

ONTARIO SCHOOL DISTRICT NO. 8C

**INDEPENDENT AUDITOR'S REPORT,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
SINGLE AUDIT**

For the Year Ended June 30, 2017

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
June 30, 2017

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INTRODUCTORY SECTION

ONTARIO SCHOOL DISTRICT 8C
Ontario, Malheur County, Oregon
BOARD OF DIRECTORS AND OFFICIALS
June 30, 2017

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>
Mike Blackaby Ontario, OR	Chairperson
Renae Corn Ontario, OR	Vice-Chairperson
Dr. Ann Easley-DeBisschop Ontario, OR	Director
Eric Evans Ontario, OR	Director
Derrick Draper Ontario, OR	Director

OFFICIALS

Nicole Albisu	Superintendent
Mary Jo Evers	Director of Finance

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Ontario School District No. 8C
Ontario, Malheur County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the internal service fund, each major fund, and the aggregate remaining fund information of Ontario School District No. 8C, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise Ontario School District No. 8C's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Ontario School District No. 8C's 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 of 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 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, the business-type activities, the internal service fund, each major fund and the aggregate remaining fund information for Ontario School District No. 8C, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 the management's discussion and analysis on pages 4 through 13, the Schedules of Oregon Public Employees Retirement System on page 51 and the Schedule of Early Retirement Incentive Plan on page 52 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 this 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.

The budgetary comparison information for the General Fund and the major special revenue fund on pages 49 and 50 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This budgetary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ontario School District No. 8C's financial statements as a whole. The combining and individual nonmajor fund financial statements, other supplementary information, other financial schedules and the Schedule of Expenditures of Federal Awards, required by audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other supplementary information, other financial schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards

generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Reporting on Other Legal and Regulatory Requirements

Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 29, 2017 on our consideration of Ontario School District No. 8C'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 the 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 Ontario School District No. 8C's internal control over financial reporting and compliance.

Reporting Required by Oregon Minimum Standards

In accordance with Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 29, 2017 on our consideration of Ontario School District No. 8C'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 including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations in considering Ontario School District No. 8C's internal control over financial reporting and compliance.

Oster Professional Group, CPA's, LLP

By 

Burns, Oregon
December 29, 2017

ONTARIO SCHOOL DISTRICT 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

This section of Ontario School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2017. Please read it in conjunction with the District's financial reports, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's government-wide financial statements reflect assets of \$44.4MM, deferred outflows of \$11.1MM, liabilities of \$52.3MM and deferred inflows of \$674K. Of the \$2.5MM in net position, \$8.2MM is invested in capital assets, \$7MM is restricted for debt service, \$1.6MM is restricted for special programs and (\$14.4MM) is unrestricted and available to meet the District's ongoing obligations.
- The District's Net Position decreased by \$427K during the fiscal year mostly due to the change in the net pension liability.
- The District had \$35.4MM in expenses; \$7.7MM of these expenses were offset by program specific charges for services, grants or contributions. The remaining \$27.7MM is made up of beginning balances, and general revenues which consist primarily of taxes, state school support and earnings on investments.
- The District's governmental funds report combined ending fund balance of \$14.4MM. This is a \$2.2MM increase compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements to provide more detailed data. These statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements also look at the District's most significant funds with all other non-major funds presented in total in a single column. The table below summarizes the main features of the District's financial statements.

Features of Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements-Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary
Required Financial Statements	Statement of Net Position (page 14) Statement of Activities (page 15)	Balance Sheet (page 16) Statement of Revenues, Expenditures, and Changes in Fund Balances (page 18)
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due at year end, or soon thereafter, no capital assets included
Type of Inflow/Outflow Information	All revenues and expense during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after

Information is included to support and explain the data in the basic financial statements. Schedules include: Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund

ONTARIO SCHOOL DISTRICT 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

and major special revenue fund (pages 49-50), Combining Balance Sheet – Nonmajor Governmental Funds, and Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance-Non Major Funds.

Modified Accrual Accounting vs. Full Accrual Accounting

The following table shows the difference in modified accrual accounting, as done on past financial statements and full accrual accounting, as required by GASB 34.

	Modified Accrual	Full Accrual
Revenue	<ul style="list-style-type: none"> • Available and measurable • Available within 60 days of year end • Record revenue if payment is received during year or soon after (within 60 days) and is used to pay current year liabilities 	<ul style="list-style-type: none"> • Earned and measurable • Earned is 'reasonably certain to be collected'
Expense	<ul style="list-style-type: none"> • Recognize in the accounting period in which the fund liability is incurred and measurable. • Record expenditures: <ul style="list-style-type: none"> ○ Outflow of cash, or promise to pay for goods and services that have been received. 	<ul style="list-style-type: none"> • Recognize in the accounting period in which the liability is incurred and measurable. • Records expenses: <ul style="list-style-type: none"> ○ Decreases in net assets resulting from the using up of outflow of assets in the course of operating a district and providing goods and services

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The statement of net position and the statement of activities are designed to give the readers a broad overview of the District's finances. These statements include all assets and liabilities using the full accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These statements report the District's net position and change in net position. This change in net position is important because it identifies whether the financial position of the District has improved or diminished for the District as a whole. The cause of this change may be the result of many factors, such as the District's property tax base, reduction in state school funds, facility conditions, and maintenance of effort requirements, school district enrollment, and other factors.

