

OREGON CITY SCHOOL DISTRICT



Basic Financial Statements

June 30, 2017

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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, 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, 2017, 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 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 the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, 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.

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 27, 2017, 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 27, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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, 2017. 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 2017 are as follows:

- In total, net position of governmental activities increased \$1,105,209 which represents a 3.23% increase from 2016's net position.
- General revenues accounted for \$42,191,526 in revenue or 81.33% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$9,684,402 or 18.67% of total revenues of \$51,875,928.
- The District had \$50,770,719 in expenses related to governmental activities; \$9,684,402 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 \$42,191,526 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$44,079,878 in revenues and other financing sources and \$41,781,675 in expenditures and other financing uses. The fund balance of the general fund increased from \$7,248,167 to \$9,546,370.

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 2017?" 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, 2017
(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 25-62 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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 64 through 70 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 2017 and 2016.

	Net Position	
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Assets</u>		
Current and other assets	\$ 43,936,605	\$ 39,273,517
Capital assets, net	<u>51,612,445</u>	<u>52,576,948</u>
Total assets	<u>95,549,050</u>	<u>91,850,465</u>
<u>Deferred outflows of resources</u>		
Other amounts	2,728,284	2,905,254
Pensions	<u>13,207,552</u>	<u>6,386,993</u>
Total deferred outflows of resources	<u>15,935,836</u>	<u>9,292,247</u>
<u>Liabilities</u>		
Current liabilities	4,848,314	4,493,265
Long-term liabilities:		
Due within one year	2,247,361	2,671,429
Due in more than one year:		
Net pension liability	71,579,776	59,878,374
Other amounts	<u>40,138,172</u>	<u>41,424,043</u>
Long-term liabilities	<u>113,965,309</u>	<u>103,973,846</u>
Total liabilities	<u>118,813,623</u>	<u>108,467,111</u>
<u>Deferred inflows of resources</u>		
Other amounts	24,747,970	23,090,820
Pensions	<u>1,077,628</u>	<u>3,844,325</u>
Total deferred inflows of resources	<u>25,825,598</u>	<u>26,935,145</u>
<u>Net position</u>		
Net investment in capital assets	20,078,067	19,128,127
Restricted	2,037,045	1,926,734
Unrestricted (deficit)	<u>(55,269,447)</u>	<u>(55,314,405)</u>
Total net position (deficit)	<u>\$ (33,154,335)</u>	<u>\$ (34,259,544)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

In 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.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

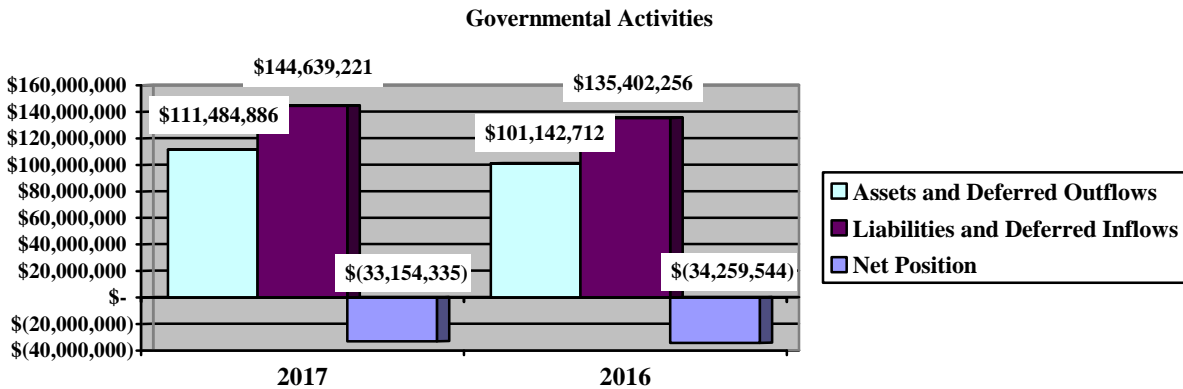
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$33,154,335.

As the previous table illustrates, the most significant changes in net position were related to the District's net pension liability and deferred inflows/outflows of resources related to pensions. See Note 15 in the notes to the basic financial statements for additional information regarding these components of net position.

At year-end, capital assets represented 54.02% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. The net investment in capital assets at June 30, 2017, was \$20,078,067. 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, \$2,037,045, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$1,085,505 is restricted for capital projects. The remaining balance of unrestricted net position is a deficit of \$55,269,447.

The chart below shows the District's governmental activities assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2017 and 2016.



The table on the following page shows the change in net position for fiscal years 2017 and 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Change in Net Position	
	Governmental Activities	Governmental Activities
	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 4,168,201	\$ 2,918,074
Operating grants and contributions	5,462,219	5,062,707
Capital grants and contributions	53,982	50,000
General revenues:		
Property taxes	24,409,581	22,785,147
Payments in lieu of taxes	341,096	298,612
Grants and entitlements	17,241,568	17,665,571
Investment earnings	47,155	171,705
Other	<u>152,126</u>	<u>199,257</u>
Total revenues	<u>51,875,928</u>	<u>49,151,073</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	19,241,219	17,250,445
Special	6,033,369	5,342,590
Vocational	2,589,619	2,351,335
Adult/continuing	63,439	103,930
Other	-	59,744
Support services:		
Pupil	2,489,228	2,086,911
Instructional staff	3,792,779	3,294,531
Board of education	72,316	41,635
Administration	3,801,590	3,166,480
Fiscal	938,240	889,921
Business	335,326	350,076
Operations and maintenance	4,404,578	4,445,489
Pupil transportation	2,135,237	2,057,213
Central	12,622	9,428
Operation of non-instructional services:		
Food service operations	1,625,889	1,539,966
Other non-instructional services	470,428	410,354
Extracurricular activities	1,383,380	1,190,253
Interest and fiscal charges	<u>1,381,460</u>	<u>1,384,069</u>
Total expenses	<u>50,770,719</u>	<u>45,974,370</u>
Change in net position	1,105,209	3,176,703
Net position (deficit) at beginning of year	<u>(34,259,544)</u>	<u>(37,436,247)</u>
Net position (deficit) at end of year	<u>\$ (33,154,335)</u>	<u>\$ (34,259,544)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

