2,199,961
Adult/continuing . . . . .	58,609	51,452	110,061
Other . . . . .	56,478	-	56,478
Support services:			
Pupil . . . . .	1,896,434	98,747	1,995,181
Instructional staff . . . . .	2,616,806	474,378	3,091,184
Board of education . . . . .	31,052	-	31,052
Administration . . . . .	2,969,999	307,560	3,277,559
Fiscal . . . . .	791,863	57,811	849,674
Business. . . . .	354,000	-	354,000
Operations and maintenance . . . . .	3,856,288	203,096	4,059,384
Pupil transportation . . . . .	1,969,186	226,055	2,195,241
Central . . . . .	9,765	-	9,765
Operation of non-instructional services:			
Food service operations. . . . .	-	1,519,184	1,519,184
Other non-instructional services . . . . .	229	396,547	396,776
Extracurricular activities . . . . .	818,437	418,547	1,236,984
Facilities acquisition and construction. . . . .	-	1,029,727	1,029,727
Debt service:			
Principal retirement. . . . .	275,000	2,033,356	2,308,356
Interest and fiscal charges . . . . .	30,025	1,118,100	1,148,125
Total expenditures . . . . .	<u>39,830,047</u>	<u>8,882,826</u>	<u>48,712,873</u>
Excess of expenditures over revenues . . . . .	<u>(500,320)</u>	<u>(1,322,229)</u>	<u>(1,822,549)</u>
<b>Other financing sources (uses):</b>			
Sale/loss of assets . . . . .	8,623	36,000	44,623
Transfers in. . . . .	-	186,134	186,134
Transfers (out) . . . . .	(186,134)	-	(186,134)
Total other financing sources (uses) . . . . .	<u>(177,511)</u>	<u>222,134</u>	<u>44,623</u>
Net change in fund balances . . . . .	(677,831)	(1,100,095)	(1,777,926)
<b>Fund balances at beginning of year. . . . .</b>	<b>5,763,994</b>	<b>4,342,265</b>	<b>10,106,259</b>
<b>Decrease in reserve for inventory . . . . .</b>	<b>-</b>	<b>(5,499)</b>	<b>(5,499)</b>
<b>Fund balances at end of year. . . . .</b>	<b><u>\$ 5,086,163</u></b>	<b><u>\$ 3,236,671</u></b>	<b><u>\$ 8,322,834</u></b>

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, 2015

<b>Net change in fund balances - total governmental funds</b>	\$	(1,777,926)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 439,392	
Current year depreciation	(1,540,759)	
Total		(1,101,367)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(32,482)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(5,499)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	(17,398)	
Earnings on investments	(74,873)	
Intergovernmental revenue	632	
Total		(91,639)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		2,308,356
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	4,781	
Accreted interest on capital appreciation bonds	(345,815)	
Payment of accreted interest on capital appreciation bonds	35,882	
Amortization of bond premiums	234,876	
Amortization of deferred charges on debt refunding	(176,970)	
Total		(247,246)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		
		3,369,449
Except for amounts reported as deferred inflows/outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,193,379)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		238,302
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>466,569</b>