In the statement of net position and the statement of activities, all District activities are classified as "Governmental Activities" or "Business-type Activities."

**ONTARIO SCHOOL DISTRICT 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017**

MAJOR FUND REPORTING

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal year 2016-17 were the General Fund, Federal Programs Fund, and the Bond Debt Service Fund. All other funds are combined into a single, aggregated presentation.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal yearend 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 statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the governmental funds balance sheet and statement of activities is reconciled in the financial statements.

ONTARIO SCHOOL DISTRICT 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The district's net position decreased \$427k for the period ending June 30, 2017 to \$2.5MM. This decrease was attributed to the change in the net pension liability due to GASB 68.

The District's assets and deferred outflows totaled \$55.5MM. Deferred outflows of \$11.1MM related to pensions represent 20% of total assets and deferred outflows. Capital assets net of accumulated depreciation, which consist of the District's land, buildings, building improvements, vehicles, and equipment, total \$26.7MM and comprise 60% of total assets. The remaining assets consist mainly of investments, cash, and receivables.

The District's total liabilities and deferred inflows totaled \$53.0MM. The largest liability besides the net pension liability of \$21.6MM, is for the repayment of the Qualified School Construction bond. Current liabilities of \$2.8MM represent 5.3% of the district total liabilities. Current liabilities consist of payables on account, salaries and benefits, and the current portion of long-term debt and early retirement obligations.

A large portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, vehicles and equipment). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

ONTARIO SCHOOL DISTRICT NO. 8C NET POSITION AS OF JUNE 30, 2017 and 2016						
	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current Assets	\$ 17,733,741	\$ 15,443,314	\$ 20,395	\$ 8,579	\$ 17,754,136	\$ 15,451,893
Capital Assets, net of accumulated depreciation	26,685,801	25,830,898	-	-	26,685,801	25,830,898
Total Assets	<u>44,419,542</u>	<u>41,274,212</u>	<u>20,395</u>	<u>8,579</u>	<u>44,439,937</u>	<u>41,282,791</u>
Deferred Outflows						
Deferred outflows related to pensions	11,069,324	2,039,337	-	-	11,069,324	2,039,337
Total Deferred Outflows	<u>11,069,324</u>	<u>2,039,337</u>	<u>-</u>	<u>-</u>	<u>11,069,324</u>	<u>2,039,337</u>
Current Liabilities	2,755,930	2,780,720	4,005	-	2,759,935	2,780,720
Long-Term Debt	49,608,013	37,033,763	-	-	49,608,013	37,033,763
Total Liabilities	<u>52,363,943</u>	<u>39,814,483</u>	<u>4,005</u>	<u>-</u>	<u>52,367,948</u>	<u>39,814,483</u>
Deferred Inflows						
Unearned grant Income	5,825	2,485	-	-	5,825	2,485
Deferred inflows related to pensions	668,300	1,874,065	-	-	668,300	1,874,065
Total Deferred Inflows	<u>674,125</u>	<u>1,876,550</u>	<u>-</u>	<u>-</u>	<u>674,125</u>	<u>1,876,550</u>
Net Position:						
Net investment in capital assets	8,185,801	7,330,898	-	-	8,185,801	7,330,898
Restricted for debt service	7,008,637	5,837,144	-	-	7,008,637	5,837,144
Restricted for special programs	1,615,988	1,499,569	-	-	1,615,988	1,499,569
Unrestricted	(14,359,628)	(13,045,095)	16,390	8,579	(14,343,238)	(13,036,516)
Total Net Position	<u>\$ 2,450,798</u>	<u>\$ 1,622,516</u>	<u>\$ 16,390</u>	<u>\$ 8,579</u>	<u>\$ 2,467,188</u>	<u>\$ 1,631,095</u>

ONTARIO SCHOOL DISTRICT 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

REVENUES AND EXPENSES

Key components of governmental revenues and expenses for the year ending June 30, 2017 are as follows:

- Revenue from the State School Fund comprises the largest portion of the District's revenue. Unrestricted revenue from the State School Fund was \$21.3MM in 2016-17 compared to \$20.1MM in fiscal year 2015-16.
- Operating grants increased by \$238K as a result of some increased grant allocations and new grant opportunities.
- Expenses for government activities decreased by \$4.3MM or 10.9% over the prior year, due mostly to a smaller change in net pension liability which resulted in lower pension expense.