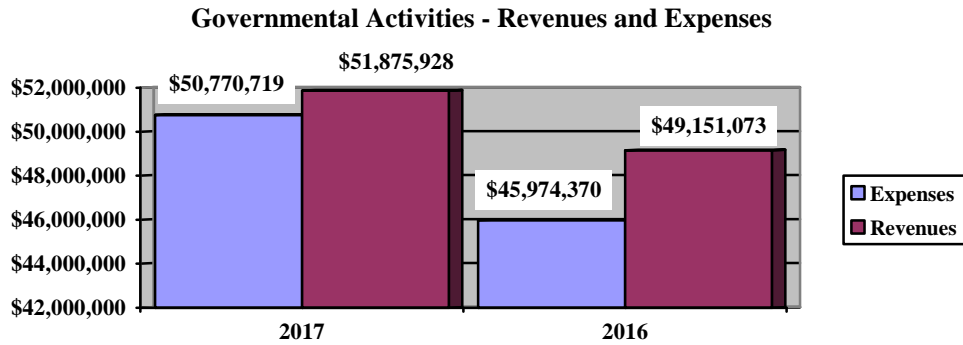
Governmental Activities

Net position of the District's governmental activities increased \$1,105,209. Total governmental expenses of \$50,770,719 were offset by program revenues of \$9,684,402, and general revenues of \$42,191,526. Program revenues supported 19.07% 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 80.29% of total governmental revenue in fiscal year 2017. Property taxes revenue increased as the District received a full year of collections on its new 3.95 mill tax levy passed in November 2015. The other significant change in revenues was in charges for services which increased as a result of additional open enrollment and special education tuition received from other school districts.

Overall, expenses increased \$4,796,349 or 10.43% compared to the prior year. This is primarily a result of increased pension expense for the District due to the overall increase in net pension liability reported by the School Employees Retirement System and the State Teachers Retirement System. Employee wages and benefits expenses also increased slightly in accordance with the District's latest negotiated agreements with the unions. The largest expense of the District is for instructional programs. Instruction expenses totaled \$27,927,646 or 55.01% of total governmental expenses for fiscal year 2017.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2017 and 2016.



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

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

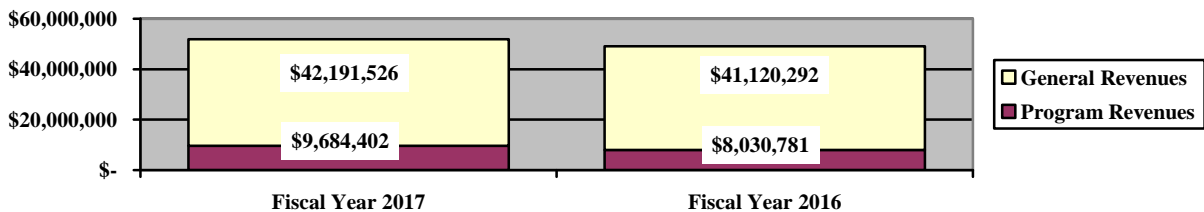
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program expenses:				
Instruction:				
Regular	\$ 19,241,219	\$ 16,994,653	\$ 17,250,445	\$ 15,406,642
Special	6,033,369	2,592,297	5,342,590	2,962,833
Vocational	2,589,619	2,086,454	2,351,335	2,046,241
Adult/continuing	63,439	16,454	103,930	66,796
Other	-	-	59,744	59,744
Support services:				
Pupil	2,489,228	2,468,203	2,086,911	2,072,960
Instructional staff	3,792,779	3,374,637	3,294,531	2,926,683
Board of education	72,316	72,316	41,635	41,635
Administration	3,801,590	3,542,104	3,166,480	2,879,440
Fiscal	938,240	938,240	889,921	889,921
Business	335,326	335,326	350,076	350,076
Operations and maintenance	4,404,578	4,395,871	4,445,489	4,436,636
Pupil transportation	2,135,237	1,980,956	2,057,213	1,904,373
Central	12,622	12,622	9,428	9,428
Operation of non-instructional services:				
Food service operations	1,625,889	(96,552)	1,539,966	(154,641)
Other non-instructional services	470,428	22,518	410,354	(16,141)
Extracurricular activities	1,383,380	968,758	1,190,253	676,894
Interest and fiscal charges	1,381,460	1,381,460	1,384,069	1,384,069
Total	<u>\$ 50,770,719</u>	<u>\$ 41,086,317</u>	<u>\$ 45,974,370</u>	<u>\$ 37,943,589</u>

The dependence upon tax and other general revenues for governmental activities is apparent; 77.66% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.93%. The District's taxpayers and unrestricted grants and entitlements, 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 2017 and 2016.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$12,939,952, which is \$2,959,566 more than last year's total of \$9,980,386. The following schedule indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	Increase <u>(Decrease)</u>
General fund	\$ 9,546,370	\$ 7,248,167	\$ 2,298,203
Nonmajor governmental funds	<u>3,393,582</u>	<u>2,732,219</u>	<u>661,363</u>
Total	<u>\$ 12,939,952</u>	<u>\$ 9,980,386</u>	<u>\$ 2,959,566</u>

General Fund

During fiscal year 2017, the District's general fund balance increased \$2,298,203. The table that follows assists in illustrating the financial activities of the general fund.