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 17,854,893	\$ 18,247,229	\$ 18,230,810	\$ (16,419)
Payment in lieu of taxes . . . . .	351,000	351,000	337,963	(13,037)
Tuition . . . . .	1,433,800	1,462,311	1,677,396	215,085
Earnings on investments . . . . .	63,145	77,000	88,772	11,772
Extracurricular . . . . .	93,770	94,000	86,009	(7,991)
Classroom materials and fees . . . . .	153,773	154,150	136,906	(17,244)
Other local revenues . . . . .	702	45,950	32,933	(13,017)
Intergovernmental - state . . . . .	17,488,379	17,886,205	18,487,813	601,608
Intergovernmental - federal . . . . .	49,878	50,000	59,849	9,849
<b>Total revenues . . . . .</b>	<u>37,489,340</u>	<u>38,367,845</u>	<u>39,138,451</u>	<u>770,606</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	16,793,462	16,996,997	16,960,376	36,621
Special . . . . .	4,426,928	4,907,485	4,732,169	175,316
Vocational . . . . .	2,435,433	2,512,430	2,387,898	124,532
Adult/continuing . . . . .	59,272	59,000	58,669	331
Other . . . . .	73,352	73,015	56,978	16,037
Support services:				
Pupil . . . . .	1,912,997	1,904,206	1,909,954	(5,748)
Instructional staff . . . . .	2,488,646	2,477,210	2,636,436	(159,226)
Board of education . . . . .	48,698	48,474	34,992	13,482
Administration . . . . .	3,306,632	3,291,437	2,913,806	377,631
Fiscal . . . . .	894,488	913,323	796,448	116,875
Business . . . . .	389,477	367,687	355,232	12,455
Operations and maintenance . . . . .	4,216,704	4,197,327	4,145,933	51,394
Pupil transportation . . . . .	2,135,205	2,130,398	1,982,126	148,272
Central . . . . .	25,115	25,000	9,765	15,235
Extracurricular activities . . . . .	711,780	708,509	699,061	9,448
Debt service:				
Principal . . . . .	240,222	275,000	275,000	-
Interest and fiscal charges . . . . .	66,211	30,026	30,025	1
<b>Total expenditures . . . . .</b>	<u>40,224,622</u>	<u>40,917,524</u>	<u>39,984,868</u>	<u>932,656</u>
Excess of expenditures over revenues . . . . .	<u>(2,735,282)</u>	<u>(2,549,679)</u>	<u>(846,417)</u>	<u>1,703,262</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	200,000	290,000	309,457	19,457
Sale/loss of assets . . . . .	-	-	8,661	8,661
Transfers in . . . . .	-	7,000	7,000	-
Transfers (out) . . . . .	(100,000)	(200,000)	(186,134)	13,866
Advances in . . . . .	500,000	500,000	499,111	(889)
Advances (out) . . . . .	(400,000)	(400,000)	(447,355)	(47,355)
<b>Total other financing sources (uses) . . . . .</b>	<u>200,000</u>	<u>197,000</u>	<u>190,740</u>	<u>(6,260)</u>
Net change in fund balance . . . . .	(2,535,282)	(2,352,679)	(655,677)	1,697,002
<b>Fund balance at beginning of year . . . . .</b>	7,504,564	7,504,564	7,504,564	-
<b>Prior year encumbrances appropriated . . . . .</b>	517,535	517,535	517,535	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 5,486,817</u>	<u>\$ 5,669,420</u>	<u>\$ 7,366,422</u>	<u>\$ 1,697,002</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<b>Private-Purpose Trust</b>	
	<b>Scholarships</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 477,605	\$ 290,186
Receivables:		
Accounts . . . . .	-	7,151
Total assets. . . . .	477,605	\$ 297,337
<b>Liabilities:</b>		
Accounts payable. . . . .	58,186	\$ 3,741
Due to students . . . . .	-	166,944
Undistributed monies. . . . .	-	126,652
Total liabilities . . . . .	58,186	\$ 297,337
<b>Net position:</b>		
Held in trust for scholarships . . . . .	157,619	
Endowment . . . . .	261,800	
Total net position . . . . .	\$ 419,419	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<b>Private-Purpose Trust</b>
	<b>Scholarships</b>
<b>Additions:</b>	
Interest . . . . .	\$ 7,436
Gifts and contributions. . . . .	79,910
Total additions. . . . .	87,346
 <b>Deductions:</b>	
Scholarships awarded . . . . .	62,239
Change in net position . . . . .	25,107
<b>Net position at beginning of year. . . . .</b>	<b>394,312</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 419,419</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District is located in Lucas County, and includes all of the City of Oregon, and portions of surrounding townships. It is staffed by 185 classified employees, 252 certified teaching personnel, and 23 administrative employees who provide services to approximately 3,662 students and other community members. The District currently operates three elementary schools, two middle schools, and one comprehensive high school.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Following are the more significant of the District's accounting policies:

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has one component unit. The basic financial statements of the reporting entity include those of the District (the primary government) and of Eagle Learning Center, Inc. (component unit).