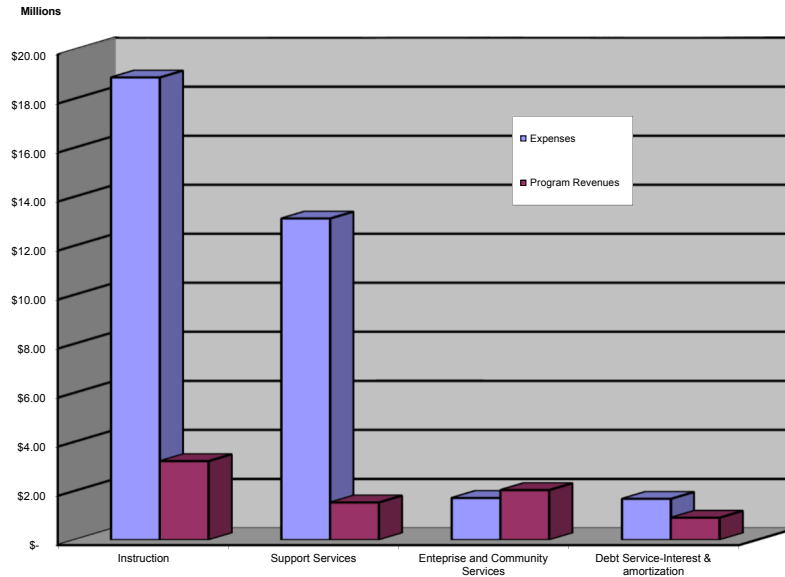
Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 1,346,414	\$ 1,342,080	\$ 6,019	\$ 20,631	\$ 1,352,433	\$ 1,362,711
Operating grants and contributions	6,328,824	6,089,916	17,612	18,453	6,346,436	6,108,369
General Revenues						
Property Taxes	5,048,243	4,895,432	-	-	5,048,243	4,895,432
State School Fund - General Support	21,259,343	20,065,764	-	-	21,259,343	20,065,764
State School Fund - Restricted	15,429	14,864	-	-	15,429	14,864
Other state and local sources	340,720	298,755	-	-	340,720	298,755
Earnings on Investments	175,254	96,271	-	-	175,254	96,271
Other	401,335	473,377	-	-	401,335	473,377
Total Revenues	<u>34,915,562</u>	<u>33,276,459</u>	<u>23,631</u>	<u>39,084</u>	<u>34,939,193</u>	<u>33,315,543</u>
Expenses:						
Instruction (Regular, Special, Adult, Summer)	18,860,761	22,243,098	-	-	18,860,761	22,243,098
Support services	13,105,892	13,843,002	-	-	13,105,892	13,843,002
Enterprise and community services	1,709,868	1,945,675	-	-	1,709,868	1,945,675
Interest on long-term debt	1,673,121	1,636,159	-	-	1,673,121	1,636,159
Teen parent	-	-	30,820	1,831	30,820	1,831
Bistro	-	-	-	32,730	-	32,730
Total Expenses	<u>35,349,642</u>	<u>39,667,934</u>	<u>30,820</u>	<u>34,561</u>	<u>35,380,462</u>	<u>39,702,495</u>
Transfers	(15,000)	-	15,000	-	-	-
Gain (loss) on sale of capital assets	14,001	19,249	-	-	14,001	19,249
Change in net position	(435,079)	(6,372,226)	7,811	4,523	(427,268)	(6,367,703)
Net Position - July 1, before restatement	1,622,516	7,994,742	8,579	4,056	1,631,095	7,998,798
Restatements, see Notes for details	1,263,361	-	-	-	1,263,361	-
Net Position - July 1, after restatement	2,885,877	7,994,742	8,579	4,056	2,894,456	7,998,798
Net Position - June 30	<u>\$ 2,450,798</u>	<u>\$ 1,622,516</u>	<u>\$ 16,390</u>	<u>\$ 8,579</u>	<u>\$ 2,467,188</u>	<u>\$ 1,631,095</u>

ONTARIO SCHOOL DISTRICT 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities

Charges for services	\$	1,346,414	3.9%
Earnings on Investments		175,254	0.5%
Operating grants and contributions		6,328,824	18.1%
Other		401,335	1.1%
Other state and local sources		340,720	1.0%
Property Taxes		5,048,243	14.5%
State School Fund		21,274,772	60.9%
	<u>\$</u>	<u>34,915,562</u>	

ONTARIO SCHOOL DISTRICT 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At June 30, 2017, the District's governmental funds reported combined ending fund balance of \$14.4MM, an increase of \$2.2MM in comparison with the prior year. The increase is due to the required reserve in the Bond Debt Service fund and increase state school fund support.

General Fund. The General Fund is the chief operating fund of the district. As of June 30, 2017, unassigned fund balance was \$3.3MM. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 18% of total General Fund expenditures, including transfers out and debt service. This fund balance percentage changed from 16% in 2015-16 and 14% in 2014-15.

The fund balance increased by \$833K during the current fiscal year. This was due to an increase in the State School funds received during the fiscal year and budgetary variances in payroll.

Federal Programs. The Federal Programs Fund is operated on a reimbursing basis. Revenues are considered earned when allowable expenditures are made. Any ending cash balance in this fund is considered deferred revenue. Any negative cash balances are considered an account receivable. For this reason, the Federal Programs Fund should never have ending fund balance. At June 30, 2017, the fund had accounts receivable of \$1.48MM and deferred revenues of \$5,825.

Other Governmental Funds. Food Services, State and Local Grants, Equipment Replacement, Technology, and Debt Service are all funds that are contained in the Other Governmental Funds category. The ending fund balance in Other Governmental Funds increased by \$297K.