	2017 <u>Amount</u>	2016 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues:</u>			
Property taxes	\$ 21,185,155	\$ 19,831,033	6.83 %
Payment in lieu of taxes	295,711	273,826	7.99 %
Tuition	2,944,041	1,608,877	82.99 %
Earnings on investments	15,094	138,905	(89.13) %
Intergovernmental	19,235,149	19,050,420	0.97 %
Other revenues	<u>401,744</u>	<u>382,304</u>	5.08 %
Total	<u>\$ 44,076,894</u>	<u>\$ 41,285,365</u>	6.76 %
<u>Expenditures:</u>			
Instruction	\$ 24,200,589	\$ 23,357,555	3.61 %
Support services	15,544,377	14,317,933	8.57 %
Extracurricular activities	831,811	790,171	5.27 %
Debt service	<u>302,963</u>	<u>305,025</u>	(0.68)
Total	<u>\$ 40,879,740</u>	<u>\$ 38,770,684</u>	5.44 %

The overall increase in general fund revenues is mostly due to additional property taxes revenue, which increased as the District realized a full year of collection on its new operating tax levy. Tuition revenue also increased considerably, due to an increase in open enrollment and special education tuition from other school districts. The overall increase in general fund expenditures is partially as result of higher costs for wages and benefits costs.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the District amended its general fund budget as needed. Original budgeted revenues and other financing sources of 41,191,439 were increased to \$43,899,476 in the final budget. Budgeted property taxes revenue was increased \$770,727 to account for additional revenues anticipated from a 3.95 mill tax levy passed in November 2016. Intergovernmental - federal revenues increased from \$49,400 to \$428,896 in the final budget to account for an increase in Medicaid settlements. The only other significant variance between original and final budgeted revenues was for tuition, which increased \$1,010,783 in order to reflect an increase in anticipated open enrollment revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Actual revenues and other financing sources for fiscal year 2017 were \$44,626,012 which is \$726,536 (1.65%) more than the final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$41,690,042 were increased to \$43,040,993 in the final budget. The increase is mostly due to budget amendments related to employees' wages and benefits for regular and special instruction, as well as an increase in transfers out to other funds. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$42,564,698, which is \$476,295 (1.11%) less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had \$51,612,445 invested in land, construction in progress, 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 2017 balances compared to 2016:

Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities	
	2017	2016
Land	\$ 495,967	\$ 495,967
Construction in progress	128,207	353,565
Land improvements	149,500	172,803
Buildings and improvements	47,970,017	49,152,042
Furniture and equipment	1,278,659	966,756
Vehicles	1,197,976	1,040,456
Infrastructure	392,119	395,359
Total	\$ 51,612,445	\$ 52,576,948

The overall decrease in capital assets is due to depreciation expense of \$1,545,384 and net disposals of \$11,088 exceeding capital outlays of \$591,969 in fiscal year 2017. See Note 9 in the notes to the basic financial statements for more detail on the District's capital assets.

Debt Administration

At June 30, 2017, the District had \$32,179,986 in general obligation bonds and energy conservation outstanding. Of this total, \$2,045,000 is due within one year and \$30,134,986 is due in more than one year. The table on the following page 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, 2017
(UNAUDITED)

Outstanding Debt, at Year End

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
General obligation bonds	\$ 30,814,986	\$ 32,056,673
Energy conservation bonds	1,365,000	1,640,000
Capital lease obligation	<u>-</u>	<u>340,876</u>
 Total	 <u>\$ 32,179,986</u>	 <u>\$ 34,037,549</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 28% 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 the unintended consequences 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 at a rate of 5/8th mill per year.

A bond levy for 4.4 mills was approved by District's residents in November 2004 with proceeds being used to renovate three elementary schools and Clay High School along with construction of one new elementary school and demolition of older sections of Clay High School. The District is still owns the land where the old Coy Elementary Building and playgrounds once stood.

Due to dropping enrollment one of the remodeled elementary buildings, Wynn Elementary, 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.

The District has continued to experience dropping 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 we received an additional \$1,696,888 in additional State funds in fiscal year 2017. The District serves approximately 3,643 students and employs 262 certified, 189 classified, and 21 administrative staff members. All employees accepted a 3% increase on base pay along with step increases for fiscal year 2017 and a 2% increase was negotiated for fiscal year 2018. 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 2019 but there is a re-opener for fiscal year 2019 if either side deems necessary.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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 continued to decline in the Oregon district which meant that this levy 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 passed a 3.95 mil operating levy on the November 3, 2015 ballot. This levy along with long awaited increases in property valuations and a Natural Gas Plant under construction with abatement payments on the way in fiscal year 2018 have the District in stable financial condition for the first time since House Bill 66 was pushed through the legislature.

Oregon City Schools received the first payment from the newly constructed Natural Gas Plant in July, 2017. This infusion of a projected \$17,500,000 over the next 15 years is a huge step in assuring financial stability for the district. There are also tentative discussions for a second plant in the district's future.

The Oregon and Jerusalem community passed a renewal of a 2.0 mill permanent improvement levy in the November 7, 2018 election. This renewal (continually for 50 years) 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 2023.