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

*DISCRETELY PRESENTED COMPONENT UNIT*

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northwest Ohio Computer Association

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 209 Nolan Parkway, Archbold, Ohio 43502.

Northwestern Ohio Educational Research Council, Inc.

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

Northwest Ohio Regional Professional Development Center

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

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

*PUBLIC ENTITY RISK POOL*

Southwestern Ohio Educational Purchasing Council

The District participates in the Southwestern Ohio Educational Purchasing Council (EPC) which is an insurance purchasing pool. The EPC's business and affairs are conducted by a six member committee consisting of various EPC representatives that are selected by the general assembly. The purpose of the EPC is to provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participants.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**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 plus deferred inflows of resources is reported as fund balance. The following is the District's major governmental fund:

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

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. 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 position 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, 2015

**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, deferred outflows, liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

*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 deferred outflows and current liabilities and deferred inflows 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, 2015

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

**E. Budgetary Process**

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Lucas County Budget Commission for rate determination. The Lucas County Budget Commission waived the tax budget filing requirement for fiscal year 2015.

Estimated Resources:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Appropriations:

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

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

**F. Cash and Investments**

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

During fiscal year 2015, investments included federal agency securities, U.S. Government money market mutual funds, negotiable certificates of deposit and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposits, are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$96,050, which includes \$28,511 assigned from other District funds.

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

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

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market and are expensed when used. On fund financial statements, inventories are valued at cost. Donated commodities are presented at their entitlement value. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide financial statements. 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, 2015

**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 position but are not reported on the fund financial statements.

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

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

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

**I. Interfund Balances**

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

**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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**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, 2015 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 and leases are recognized as a liability on the fund financial statements when due.

**L. Unamortized Bond Premium and Deferred Charges on Debt Refunding**

On government-wide financial statements, 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, bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense in the statement of activities. This amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow or outflow of resources on the statement of net position.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**M. Fund Balance**

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

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

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

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

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

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

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

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**N. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**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 2015.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**S. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures and added required supplementary information.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

A net position restatement is required in order to implement GASB Statement No. 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 21,050,411
Deferred outflows - payments subsequent to measurement date	3,065,483
Net pension liability	(62,018,710)
Restated net position at July 1, 2014	\$ (37,902,816)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

**B. Deficit Fund Balances**

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Race to the top	\$ 62
Improving teacher quality	342

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 Asset Reserve of Ohio investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$5,340 in undeposited cash on hand, which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all District deposits was \$5,144,199, 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, 2015, \$4,769,334 of the District's bank balance of \$5,292,721 was exposed to custodial risk as discussed below, while \$523,387 was covered by the FDIC.

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

**C. Investments**

As of June 30, 2015, 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>
FNMA	\$ 758,703	\$ -	\$ 506,293	\$ 252,410	\$ -	\$ -
Negotiable CDs	6,958,360	750,881	601,082	1,548,454	960,172	3,097,771
U.S. Government money market funds	11,313	11,313	-	-	-	-
Total	<u>\$ 7,728,376</u>	<u>\$ 762,194</u>	<u>\$ 1,107,375</u>	<u>\$ 1,800,864</u>	<u>\$ 960,172</u>	<u>\$ 3,097,771</u>

The weighted average maturity of investments is 1.97 years.

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

*Credit Risk:* The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned the U.S. Government money market funds an AAAM money market rating. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*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>
FNMA	\$ 758,703	9.82
Negotiable CDs	6,958,360	90.03
U.S. Government money market fund	<u>11,313</u>	<u>0.15</u>
Total	<u>\$ 7,728,376</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investment to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,144,199
Investments	7,728,376
Cash on hand	<u>5,340</u>
Total	<u>\$ 12,877,915</u>

<u>Cash and investments per financial statements</u>	
Governmental activities	\$ 12,110,124
Private-purpose trust funds	477,605
Agency funds	<u>290,186</u>
Total	<u>\$ 12,877,915</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund transfers for the year ended June 30, 2015 consisted of the following as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 186,134</u>