ONTARIO SCHOOL DISTRICT 8C MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2017

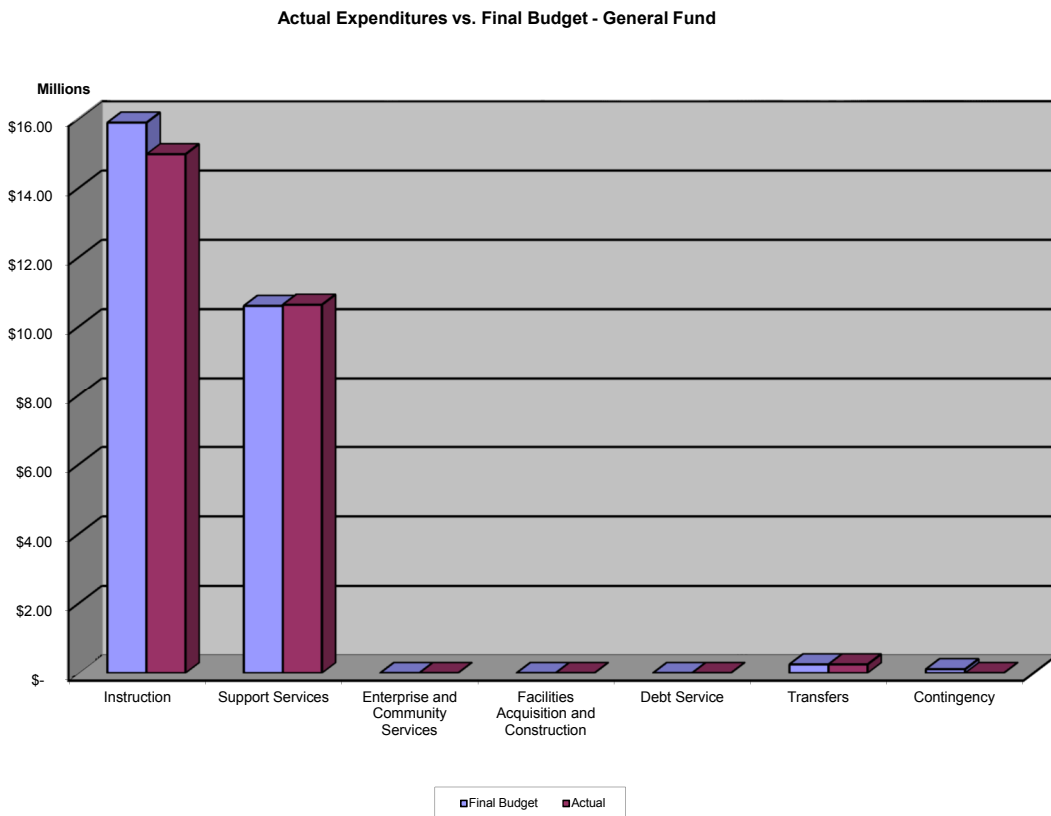
GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the course of the 2016-17 fiscal year, the Board adopted resolutions that affected the general fund budget.

For the General Fund, the final budgeted revenue was \$25,492,125. The actual amount of revenue received was \$26,680,928.

During the year, as shown in the chart below, General Fund expenditures were mostly within budget except for expenditures in Support Service that went over budget by \$33,420.



ONTARIO SCHOOL DISTRICT 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets includes land, buildings and improvement, and vehicles and equipment. As of June 30, 2017, the District had invested approximately \$26.7MM in capital assets, net of depreciation, as shown in the following table.

ONTARIO SCHOOL DISTRICT NO. 8C			
Capital Assets			
(net of depreciation)			
	Governmental Activities		Increase
	<u>2017</u>	<u>2016</u>	(Decrease) from
			<u>Fiscal 2016</u>
Land	\$ 563,110	\$ 563,110	\$ -
Contruction in progress	-	9,135	(9,135)
Buildings & building improvements	34,778,733	34,480,068	298,665
Vehicles, furniture and equipment	5,608,877	5,450,392	158,485
Accumulated depreciation	(14,264,919)	(14,671,807)	(406,888)
TOTAL	<u><u>\$ 26,685,801</u></u>	<u><u>\$ 25,830,898</u></u>	<u><u>\$ 854,903</u></u>

Debt administration. At the end of the current fiscal year, the District had total bonded debt outstanding of \$26.2MM, consisting of pension obligation bonds issued in October of 2002 to pay the unfunded actuarial liability to the Oregon Public Employees Retirement System, a partial redemption of the 2002 PERS Series B obligation bond referred to as the 2011 PERS Series B and Qualified School Construction Bonds issued in July 2010 to pay for school construction and renovations.

During the current fiscal year, the bonded debt decreased by \$194K. The decrease was due to the payment made on the 2002 PERS Series B Obligation.

CURRENT FINANCIAL ISSUES AND CONCERNS

The most significant economic factor for the District remains the State of Oregon's State School fund. For the year ended June 30, 2017, the State School Fund – General Support, provided 76% of the District's program resources. In addition, PERS contribution rates continue to be a concern for the district. Senate Bill 822 provided some relief from rate increases, but was deemed to be unlawful. The PERS rates currently being paid by the district are set through June 30, 2021. It is anticipated at this time the rate of contribution that the district pays will increase substantially in the next two biennia. Further, the rate will remain at this higher rate or even higher until the new OPSRP members replace retiring Tier 1/Tier 2 members. The state of Oregon has allowed districts to make deposits into PERS side accounts in an attempt to get the unfunded actuarial liability reduced. The district will explore this option and the benefits that may be gained by participation.