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, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 16,735,069
Receivables:	
Property taxes	25,349,691
Payment in lieu of taxes	1,224,500
Accounts	5,843
Intergovernmental	534,349
Accrued interest	26,394
Prepayments	49,054
Materials and supplies inventory	4,973
Inventory held for resale	6,732
Capital assets:	
Nondepreciable capital assets	624,174
Depreciable capital assets, net	50,988,271
Capital assets, net	51,612,445
Total assets	95,549,050
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	2,728,284
Pension - STRS	10,297,488
Pension - SERS	2,910,064
Total deferred outflows of resources	15,935,836
Liabilities:	
Accounts payable	580,560
Contracts payable	128,207
Accrued wages and benefits payable	3,397,466
Intergovernmental payable	104,485
Pension and postemployment benefits payable	558,505
Accrued interest payable	79,091
Long-term liabilities:	
Due within one year	2,247,361
Due in more than one year:	
Net pension liability (See Note 15)	71,579,776
Other amounts due in more than one year	40,138,172
Total liabilities	118,813,623
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	23,523,470
Payment in lieu of taxes levied for the next fiscal year	1,224,500
Pension - STRS	1,052,853
Pension - SERS	24,775
Total deferred inflows of resources	25,825,598
Net position:	
Net investment in capital assets	20,078,067
Restricted for:	
Capital projects	1,085,505
State funded programs	55,859
Federally funded programs	2,510
Student activities	152,534
Food service operations	740,637
Unrestricted (deficit)	(55,269,447)
Total net position (deficit)	\$ (33,154,335)

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, 2017

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 19,241,219	\$ 2,126,980	\$ 119,586	\$ -	\$ (16,994,653)
Special	6,033,369	964,534	2,476,538	-	(2,592,297)
Vocational	2,589,619	5,489	497,676	-	(2,086,454)
Adult/continuing.	63,439	46,985	-	-	(16,454)
Support services:					
Pupil.	2,489,228	-	21,025	-	(2,468,203)
Instructional staff	3,792,779	-	418,142	-	(3,374,637)
Board of education	72,316	-	-	-	(72,316)
Administration.	3,801,590	-	259,486	-	(3,542,104)
Fiscal.	938,240	-	-	-	(938,240)
Business	335,326	-	-	-	(335,326)
Operations and maintenance.	4,404,578	8,707	-	-	(4,395,871)
Pupil transportation.	2,135,237	-	154,281	-	(1,980,956)
Central	12,622	-	-	-	(12,622)
Operation of non-instructional services:					
Food service operations	1,625,889	655,194	1,067,247	-	96,552
Other non-instructional services	470,428	-	447,910	-	(22,518)
Extracurricular activities.	1,383,380	360,312	328	53,982	(968,758)
Interest and fiscal charges	1,381,460	-	-	-	(1,381,460)
Total governmental activities	\$ 50,770,719	\$ 4,168,201	\$ 5,462,219	\$ 53,982	(41,086,317)
General revenues:					
Property taxes levied for:					
General purposes					21,340,290
Debt service.					2,174,218
Capital outlay					895,073
Payments in lieu of taxes.					341,096
Grants and entitlements not restricted					
to specific programs.					17,241,568
Investment earnings					47,155
Miscellaneous					152,126
Total general revenues					42,191,526
Change in net position					1,105,209
Net position (deficit) at beginning of year					(34,259,544)
Net position (deficit) at end of year.					\$ (33,154,335)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments.	\$ 12,370,963	\$ 4,364,106	\$ 16,735,069
Receivables:			
Property taxes.	22,186,659	3,163,032	25,349,691
Payment in lieu of taxes	1,194,000	30,500	1,224,500
Accounts	5,059	784	5,843
Intergovernmental.	261,654	272,695	534,349
Accrued interest.	26,394	-	26,394
Interfund loans	491,965	-	491,965
Prepayments.	49,054	-	49,054
Materials and supplies inventory	-	4,973	4,973
Inventory held for resale.	-	6,732	6,732
Total assets	\$ 36,585,748	\$ 7,842,822	\$ 44,428,570
Liabilities:			
Accounts payable.	\$ 260,618	\$ 319,942	\$ 580,560
Contracts payable.	-	128,207	128,207
Accrued wages and benefits payable	3,273,769	123,697	3,397,466
Compensated absences payable	176,034	26,327	202,361
Intergovernmental payable	103,020	1,465	104,485
Pension and postemployment benefits payable.	539,993	18,512	558,505
Interfund loans payable.	-	491,965	491,965
Total liabilities.	4,353,434	1,110,115	5,463,549
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	20,591,167	2,932,303	23,523,470
Payment in lieu of taxes levied for the next fiscal year.	1,194,000	30,500	1,224,500
Delinquent property tax revenue not available	754,659	103,627	858,286
Intergovernmental revenue not available	130,882	272,695	403,577
Accrued interest not available.	15,236	-	15,236
Total deferred inflows of resources	22,685,944	3,339,125	26,025,069
Fund balances:			
Nonspendable:			
Materials and supplies inventory.	-	4,973	4,973
Prepays	49,054	-	49,054
Restricted:			
Debt service	-	1,329,235	1,329,235
Capital improvements	-	1,055,357	1,055,357
Food service operations	-	949,461	949,461
Non-public schools	-	40,199	40,199
Other purposes.	-	15,660	15,660
Extracurricular.	-	152,534	152,534
Committed:			
Termination benefits.	413,044	-	413,044
Assigned:			
Student instruction	197,504	-	197,504
Student and staff support	306,541	-	306,541
Other purposes.	17,312	-	17,312
Unassigned (deficit)	8,562,915	(153,837)	8,409,078
Total fund balances	9,546,370	3,393,582	12,939,952
Total liabilities, deferred inflows of resources and fund balances	\$ 36,585,748	\$ 7,842,822	\$ 44,428,570

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, 2017

Total governmental fund balances		\$	12,939,952
<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.			51,612,445
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	858,286	
Accrued interest receivable		15,236	
Intergovernmental receivable		403,577	
Total		1,277,099	1,277,099
Unamortized premiums on bonds issued are not recognized in the funds.			(3,439,484)
Unamortized amounts on refundings are not recognized in the funds.			2,728,284
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(79,091)
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		13,207,552	
Deferred inflows of resources - pension		(1,077,628)	
Net pension liability		(71,579,776)	
Total		(59,449,852)	(59,449,852)
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		(30,814,986)	
Energy conservation bonds		(1,365,000)	
Compensated absences payable		(6,563,702)	
Total		(38,743,688)	(38,743,688)
Net position of governmental activities		\$	(33,154,335)