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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, 2015 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 fund	Nonmajor governmental funds	<u>\$ 447,355</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2015 are reported on the statement of net position.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Lucas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$753,616 in the general fund, and \$81,474 and \$35,423 in the bond retirement fund and permanent improvement fund, respectively (both nonmajor governmental funds). This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$690,322 in the general fund, and \$76,544 and \$33,280 in the bond retirement fund and permanent improvement fund, respectively (both nonmajor governmental funds). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 6 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 452,450,950	92.50	\$ 454,635,140	93.18
Public utility personal	<u>31,269,420</u>	<u>7.50</u>	<u>33,275,190</u>	<u>6.82</u>
<b>Total</b>	<b><u>\$ 483,720,370</u></b>	<b><u>100.00</u></b>	<b><u>\$ 487,910,330</u></b>	<b><u>100.00</u></b>
Tax rate per \$1,000 of assessed valuation	\$ 65.60		\$ 65.60	

**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, 2015 consisted of property taxes, payment in lieu 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. 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>06/30/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/15</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 495,967	\$ -	\$ -	\$ 495,967
Total capital assets, not being depreciated	<u>495,967</u>	<u>-</u>	<u>-</u>	<u>495,967</u>
Capital assets, being depreciated:				
Land improvements	847,485	-	-	847,485
Buildings and improvements	63,397,319	71,112	-	63,468,431
Furniture and equipment	3,920,974	134,925	(592,189)	3,463,710
Vehicles	2,939,277	233,355	(265,118)	2,907,514
Infrastructure	<u>479,619</u>	<u>-</u>	<u>-</u>	<u>479,619</u>
Total capital assets, being depreciated	<u>71,584,674</u>	<u>439,392</u>	<u>(857,307)</u>	<u>71,166,759</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(596,614)	(40,789)	-	(637,403)
Buildings and improvements	(11,932,105)	(1,195,642)	-	(13,127,747)
Furniture and equipment	(2,914,442)	(137,904)	588,124	(2,464,222)
Vehicles	(1,969,899)	(154,203)	236,701	(1,887,401)
Infrastructure	<u>(59,818)</u>	<u>(12,221)</u>	<u>-</u>	<u>(72,039)</u>
Total accumulated depreciation	<u>(17,472,878)</u>	<u>(1,540,759)</u>	<u>824,825</u>	<u>(18,188,812)</u>
Governmental activities capital assets, net	<u>\$ 54,607,763</u>	<u>\$ (1,101,367)</u>	<u>\$ (32,482)</u>	<u>\$ 53,473,914</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 688,351
Special	151,549
Vocational	99,419

Support services:

Pupil	41,486
Instructional staff	82,505
Administration	114,083
Fiscal	2,932
Business	4,726
Operations and maintenance	112,681
Pupil transportation	157,996
Food service operations	13,755
Other non-instructional services	5,082
Extracurricular activities	<u>66,194</u>

Total depreciation expense	<u><u>\$ 1,540,759</u></u>
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**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 10 - LONG-TERM OBLIGATIONS**

Long-term obligations at July 1, 2014 have been restated as described in Note 3.A. The District's long-term obligations activity during fiscal year 2015 consisted of the following:

	Restated Balance <u>06/30/14</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/15</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
2005 School facilities improvement					
Serial bonds 3 - 5 %	\$ 1,185,000	\$ -	\$ (1,185,000)	\$ -	\$ -
2013 School improvement refunding					
Serial bonds 1 - 4 %	31,680,000	-	(435,000)	31,245,000	1,665,000
Capital appreciation bonds	1,444,971	-	-	1,444,971	-
Accretion on capital appreciation bonds	324,630	323,893	-	648,523	-
Total general obligation bonds	<u>34,634,601</u>	<u>323,893</u>	<u>(1,620,000)</u>	<u>33,338,494</u>	<u>1,665,000</u>
<u>Energy conservation bonds:</u>					
2012 energy conservation refunding					
Current interest bonds	1,640,000	-	-	1,640,000	-
Capital appreciation bonds	465,341	-	(239,118)	226,223	226,223
Accretion on capital appreciation bonds	55,225	21,922	(35,882)	41,265	41,265
Total energy conservation bonds	<u>2,160,566</u>	<u>21,922</u>	<u>(275,000)</u>	<u>1,907,488</u>	<u>267,488</u>
<u>Other long-term obligations:</u>					
Health care reimbursement	14,490	-	(11,776)	2,714	2,714
Compensated absences	6,630,480	396,875	(661,748)	6,365,607	556,227
Capital lease obligations	1,123,973	-	(449,238)	674,735	333,859
Net pension liability	62,018,710	-	(9,836,893)	52,181,817	-
Total other long-term obligations	<u>69,787,653</u>	<u>396,875</u>	<u>(10,959,655)</u>	<u>59,224,873</u>	<u>892,800</u>
Total governmental activities long-term liabilities	<u>\$106,582,820</u>	<u>\$ 742,690</u>	<u>\$ (12,854,655)</u>	94,470,855	<u>\$ 2,825,288</u>
				Unamortized premium on bonds	<u>3,897,593</u>
				Total on statement of net position	<u>\$ 98,368,448</u>