A reduction in federal funding levels due to restructuring at the federal level is a concern for the District. The IRS interest subsidy on the QSCB bond has been reduced because of federal budgets, which is passed on to the taxpayers of the district because the interest is still due whether or not the IRS pays it. The district may find reductions in federal grants as the federal budget excluded many programs.

**ONTARIO SCHOOL DISTRICT 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017**

In conclusion, the Ontario School District has committed itself to financial excellence, not only in past, but future years. The District's system of financial planning, budgeting and internal financial controls are firmly in place and the District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Director of Finance at 195 SW 3rd Ave, Ontario, OR.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 8,781,303	\$ 15,768	\$ 8,797,071
Receivables			
Taxes	351,216	-	351,216
Accounts	1,992,694	4,627	1,997,321
Restricted cash	6,520,000	-	6,520,000
Rent deposit	1,750	-	1,750
Inventory	86,778	-	86,778
Long-term assets			
Capital assets			
Non-depreciable assets			
Land	563,110	-	563,110
Depreciable assets			
Buildings and building improvements	34,778,733	-	34,778,733
Furniture and equipment	5,608,877	-	5,608,877
Accumulated depreciation	(14,264,919)	-	(14,264,919)
Total assets	<u>44,419,542</u>	<u>20,395</u>	<u>44,439,937</u>
DEFERRED OUTFLOWS OF RESOURCES			
PERS related deferred outflows	10,960,344	-	10,960,344
Other pension related deferred outflows	108,980	-	108,980
Total deferred outflows	<u>11,069,324</u>	<u>-</u>	<u>11,069,324</u>
LIABILITIES			
Current liabilities			
Accounts payable	154,224	-	154,224
Accrued liabilities			
Payroll, payroll taxes, insurance	2,403,557	4,005	2,407,562
Bonds payable -due within one year	198,149	-	198,149
Long-term liabilities			
Other Post Employment Benefits liability	1,389,282	-	1,389,282
Bonds payable -due in more than one year	26,013,302	-	26,013,302
Net pension liability - other pensions	645,824	-	645,824
Net pension liability - PERS	21,559,605	-	21,559,605
Total liabilities	<u>52,363,943</u>	<u>4,005</u>	<u>52,367,948</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred unearned grant income	5,825	-	5,825
PERS related deferred inflows	668,300	-	668,300
Total deferred inflows	<u>674,125</u>	<u>-</u>	<u>674,125</u>
NET POSITION			
Net investment in capital assets	8,185,801	-	8,185,801
Restricted for debt service (expendable)	7,008,637	-	7,008,637
Restricted for special programs (expendable)	1,615,988	-	1,615,988
Unrestricted	(14,359,628)	16,390	(14,343,238)
Total net position	<u>\$ 2,450,798</u>	<u>\$ 16,390</u>	<u>\$ 2,467,188</u>

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended

June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expenses)	Business-Type Activities	Total
		Charges for Services	Operating Grants and Contributions	Revenues and Change in Net Position		
GOVERNMENTAL ACTIVITIES						
Regular programs	\$ 10,448,914	\$ 45,784	\$ 40,218	\$ (10,362,912)	\$ -	\$ (10,362,912)
Special programs	8,174,038	234,228	2,673,402	(5,266,408)	-	(5,266,408)
Summer school programs	237,809	-	215,306	(22,503)	-	(22,503)
Students	1,364,376	-	260,303	(1,104,073)	-	(1,104,073)
Instructional staff	962,941	-	314,604	(648,337)	-	(648,337)
General administration	576,498	-	-	(576,498)	-	(576,498)
School administration	2,550,551	-	-	(2,550,551)	-	(2,550,551)
Business services	4,959,545	-	-	(4,959,545)	-	(4,959,545)
Central activities	2,597,305	910,547	42,633	(1,644,125)	-	(1,644,125)
Supplemental retirement program	94,676	-	-	(94,676)	-	(94,676)
Enterprise & community services	1,709,868	155,855	1,874,680	320,667	-	320,667
Debt service-interest	1,673,121	-	907,678	(765,443)	-	(765,443)
Total governmental activities	35,349,642	1,346,414	6,328,824	(27,674,404)	-	(27,674,404)
BUSINESS-TYPE ACTIVITIES						
Teen parent program	30,820	5,243	17,612	-	(7,965)	(7,965)
Bistro	-	776	-	-	776	776
Total business-type activities	30,820	6,019	17,612	(7,189)	(7,189)	(7,189)
	<u>\$ 35,380,462</u>	<u>\$ 1,352,433</u>	<u>\$ 6,346,436</u>	<u>\$ (27,681,593)</u>	<u>\$ (7,189)</u>	<u>\$ (27,681,593)</u>
GENERAL REVENUES						
Property taxes for general purposes				3,898,504	-	3,898,504
Property taxes for debt service				1,149,739	-	1,149,739
State school fund-general support				21,259,343	-	21,259,343
State school fund-restricted				15,429	-	15,429
County school fund				979	-	979
Common school fund				286,730	-	286,730
Unrestricted state and local sources				53,011	-	53,011
Earnings on investments				175,254	-	175,254
Miscellaneous				401,335	-	401,335
Total general revenues				27,240,324	-	27,240,324
Transfers in (out)				(15,000)	15,000	-
Gain (loss) on sale of capital assets				14,001	-	14,001
Change in net position				(435,079)	7,811	(427,268)
Net position - July 1, 2016, before restatements				1,622,516	8,579	1,631,095
Restatement - see Note 12				1,263,361	-	1,263,361
Net position - July 1, 2016, after restatements				2,885,877	8,579	2,894,456
Total net position - June 30, 2017				\$ 2,450,798	\$ 16,390	\$ 2,467,188