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, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 21,185,155	\$ 3,046,503	\$ 24,231,658
Payment in lieu of taxes	295,711	45,385	341,096
Tuition.	2,944,041	46,985	2,991,026
Charges for services	-	655,194	655,194
Earnings on investments	15,094	36,474	51,568
Extracurricular.	87,760	269,637	357,397
Classroom materials and fees	145,514	-	145,514
Other local revenues	168,470	74,256	242,726
Intergovernmental - state	18,806,687	1,141,812	19,948,499
Intergovernmental - federal	428,462	2,710,607	3,139,069
Total revenues	<u>44,076,894</u>	<u>8,026,853</u>	<u>52,103,747</u>
Expenditures:			
Current:			
Instruction:			
Regular.	17,076,428	279,426	17,355,854
Special	4,761,428	745,013	5,506,441
Vocational	2,341,142	-	2,341,142
Adult/continuing	21,591	39,572	61,163
Support services:			
Pupil	2,314,538	22,149	2,336,687
Instructional staff	2,982,415	585,601	3,568,016
Board of education	71,384	-	71,384
Administration	3,155,191	251,240	3,406,431
Fiscal	800,327	51,738	852,065
Business.	334,954	-	334,954
Operations and maintenance	3,944,742	1,223	3,945,965
Pupil transportation	1,928,204	323,414	2,251,618
Central	12,622	-	12,622
Operation of non-instructional services:			
Food service operations.	-	1,570,691	1,570,691
Other non-instructional services	-	466,474	466,474
Extracurricular activities	831,811	436,507	1,268,318
Facilities acquisition and construction.	-	501,450	501,450
Debt service:			
Principal retirement.	275,000	2,035,876	2,310,876
Interest and fiscal charges	27,963	958,012	985,975
Total expenditures	<u>40,879,740</u>	<u>8,268,386</u>	<u>49,148,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,197,154</u>	<u>(241,533)</u>	<u>2,955,621</u>
Other financing sources (uses):			
Sale/loss of assets	2,984	-	2,984
Transfers in	-	901,935	901,935
Transfers (out).	(901,935)	-	(901,935)
Total other financing sources (uses)	<u>(898,951)</u>	<u>901,935</u>	<u>2,984</u>
Net change in fund balances	2,298,203	660,402	2,958,605
Fund balances at beginning of year.	7,248,167	2,732,219	9,980,386
Decrease in reserve for inventory.	-	961	961
Fund balances at end of year	<u>\$ 9,546,370</u>	<u>\$ 3,393,582</u>	<u>\$ 12,939,952</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$	2,958,605
 <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	\$ 591,969	
Current year depreciation	(1,545,384)	
Total		(953,415)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(11,088)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		961
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	177,923	
Earnings on investments	3,132	
Intergovernmental revenue	(436,279)	
Total		(255,224)
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.		
		2,310,876
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	5,743	
Accreted interest on capital appreciation bonds	(453,313)	
Amortization of bond premiums	229,055	
Amortization of deferred charges on debt refunding	(176,970)	
Total		(395,485)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		
		3,459,530
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.		
		(5,573,676)
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.		
		(435,875)
Change in net position of governmental activities	\$	1,105,209

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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 20,449,273	\$ 21,220,000	\$ 21,197,781	\$ (22,219)
Payment in lieu of taxes	344,000	344,000	295,711	(48,289)
Tuition.	1,838,737	2,849,520	2,944,041	94,521
Earnings on investments	91,703	113,650	112,186	(1,464)
Extracurricular.	90,451	91,625	86,860	(4,765)
Classroom materials and fees	129,082	133,650	142,381	8,731
Other local revenues	55,907	36,400	30,007	(6,393)
Intergovernmental - state	18,119,386	18,658,235	18,644,730	(13,505)
Intergovernmental - federal	49,400	428,896	428,462	(434)
Total revenues	<u>41,167,939</u>	<u>43,875,976</u>	<u>43,882,159</u>	<u>6,183</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,385,500	17,930,366	17,064,953	865,413
Special.	4,519,589	4,739,766	4,805,877	(66,111)
Vocational.	2,269,019	2,252,429	2,455,869	(203,440)
Adult/continuing	32,639	32,400	32,387	13
Other.	62,468	62,011	-	62,011
Support services:				
Pupil.	2,339,283	2,334,835	2,333,534	1,301
Instructional staff	2,805,963	2,785,447	2,924,648	(139,201)
Board of education	42,621	67,127	75,215	(8,088)
Administration.	3,037,514	3,069,932	3,182,396	(112,464)
Fiscal	822,821	845,345	811,614	33,731
Business	327,399	340,888	343,333	(2,445)
Operations and maintenance.	4,116,211	4,080,970	4,141,943	(60,973)
Pupil transportation	1,926,092	2,019,491	1,947,731	71,760
Central.	56,218	55,807	14,900	40,907
Extracurricular activities.	716,588	713,334	688,215	25,119
Debt service:				
Principal	282,062	280,000	275,000	5,000
Interest and fiscal charges.	26,106	28,000	27,963	37
Total expenditures	<u>40,768,093</u>	<u>41,638,148</u>	<u>41,125,578</u>	<u>512,570</u>
Excess (deficiency) of revenues over (under) expenditures	<u>399,846</u>	<u>2,237,828</u>	<u>2,756,581</u>	<u>518,753</u>
Other financing sources (uses):				
Refund of prior year's expenditures	15,000	15,000	-	(15,000)
Refund of prior year's receipts.	-	(53,000)	(45,220)	7,780
Sale/loss of assets.	8,500	8,500	2,984	(5,516)
Transfers in	500,000	-	-	-
Transfers (out).	(471,949)	(899,845)	(901,935)	(2,090)
Advances in.	-	-	740,869	740,869
Advances (out)	(450,000)	(450,000)	(491,965)	(41,965)
Total other financing sources (uses)	<u>(398,449)</u>	<u>(1,379,345)</u>	<u>(695,267)</u>	<u>684,078</u>
Net change in fund balance	1,397	858,483	2,061,314	1,202,831
Fund balance at beginning of year	9,031,332	9,031,332	9,031,332	-
Prior year encumbrances appropriated	307,142	307,142	307,142	-
Fund balance at end of year	<u>\$ 9,339,871</u>	<u>\$ 10,196,957</u>	<u>\$ 11,399,788</u>	<u>\$ 1,202,831</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, 2017