Compensated absences will be paid from the general fund and the following nonmajor governmental funds: food service, Title VI-B and Title I. The health care reimbursement will be paid from the general fund. The capital lease obligation is paid from the permanent improvement fund, a nonmajor governmental fund. See Note 11 for more detail on the capital lease. See Note 15 for detail on the net pension liability.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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 callable portion of the issue was refunded during fiscal year 2013, and the remaining serial bonds outstanding matured in fiscal year 2015.

Series 2013 School Improvement Refunding Bonds: - On April 18, 2013, the District issued \$33,959,971 in voted general obligation bonds to advance refund the callable portion of the 2005 school improvement bonds. The bond issue included serial bonds in the amount of \$32,515,000, and capital appreciation bonds, par value \$1,444,971. The bonds are being retired through the bond retirement fund, a nonmajor governmental fund, with a final maturity of December 1, 2032.

The issuance proceeds of \$38,291,434 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt in considered defeased (in substance) and accordingly has been removed from the statement of net position. At June 30, 2015, \$33,960,000 of this debt was outstanding.

The reacquisition price exceeded the net carrying amount of the old debt by \$3,473,032. This amount is amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, and is reported as a deferred outflow of resources on the statement of net position.

The serial refunding bonds maturing on or after December 1, 2023 are subject to optional redemption prior, in whole or in part on any date in any order maturity as determined by the District and by lot within a maturity, at the option of the District on or after December 1, 2022 at par plus accrued interest.

The capital appreciation refunding bonds are not subject to redemption prior to maturity. The capital appreciation bonds will mature each December 1, 2020, 2021 and 2022 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the bonds is \$6,095,000. For fiscal year 2015, \$648,523 was accreted on the capital appreciation bonds for a total outstanding bond value of \$2,093,494 at fiscal year-end.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2015, are as follows:

Fiscal Year	Serial Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 1,665,000	\$ 1,006,731	\$ 2,671,731	\$ -	\$ -	\$ -
2017	1,695,000	950,844	2,645,844	-	-	-
2018	1,765,000	897,456	2,662,456	-	-	-
2019	1,800,000	852,094	2,652,094	-	-	-
2020	1,870,000	809,093	2,679,093	-	-	-
2021 - 2025	3,900,000	3,813,970	7,713,970	1,444,971	4,650,029	6,095,000
2026 - 2030	10,920,000	2,463,670	13,383,670	-	-	-
2031 - 2033	7,630,000	408,404	8,038,404	-	-	-
Total	<u>\$ 31,245,000</u>	<u>\$ 11,202,262</u>	<u>\$ 42,447,262</u>	<u>\$ 1,444,971</u>	<u>\$ 4,650,029</u>	<u>\$ 6,095,000</u>

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

Energy Conservation Refunding Bonds FY 2012: - On May 23, 2012, the District issued \$2,500,341 in energy conservation refunding bonds to currently refund the outstanding energy conservation bonds from the prior issue.

At June 30, 2015, the issue is comprised of current interest bonds, par value \$1,640,000, and capital appreciation bonds, par value \$226,223. The capital appreciation bonds mature each December 1, 2014 and 2015 (stated interest 5.62%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$275,000. Total accreted interest of \$41,265 has been included on the statement of net position at June 30, 2015.