GOVERNMENTAL FUND
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Federal Programs	Bond Debt Service	Nonmajor Governmental Funds	Total
ASSETS AND DEFERRED OUTFLOWS					
Assets					
Cash and investments	\$ 5,279,413	\$ -	\$ 105,910	\$ 2,970,368	\$ 8,355,691
Receivables					
Property tax	270,469	-	80,747	-	351,216
Grants	202,018	1,480,436	-	310,240	1,992,694
Other		-	-	-	-
Interfund loan receivable	1,433,973	-	-	-	1,433,973
Rent deposit	1,750	-	-	-	1,750
Restricted assets					
Cash	-	-	6,520,000	-	6,520,000
Total assets	<u>7,187,623</u>	<u>1,480,436</u>	<u>6,706,657</u>	<u>3,280,608</u>	<u>18,655,324</u>
Deferred outflows	-	-	-	-	-
Total assets and deferred outflows	<u>\$ 7,187,623</u>	<u>\$ 1,480,436</u>	<u>\$ 6,706,657</u>	<u>\$ 3,280,608</u>	<u>\$ 18,655,324</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 90,008	\$ 54,417	\$ -	\$ 9,445	\$ 153,870
Accrued liabilities	2,096,693	210,376	-	96,488	2,403,557
Interfund loan payable	-	1,209,818	-	224,155	1,433,973
Total liabilities	<u>2,186,701</u>	<u>1,474,611</u>	<u>-</u>	<u>330,088</u>	<u>3,991,400</u>
Deferred inflows					
Unearned grant revenue	-	5,825	-	-	5,825
Unavailable property tax revenues	222,135	-	66,659	-	288,794
Total deferred inflows	<u>222,135</u>	<u>5,825</u>	<u>66,659</u>	<u>-</u>	<u>294,619</u>
Fund balances					
Nonspendable	1,435,723	-	-	-	1,435,723
Spendable					
Restricted	-	-	6,639,998	1,984,627	8,624,625
Committed	-	-	-	953,347	953,347
Assigned	-	-	-	12,546	12,546
Unassigned	3,343,064	-	-	-	3,343,064
Total fund balances	<u>4,778,787</u>	<u>-</u>	<u>6,639,998</u>	<u>2,950,520</u>	<u>14,369,305</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,187,623</u>	<u>\$ 1,480,436</u>	<u>\$ 6,706,657</u>	<u>\$ 3,280,608</u>	<u>\$ 18,655,324</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2017

Total fund balances		\$ 14,369,305
Capital assets are not financial resources and therefore, are not reported in the governmental funds.		
Cost	\$ 40,950,720	
Accumulated depreciation	<u>(14,264,919)</u>	26,685,801
Certain delinquent property taxes not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.		288,794
Internal service funds		425,258
Inventory not consumed within sixty days is not included in the fund financial statements.		86,778
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
Bonds payable	(26,211,451)	
Early retirement obligation	(645,824)	
Net pension liability	(21,559,605)	
Other Post Employment Benefits liability	<u>(1,389,282)</u>	(49,806,162)
Current year pension contributions are deferred outflows of resources that will be a recognized expense in the subsequent period.		1,321,091
The district's changes in pension related deferred outflows will be amortized over the next five years.		9,748,233
District's changes in pension related deferred inflows will be amortized over the next five years.		<u>(668,300)</u>
Total net position		<u><u>\$ 2,450,798</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended
June 30, 2017