	<u>Private-Purpose Trust</u>	
	<u>Scholarships</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ 420,902	\$ 319,890
Receivables:		
Accounts	-	3,610
Total assets.	<u>420,902</u>	<u>\$ 323,500</u>
Liabilities:		
Accounts payable.	58,550	\$ 179,057
Due to students	-	137,381
Undistributed monies.	-	7,062
Total liabilities	<u>58,550</u>	<u>\$ 323,500</u>
Net position:		
Held in trust for scholarships	100,552	
Endowment	261,800	
Total net position	<u>\$ 362,352</u>	

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, 2017

	Private-Purpose Trust
	Scholarships
Additions:	
Interest	\$ 9,658
Gifts and contributions.	59,294
Total additions.	68,952
 Deductions:	
Scholarships awarded	109,195
Change in net position	(40,243)
Net position at beginning of year.	402,595
Net position at end of year	\$ 362,352

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, 2017**

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 189 classified employees, 262 certified teaching personnel, and 21 administrative employees who provide services to approximately 3,643 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, 2017

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 no component units.

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Northwestern Ohio Educational Research Council, Inc.

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

Northwest Ohio Regional Professional Development Center

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

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

PUBLIC ENTITY RISK POOL

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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).

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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. See Note 15 for deferred outflows of resources related the District's net pension liability. 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, 2017, but which were levied to finance fiscal year 2018 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.

See Note 15 for deferred inflows of resources 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The 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 2017.

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.

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".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

During fiscal year 2017, 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 2017 amounted to \$15,094. No interest credited to the general fund was assigned from another fund.

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.

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 acquisition 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund 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.

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, 2017 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 2017.

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.

T. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 22); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Oregon CSD Foundation	\$ 4,546
IDEA Part B	129,564
Vocational Education	2,253
Title I	17,259
Improving Teacher Quality	215

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**OREGON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

At fiscal year end, the District had \$12,300 in undeposited cash on hand, which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$9,572,754, 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, 2017, \$9,756,518 of the District's bank balance of \$10,280,026 was exposed to custodial risk as discussed below, while \$523,508 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2017, 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	\$ 418,438	\$ 418,438	\$ -	\$ -	\$ -	\$ -
Negotiable CD's	7,392,831	1,061,062	660,668	503,563	551,491	4,616,047
U.S. Government money market funds	<u>79,538</u>	<u>79,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,890,807</u>	<u>\$ 1,559,038</u>	<u>\$ 660,668</u>	<u>\$ 503,563</u>	<u>\$ 551,491</u>	<u>\$ 4,616,047</u>

The weighted average maturity of investments is 2.18 years.

The District's investments in U.S. Government money market funds are valued using quoted market prices (Level 1 inputs). The investments in federal agency securities (FNMA) and negotiable CDs are valued using market-corroborated inputs other than quoted market prices (Level 2 inputs).

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 AAA 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
FNMA	\$ 418,438	5.30
Negotiable CD's	7,392,831	93.69
U.S. Government money market funds	<u>79,538</u>	<u>1.01</u>
Total	<u>\$ 7,890,807</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, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 9,572,754
Investments	7,890,807
Cash on hand	<u>12,300</u>
Total	<u>\$ 17,475,861</u>
<u>Cash and investments per financial statements</u>	
Governmental activities	\$ 16,735,069
Private-purpose trust funds	420,902
Agency funds	<u>319,890</u>
Total	<u>\$ 17,475,861</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2017 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>\$ 901,935</u>

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund balances at June 30, 2017 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>\$ 491,965</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, 2017 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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$840,833 in the general fund, and \$90,341 and \$36,761 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, 2016 was \$853,459 in the general fund, and \$93,150 and \$38,571 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
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017 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 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 472,962,790	92.29	\$ 477,634,730	90.38%
Public utility personal	<u>39,506,200</u>	<u>7.71</u>	<u>50,862,630</u>	<u>9.62%</u>
Total	<u>\$ 512,468,990</u>	<u>100.00</u>	<u>\$ 528,497,360</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 69.65		\$ 69.75	