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

Principal and interest requirements to retire the energy conservation refunding bonds outstanding at June 30, 2015, are as follows:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ -	\$ 30,025	\$ 30,025	\$ 226,223	\$ 48,777	\$ 275,000
2017	275,000	27,963	302,963	-	-	-
2018	280,000	23,800	303,800	-	-	-
2019	285,000	18,850	303,850	-	-	-
2020	290,000	13,100	303,100	-	-	-
2021 - 2022	510,000	9,400	519,400	-	-	-
Total	<u>\$ 1,640,000</u>	<u>\$ 123,138</u>	<u>\$ 1,763,138</u>	<u>\$ 226,223</u>	<u>\$ 48,777</u>	<u>\$ 275,000</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$12,484,071 (including available funds of \$1,262,112) and an unvoted debt margin of \$487,910.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 11 - CAPITAL LEASE - LESSEE DISCLOSURE**

In prior years, the District entered into lease-purchase agreements for the acquisition of computers and computer equipment. No capital assets related to the agreement have been included in the District's capital asset balances since the acquisition cost of the individual assets did not meet the District's capitalization threshold of \$5,000. Principal and interest payments in fiscal year 2015 of \$449,238 and \$23,744, respectively, were paid from the permanent improvement fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital lease agreement and the present value of the minimum lease payments as of June 30, 2015:

Fiscal Year Ending June 30,	Amount
2016	\$ 348,044
2017	348,044
Total	696,088
Less: amount representing interest	(21,353)
Present value of minimum lease payments	\$ 674,735

**NOTE 12 - OPERATING LEASE - LESSEE DISCLOSURE**

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

Fiscal Year Ending June 30,	Amount
2016	\$ 385,200
2017	385,200
2018	385,200
2019	385,200
2020	385,200
2021 - 2025	1,926,000
2026 - 2027	770,400
Total future payments	\$ 4,622,400

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**OREGON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 13 - OTHER EMPLOYEE BENEFITS - (Continued)**

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated to an unlimited amount. Upon retirement, payment is made for one-half of their accrued, but unused sick leave credit to a maximum of one hundred fifty days for certified and classified employees hired prior to August 1, 2010. For employees hired after August 1, 2010, payment is made for one-half of the unused sick leave days to a maximum of 75 days for certified employees and 100 days for classified employees. Year-round administrative employees, such as the superintendent and treasurer, will receive one hundred fifty days of severance pay or one-half of unused sick leave to a maximum of one hundred seventy days. Other administrative employees will receive one hundred forty-five days of severance pay or one-half of unused sick leave to a maximum of one hundred sixty-five days.

**B. Health Care Benefits**

The District offers employee medical and vision benefits through Aetna. Dental insurance is offered to all employees through Coresource and life insurance through Aetna.

**C. Health Care Reimbursement**

The District offered teaching staff a onetime health care reimbursement incentive plan for qualifying retirees in fiscal year 2012. Under the plan, the District makes quarterly payments to reimburse health care premiums for the retirees, up to a maximum of \$7,500 or until the retiree reaches age 65, whichever comes first. \$2,714 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 14 - 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 2015, the District contracted for the following insurance coverage:

Coverage provided by Great American Insurance Company is as follows:

General School District Liability:	
Per occurrence	\$ 1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000
Building and Contents	50,000,000
Umbrella Liability	10,000,000

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

For fiscal year 2015, the District participated in the Southwestern Ohio Educational Purchasing Council (EPC), an insurance purchasing pool (See Note 2). Through the EPC, the District obtained the insurance coverage listed above.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14 - 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 15 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$686,072 for fiscal year 2015. Of this amount \$58,218 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,683,377 for fiscal year 2015. Of this amount, \$427,012 is reported as pension and postemployment benefits payable.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 8,648,696	\$ 43,533,121	\$ 52,181,817
Proportion of the Net Pension Liability	0.17089100%	0.17897586%	
Pension Expense	\$ 504,708	\$ 1,688,671	\$ 2,193,379