	General	Federal Programs	Bond Debt Service	Nonmajor Governmental Funds	Total
Revenues					
Taxes	\$ 3,887,585	\$ -	\$ 1,146,881	\$ -	\$ 5,034,466
Local sources	485,555	-	69,288	1,421,174	1,976,017
Intermediate sources	698,897	-	-	18,308	717,205
State sources	21,608,891	-	-	206,185	21,815,076
Federal sources	-	2,603,984	907,678	1,847,365	5,359,027
Total revenues	26,680,928	2,603,984	2,123,847	3,493,032	34,901,790
Expenditures					
Current					
Instruction					
Regular programs	9,472,277	-	-	41,253	9,513,531
Special programs	5,507,511	1,818,628	-	369,567	7,695,706
Summer school programs	-	215,306	-	-	215,306
Support services					
Students	950,174	260,304	-	31,850	1,242,327
Improvement of instruction	566,286	252,466	-	63,609	882,361
General administration	534,094	-	-	-	534,094
School administration	2,273,558	-	-	4,460	2,278,018
Business services	4,899,005	-	126	43,793	4,942,923
Central activities	1,320,015	34,712	-	63,249	1,417,977
Supplemental retirement program	94,568	-	-	-	94,568
Food services	-	-	-	1,910,303	1,910,303
Community services	-	22,568	-	-	22,568
Facilities acquisition and construction	-	-	-	69,389	69,389
Debt service					
Principal	-	-	-	193,991	193,991
Interest	-	-	1,033,040	640,082	1,673,122
Total expenditures	25,617,488	2,603,984	1,033,166	3,431,546	32,686,183
Excess of revenues over (under) expenditures	1,063,440	-	1,090,681	61,486	2,215,607
Sale of assets	20,803	-	-	-	20,803
Transfers in (out)	(250,670)	-	-	235,670	(15,000)
Total other financing sources (uses)	(229,867)	-	-	235,670	5,803
Net change in fund balances	833,573	-	1,090,681	297,156	2,221,410
Available fund balances, July 1, before restatement	3,950,884	-	5,549,317	2,653,364	12,153,565
Restatement - See note 12	(5,670)	-	-	-	(5,670)
Available fund balances, July 1, after restatement	3,945,214	-	5,549,317	2,653,364	12,147,895
Available fund balances, June 30	\$ 4,778,787	\$ -	\$ 6,639,998	\$ 2,950,520	\$ 14,369,305

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended
June 30, 2017

Net change in fund balances	\$ 2,221,410
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 640,242	
Less loss on dispositions	(6,802)	
Less current year depreciation	<u>(1,069,001)</u>	(435,561)

Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position. This is the amount by which proceeds exceeded repayments.

Debt principal repaid	193,991
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Governmental funds do not report the effects of the implementation of GASB Statements No. 45 which caused the recognition of new long term liabilities.	(21,457)
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Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.	13,777
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Inventory not consumed within sixty days is not included in the fund financial statements.	(11,217)
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Changes in total pension liability, the related changes in deferred outflows and deferred inflows of resources are not recognized as expenses in governmental funds.	(2,392,405)
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Internal service funds are used by the district to charge the costs of unemployment insurance to individual funds. The net activity of the internal service funds is reported with governmental activities.

Internal service fund expense	<u>(3,617)</u>
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CHANGE IN NET POSITION	<u><u>\$ (435,079)</u></u>
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PROPRIETARY FUND
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
STATEMENT OF FUND NET POSITION
Proprietary Funds
June 30, 2017

	OHS Bistro Fund	OHS Teen Parent Program	Totals June 30, 2017	Internal Service Funds
ASSETS				
Current assets				
Cash and investments	\$ 4,460	\$ 11,308	\$ 15,768	\$ 425,612
Receivables				
Accounts	-	4,627	4,627	-
Total assets	4,460	15,935	20,395	425,612
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
LIABILITIES				
Current liabilities				
Accounts payable	-	-	-	354
Accrued liabilities				
Payroll, payroll taxes, insurance	-	4,005	4,005	-
Total liabilities	-	4,005	4,005	354
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
NET POSITION				
Unrestricted	4,460	11,930	16,390	425,258
Total net position	\$ 4,460	\$ 11,930	\$ 16,390	\$ 425,258

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
Proprietary Funds
For the Year Ended
June 30, 2017

	OHS Bistro Fund	OHS Teen Parent Program	Totals June 30, 2017	Internal Service Funds
Operating revenues				
Charges for services	\$ 776	\$ 5,243	\$ 6,019	\$ -
Operating grants	-	17,612	17,612	-
Total operating revenues	<u>776</u>	<u>22,855</u>	<u>23,631</u>	<u>-</u>
Operating expenses				
Payroll	-	22,912	22,912	-
Employee benefits	-	6,392	6,392	3,617
Supplies	-	1,441	1,441	-
Dues and fees	-	75	75	-
Total operating expenses	<u>-</u>	<u>30,820</u>	<u>30,820</u>	<u>3,617</u>
Operating income	776	(7,965)	(7,189)	(3,617)
Transfer In	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Changes in net position	776	7,035	7,811	(3,617)
Total net position - beginning	<u>3,684</u>	<u>4,895</u>	<u>8,579</u>	<u>428,875</u>
Total net position- ending	<u>\$ 4,460</u>	<u>\$ 11,930</u>	<u>\$ 16,390</u>	<u>\$ 425,258</u>