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, 2017 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
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/17</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 495,967	\$ -	\$ -	\$ 495,967
Construction in progress	<u>353,565</u>	<u>139,157</u>	<u>(364,515)</u>	<u>128,207</u>
Total capital assets, not being depreciated	<u>849,532</u>	<u>139,157</u>	<u>(364,515)</u>	<u>624,174</u>
Capital assets, being depreciated:				
Land improvements	847,485	-	-	847,485
Buildings and improvements	63,476,161	14,994	-	63,491,155
Furniture and equipment	3,556,294	469,296	-	4,025,590
Vehicles	3,032,018	323,414	(201,940)	3,153,492
Infrastructure	<u>479,619</u>	<u>9,623</u>	<u>-</u>	<u>489,242</u>
Total capital assets, being depreciated	<u>71,391,577</u>	<u>817,327</u>	<u>(201,940)</u>	<u>72,006,964</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(674,682)	(23,303)	-	(697,985)
Buildings and improvements	(14,324,119)	(1,197,019)	-	(15,521,138)
Furniture and equipment	(2,589,538)	(157,393)	-	(2,746,931)
Vehicles	(1,991,562)	(154,806)	190,852	(1,955,516)
Infrastructure	<u>(84,260)</u>	<u>(12,863)</u>	<u>-</u>	<u>(97,123)</u>
Total accumulated depreciation	<u>(19,664,161)</u>	<u>(1,545,384)</u>	<u>190,852</u>	<u>(21,018,693)</u>
Governmental activities capital assets, net	<u>\$ 52,576,948</u>	<u>\$ (588,900)</u>	<u>\$ (375,603)</u>	<u>\$ 51,612,445</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 688,505
Special	153,957
Vocational	101,530
<u>Support services:</u>	
Pupil	51,330
Instructional staff	88,756
Administration	106,728
Fiscal	2,931
Business	4,726
Operations and maintenance	116,618
Pupil transportation	152,020
Food service operations	12,944
Other non-instructional services	3,954
Extracurricular activities	<u>61,385</u>
Total depreciation expense	<u><u>\$ 1,545,384</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS

The District's long-term obligations activity during fiscal year 2017 consisted of the following:

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/17</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
2013 School improvement refunding					
Serial bonds 1 - 4 %	\$ 29,580,000	\$ -	\$ (1,695,000)	\$ 27,885,000	\$ 1,765,000
Capital appreciation bonds	1,444,971	-	-	1,444,971	-
Accretion on capital appreciation bonds	<u>1,031,702</u>	<u>453,313</u>	<u>-</u>	<u>1,485,015</u>	<u>-</u>
Total general obligation bonds	<u>32,056,673</u>	<u>453,313</u>	<u>(1,695,000)</u>	<u>30,814,986</u>	<u>1,765,000</u>
<u>Energy conservation bonds:</u>					
2012 energy conservation refunding					
Current interest bonds	<u>1,640,000</u>	<u>-</u>	<u>(275,000)</u>	<u>1,365,000</u>	<u>280,000</u>
Total energy conservation bonds	<u>1,640,000</u>	<u>-</u>	<u>(275,000)</u>	<u>1,365,000</u>	<u>280,000</u>
<u>Other long-term obligations:</u>					
Compensated absences	6,389,384	475,675	(98,996)	6,766,063	202,361
Capital lease obligations	340,876	-	(340,876)	-	-
Net pension liability	<u>59,878,374</u>	<u>11,701,402</u>	<u>-</u>	<u>71,579,776</u>	<u>-</u>
Total other long-term obligations	<u>66,608,634</u>	<u>12,177,077</u>	<u>(439,872)</u>	<u>78,345,839</u>	<u>202,361</u>
Total governmental activities long-term liabilities	<u>\$ 100,305,307</u>	<u>\$ 12,630,390</u>	<u>\$ (2,409,872)</u>	110,525,825	<u>\$ 2,247,361</u>
				Unamortized premium on bonds	<u>3,439,484</u>
				Total on statement of net position	<u>\$ 113,965,309</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 is 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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.

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 2017, \$1,485,015 was accreted on the capital appreciation bonds for a total outstanding bond value of \$2,929,986 at fiscal year-end.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2017, are as follows:

Fiscal Year	Principal	Serial Bonds		Capital Appreciation Bonds		
		Interest	Total	Principal	Interest	Total
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	-	785,719	785,719	564,035	1,465,965	2,030,000
2022	-	785,719	785,719	477,940	1,557,060	2,035,000
2023 - 2027	8,025,000	3,462,945	11,487,945	402,996	1,627,004	2,030,000
2028 - 2032	11,790,000	1,605,548	13,395,548	-	-	-
2033	2,635,000	46,113	2,681,113	-	-	-
Total	<u>\$ 27,885,000</u>	<u>\$ 9,244,687</u>	<u>\$ 37,129,687</u>	<u>\$ 1,444,971</u>	<u>\$ 4,650,029</u>	<u>\$ 6,095,000</u>

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, 2016, 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 matured 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the energy conservation refunding bonds outstanding at June 30, 2017, are as follows:

<u>Fiscal Year</u>	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 280,000	\$ 23,800	\$ 303,800
2019	285,000	18,850	303,850
2020	290,000	13,100	303,100
2021	295,000	7,250	302,250
2022	<u>215,000</u>	<u>2,150</u>	<u>217,150</u>
Total	<u>\$ 1,365,000</u>	<u>\$ 65,150</u>	<u>\$ 1,430,150</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, 2017, are a voted debt margin of \$19,564,026 (including available funds of \$1,329,235) and an unvoted debt margin of \$528,497.

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 2017 of \$340,876 and \$7,168, respectively, were paid from the permanent improvement fund (a nonmajor governmental fund).

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 15th 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.

**OREGON CITY SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - OPERATING LEASE - LESSEE DISCLOSURE (Continued)

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2018	\$ 385,200
2019	385,200
2020	385,200
2021	385,200
2022	385,200
2023 - 2027	<u>1,926,000</u>
Total future payments	<u>\$ 3,852,000</u>

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.

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 Core source 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. The District made the final payouts on this plan in fiscal year 2016.

**OREGON CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017, 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 2017, 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.

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.

The 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 under Employers/Audit Resources.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$804,761 for fiscal year 2017. Of this amount, \$32,542 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.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 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 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,654,769 for fiscal year 2017. Of this amount, \$428,684 is reported as pension and postemployment benefits payable.