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 73,610	\$ 419,101	\$ 492,711
School District contributions subsequent to the measurement date	<u>686,072</u>	<u>2,683,377</u>	<u>3,369,449</u>
Total Deferred Outflows of Resources	<u>\$ 759,682</u>	<u>\$ 3,102,478</u>	<u>\$ 3,862,160</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 1,403,708</u>	<u>\$ 8,053,792</u>	<u>\$ 9,457,500</u>

\$3,369,449 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$ (332,524)	\$ (1,908,673)	\$ (2,241,197)
2017	(332,524)	(1,908,673)	(2,241,197)
2018	(332,524)	(1,908,673)	(2,241,197)
2019	<u>(332,526)</u>	<u>(1,908,672)</u>	<u>(2,241,198)</u>
Total	<u>\$ (1,330,098)</u>	<u>\$ (7,634,691)</u>	<u>\$ (8,964,789)</u>

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - SERS*

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 12,339,119	\$ 8,648,696	\$ 5,544,731

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 62,322,412	\$ 43,533,121	\$ 27,643,708

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$89,053.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$84,743, \$83,408, and \$82,821, respectively. For fiscal year 2015, 92.41 percent has been contributed, with the balance being reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2014 and 2013.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$188,483, and \$184,915 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (655,677)
Net adjustment for revenue accruals	56,993
Net adjustment for expenditure accruals	80,057
Net adjustment for other sources/uses	(368,251)
Funds budgeted elsewhere	(284,824)
Adjustment for encumbrances	493,871
GAAP basis	\$ (677,831)

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

**NOTE 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 \$157,619 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 - SET-ASIDES**

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

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

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 19 - SET-ASIDES - (Continued)**

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	634,362
Current year offsets	<u>(1,122,746)</u>
Total	<u>\$ (488,384)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</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 are 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015, if applicable, cannot be determined at this time.

**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.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 21 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 378,777
Nonmajor governmental funds	<u>281,243</u>
Total	<u>\$ 660,020</u>

**NOTE 22 - EAGLE LEARNING CENTER**

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

**A. Significant Accounting Policies**

The basic financial statements (BFS) of the Learning Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 deferred outflows and all liabilities and deferred inflows are included on the statement of net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**Budgetary Process** - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Learning Center’s contract with its Sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts. The contract between the Learning Center and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 22 - EAGLE LEARNING CENTER - (Continued)**

**Cash** - All monies received by the Learning Center are accounted for by the Learning Center's fiscal agent, the Oregon City School District. Cash received by the fiscal agent is maintained in separate bank accounts and a certificate of deposit in the Learning Center's name.

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

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over three years. Leasehold improvements are depreciated over ten years.

**Net Position** - Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Learning Center or 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 position is available.

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

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Learning Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Learning Center on a reimbursement basis. The Learning Center did not receive any Federal or State grants in fiscal year 2015.

**Prepayments** - Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amounts is recorded at the time of the payment by the Learning Center and the expense is recorded when used. The Learning Center has prepaid items for rent, computer support services, utilities, employee bonds and commercial insurance of \$4,190 at June 30, 2015.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 22 - EAGLE LEARNING CENTER - (Continued)**

*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 2015, the Learning Center has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the Learning Center.

**C. Deposits**

The Learning Center had \$50 in undeposited cash on hand which is included on the financial statements as part of "cash and investments".

At June 30, 2015, the carrying amount of the Learning Center's deposits was \$798,672. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$252,821 of the Learning Center's bank balance of \$801,035 was exposed to custodial risk as discussed below, while \$548,214 was covered by the Federal Deposit Insurance Corporation (FDIC).

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 22 - EAGLE LEARNING CENTER - (Continued)**

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

**E. Capital Assets**

Capital asset activity for fiscal year 2015 was as follows:

	<u>Balance</u> <u>06/30/2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/2015</u>
Furniture, fixtures and equipment	\$ 117,224	\$ -	\$ -	\$ 117,224
Leasehold improvements	63,189	-	-	63,189
Less: accumulated depreciation	<u>(120,237)</u>	<u>(37,327)</u>	<u>-</u>	<u>(157,564)</u>
Capital assets, net	<u>\$ 60,176</u>	<u>\$ (37,327)</u>	<u>\$ -</u>	<u>\$ 22,849</u>

**F. Operating Lease**

The Learning Center signed an operating lease for the period January 1, 2015 through December 31, 2015, with Free Realty Company to lease additional facility space, with the option to renew the lease for an additional one year provided notice of election of this option is provided to the lessor in writing at least sixty days prior to termination of this period.

Payments made in fiscal year 2015 for the operating lease totaled \$19,200. The future minimum lease payments required under the lease at June 30, 2015 are \$8,000, which are to be paid during fiscal year 2016. A \$1,600 prepayment is recorded on the statement of net position for July rent which was paid in June.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 22 - EAGLE LEARNING CENTER - (Continued)**

**G. Risk Management**

The Learning Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. The Learning Center has purchased a comprehensive property, casualty and liability insurance policy through First Insurance Group, with the following coverages:

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

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

**H. Contingencies**

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

*State Funding* - The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation funding is calculated. As a result of the review after fiscal year-end, the Center owed \$9,152 to ODE. This amount will be repaid by decreasing fiscal year 2016 foundation revenues and is recorded as an intergovernmental payable on the basic financial statements.

**I. Related Party Transactions**

For fiscal year 2015, the Learning Center had expenses for purchased services and materials and supplies of \$567,284 to their Sponsor, which includes an intergovernmental payable of \$28,605.

**J. Sponsorship Contract**

On October 24, 2011 the Sponsor and the Learning Center extended their Sponsorship Contract (the "Contract") for a period of five more years through June 30, 2016. In accordance with the Contract, the Sponsor, under a purchased services basis with the Learning Center, will provide planning, instructional, administrative and technical services to the Learning Center. Personnel providing services to the Learning Center on behalf of the Sponsor under the purchased services basis are considered employees of the Sponsor, and the Sponsor is solely responsible for all payroll functions.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 22 - EAGLE LEARNING CENTER - (Continued)**

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

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability	0.17089100%	0.17089100%
District's proportionate share of the net pension liability	\$ 8,648,696	\$ 10,162,339
District's covered-employee payroll	\$ 4,965,750	\$ 4,571,264
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	222.31%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability	0.17897586%	0.17897586%
District's proportionate share of the net pension liability	\$ 43,533,121	\$ 51,856,371
District's covered-employee payroll	\$ 18,286,385	\$ 18,491,515
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	280.43%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 686,072	\$ 688,253	\$ 632,663	\$ 632,263
Contributions in relation to the contractually required contribution	<u>(686,072)</u>	<u>(688,253)</u>	<u>(632,663)</u>	<u>(632,263)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,205,402	\$ 4,965,750	\$ 4,571,264	\$ 4,700,840
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 580,905	\$ 634,646	\$ 481,178	\$ 494,850	\$ 574,405	\$ 561,715
<u>(580,905)</u>	<u>(634,646)</u>	<u>(481,178)</u>	<u>(494,850)</u>	<u>(574,405)</u>	<u>(561,715)</u>
<u>\$ -</u>					
\$ 4,621,360	\$ 4,687,194	\$ 4,890,020	\$ 5,039,206	\$ 5,378,324	\$ 5,309,216
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 2,683,377	\$ 2,377,230	\$ 2,403,897	\$ 2,503,083
Contributions in relation to the contractually required contribution	<u>(2,683,377)</u>	<u>(2,377,230)</u>	<u>(2,403,897)</u>	<u>(2,503,083)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 19,166,979	\$ 18,286,385	\$ 18,491,515	\$ 19,254,485
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 2,552,713	\$ 2,530,129	\$ 2,778,391	\$ 2,727,749	\$ 2,817,041	\$ 2,670,174
<u>(2,552,713)</u>	<u>(2,530,129)</u>	<u>(2,778,391)</u>	<u>(2,727,749)</u>	<u>(2,817,041)</u>	<u>(2,670,174)</u>
<u>\$ -</u>					
\$ 19,636,254	\$ 19,462,531	\$ 21,372,238	\$ 20,982,685	\$ 21,669,546	\$ 20,539,800
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.