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, 2016, 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:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.17290690%	0.18096032%	
Proportion of the net pension liability current measurement date	0.17234630%	0.17615867%	
Change in proportionate share	-0.00056060%	-0.00480165%	
Proportionate share of the net pension liability	\$ 12,614,159	\$ 58,965,617	\$ 71,579,776
Pension expense	\$ 1,336,625	\$ 4,237,051	\$ 5,573,676

**OREGON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 170,136	\$ 2,382,494	\$ 2,552,630
Net difference between projected and actual earnings on pension plan investments	1,040,484	4,895,729	5,936,213
Changes of assumptions	842,065	-	842,065
Difference between District contributions and proportionate share of contributions/change in proportionate share	52,618	364,496	417,114
District contributions subsequent to the measurement date	804,761	2,654,769	3,459,530
Total deferred outflows of resources	\$ 2,910,064	\$ 10,297,488	\$ 13,207,552
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/change in proportionate share	\$ 24,775	\$ 1,052,853	\$ 1,077,628
Total deferred inflows of resources	\$ 24,775	\$ 1,052,853	\$ 1,077,628

\$3,459,530 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$ 529,251	\$ 1,010,649	\$ 1,539,900
2019	528,499	1,010,649	1,539,148
2020	723,680	2,889,274	3,612,954
2021	299,098	1,679,294	1,978,392
Total	\$ 2,080,528	\$ 6,589,866	\$ 8,670,394

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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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
 Total	 <u><u>100.00 %</u></u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 16,700,360	\$ 12,614,159	\$ 9,193,838

**OREGON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, 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.

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, 2016, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
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	 <u>100.00 %</u>	 <u>7.61 %</u>

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**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)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 78,360,513	\$ 58,965,617	\$ 42,604,878

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

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 under Employers/Audit Resources.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

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, 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 2017, none of the employer contribution 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 2017, this amount was \$23,500. 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 2017, the District's surcharge obligation was \$97,279.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$97,279, \$86,803, and \$84,743, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

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 or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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).

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	\$ 2,061,314
Net adjustment for revenue accruals	52,371
Net adjustment for expenditure accruals	(121,056)
Net adjustment for other sources/uses	(203,684)
Funds budgeted elsewhere	(5,669)
Adjustment for encumbrances	514,927
GAAP basis	\$ 2,298,203

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 \$100,552 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.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	650,348
Current year offsets	<u>(1,006,397)</u>
Total	<u>\$ (356,049)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<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, 2017, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 20 - CONTINGENCIES - (Continued)

C. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

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	\$ 334,431
Nonmajor governmental funds	<u>401,031</u>
Total	<u>\$ 735,462</u>

NOTE 22 - TAX ABATEMENTS

The City of Toledo provides tax abatements through Community Reinvestment Area and Enterprise Zone agreements. Under the agreements, various businesses receive the abatement of property taxes in exchange for bringing jobs and economic development to the City. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District's property taxes were reduced by \$205,577 during fiscal year 2017.

NOTE 23 - EAGLE LEARNING CENTER

In prior fiscal years, the District presented the Eagle Learning Center as a discretely presented component unit on the government-wide financial statements. The Eagle Learning Center's sponsorship contract with the District expired on June 30, 2017 and the Ohio Department of Education will be the sponsor effective July 1, 2017. Due to the changes in the relationship between the District and Eagle Learning Center, the District's management reevaluated the component unit criteria and concluded in management's professional judgement that the exclusion of the Eagle Learning Center as a component unit does not render the District's financial statements misleading.

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 FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.17234630%	0.17290690%	0.17089100%	0.17089100%
District's proportionate share of the net pension liability	\$ 12,614,159	\$ 9,866,235	\$ 8,648,696	\$ 10,162,339
District's covered-employee payroll	\$ 5,342,779	\$ 5,205,402	\$ 4,965,750	\$ 4,571,264
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	236.10%	189.54%	174.17%	222.31%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE 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
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.17615867%	0.18096032%	0.17897586%	0.17897586%
District's proportionate share of the net pension liability	\$ 58,965,617	\$ 50,012,139	\$ 43,533,121	\$ 51,856,371
District's covered-employee payroll	\$ 18,863,221	\$ 19,166,979	\$ 18,286,385	\$ 18,491,515
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	312.60%	260.93%	238.06%	280.43%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 804,761	\$ 747,989	\$ 686,072	\$ 688,253
Contributions in relation to the contractually required contribution	<u>(804,761)</u>	<u>(747,989)</u>	<u>(686,072)</u>	<u>(688,253)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,748,293	\$ 5,342,779	\$ 5,205,402	\$ 4,965,750
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 632,663	\$ 632,263	\$ 580,905	\$ 634,646	\$ 481,178	\$ 494,850
<u>(632,663)</u>	<u>(632,263)</u>	<u>(580,905)</u>	<u>(634,646)</u>	<u>(481,178)</u>	<u>(494,850)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,571,264	\$ 4,700,840	\$ 4,621,360	\$ 4,687,194	\$ 4,890,020	\$ 5,039,206
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,654,769	\$ 2,640,851	\$ 2,683,377	\$ 2,377,230
Contributions in relation to the contractually required contribution	<u>(2,654,769)</u>	<u>(2,640,851)</u>	<u>(2,683,377)</u>	<u>(2,377,230)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 18,962,636	\$ 18,863,221	\$ 19,166,979	\$ 18,286,385
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 2,403,897	\$ 2,503,083	\$ 2,552,713	\$ 2,530,129	\$ 2,778,391	\$ 2,727,749
<u>(2,403,897)</u>	<u>(2,503,083)</u>	<u>(2,552,713)</u>	<u>(2,530,129)</u>	<u>(2,778,391)</u>	<u>(2,727,749)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 18,491,515	\$ 19,254,485	\$ 19,636,254	\$ 19,462,531	\$ 21,372,238	\$ 20,982,685
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, 2017

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financials for the methods and assumptions in this calculation.