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

STATEMENT OF CASH FLOWS

Proprietary Funds

June 30, 2017

	OHS Bistro Fund	OHS Teen Parent Program	Totals June 30, 2017	Internal Service Funds
Cash flows from operating activities				
Cash received from customers	\$ 776	\$ 5,243	\$ 6,019	\$ -
Cash received from grantors	-	15,840	15,840	-
Cash paid to employees	-	(25,299)	(25,299)	-
Cash paid to suppliers	-	(1,516)	(1,516)	-
Payments for employee benefits	-	-	-	(3,263)
Net cash provided(used) by operating activities	<u>776</u>	<u>(5,732)</u>	<u>(4,956)</u>	<u>(3,263)</u>
Cash flows from noncapital financing activities				
Transfers in	-	15,000	15,000	-
Net increase in cash and cash equivalents	776	9,268	10,044	(3,263)
Cash and cash equivalents - beginning	<u>3,684</u>	<u>2,040</u>	<u>5,724</u>	<u>428,875</u>
Cash and cash equivalents - ending	<u>\$ 4,460</u>	<u>\$ 11,308</u>	<u>\$ 15,768</u>	<u>\$ 425,612</u>

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 776	\$ (7,965)	\$ (7,189)	\$ (3,617)
Increase (decrease) in accounts payable	-	-	-	354
Increase (decrease) in payroll liabilities	-	4,005	4,005	-
(Increase) decrease in accounts receivable	-	(1,772)	(1,772)	-
Net cash provided(used) by operating activities	<u>\$ 776</u>	<u>\$ (5,732)</u>	<u>\$ (4,956)</u>	<u>\$ (3,263)</u>

NOTES TO THE BASIC
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies

The administration of Ontario School District No. 8C is vested in a five member board of directors, a district superintendent and a director of finance.

The following is a summary of significant accounting policies utilized by the district in the preparation of the accompanying financial statements.

A. Reporting Entity

A five member board of directors exercises governance responsibilities over all entities related to public elementary and secondary school education within the jurisdiction of Ontario School District No. 8C as set by the state of Oregon. The board receives funding from local, state and federal sources. However, Ontario School District No. 8C is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. No other entities met requirements for inclusion in Ontario School District No. 8C.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the district. These statements include the governmental financial activities of the overall district, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues and charges for services.

The Statement of Net Position presents the district's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Activities. Program revenues include: (1) charges to students or others for tuition, fees, rentals, materials, supplies or services provided, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Net position is reported as restricted when constraints placed on net position use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

Fund Financial Statements

The fund financial statements provide information about the district's funds including those of a fiduciary nature. Separate statements for each fund category-(governmental and proprietary) are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

The district reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the district. It is used to account for all financial resources except those required to be accounted for in another fund.

Federal Programs Fund – Federal Programs Fund is a group of special revenue funds used to account for the proceeds of specific federal revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Bond Debt Service Fund – The Bond Debt Service Fund accounts for the property taxes levied for school improvement projects. These funds are legally restricted to the repayment of the school improvement bonds.

Additionally, the district reports the following fund types:

Debt Service Fund - The debt service fund account for the payment of principal and interest on the district's bonds used for financing of unfunded actuarial liability pension debt. The principal source of revenue is general fund transfers.

Special Revenue Funds - Special revenue funds account for revenue sources that are legally restricted to expenditures for specified purposes (other than major capital projects).

Capital Projects Funds – Capital projects funds account for revenue and expenditures related to major repairs, renovations, and construction of the district buildings.

The district reports the following proprietary funds:

OHS Bistro Fund—This proprietary fund accounts for the activities of the student run bistro.

OHS Teen Parent Program—This accounts for activities relating to providing daycare for teen

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parents.

Internal Service Fund – The internal service fund accounts for the district's self-insured unemployment fund. Principal revenues are payments from the general fund and special revenue funds. Principal expenses are reimbursement of unemployment claims to the Oregon Employment Department.

C. Measurement Focus and Basis of Accounting

Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the district receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. With the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the district funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the district's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. A six month availability period is used for revenue recognition for all reimbursable grants. The district considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the district's proprietary funds are charges for services, operating grants and other miscellaneous revenues. Operating expenses for the proprietary funds include personnel and materials and supplies. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

A budget is prepared for each district fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, community services, interagency/fund transactions, contingencies and debt service by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at June 30.

Unexpected additional resources may be added to the budget using a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of control. Such transfers require approval by the board of directors.

The budget for the General Fund and special revenue funds includes capital outlay expenditures in each program for capital outlay applicable to that program.

The district had the following over expenditure for the year ended June 30, 2017:

General Fund	Support services	\$ 33,420
Medicaid Reimbursement	Support services	12,121

E. Property Taxes Receivable

Property taxes assessed in prior years, but not yet collected or accrued, are reported on the balance sheet, but are offset by deferred revenue accounts. The district levies taxes on a fiscal year from July 1 to June 30. The current levy becomes a lien on July 1. Taxes are due November 15, and become delinquent May 15. Foreclosure is started three years after taxes become delinquent. The district turns all tax collection duties over to Malheur County, Oregon.

Uncollected property taxes are recorded on the Statement of Net Position. Uncollected taxes are deemed to be substantially collected or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the district.

The government reports deferred revenues on its governmental fund balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the district before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the district has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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F. Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at acquisition value. The district defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one reporting period. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 to 50 years
Equipment	5 to 30 years

G. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The district's policy is that all accrued vacation lapses if not taken by June 30 of each year. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Unpaid sick pay lapses upon termination of employment.

H. Deposits and Investments

Ontario School District No. 8C's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in savings accounts and the Oregon State Treasury Local Government Investment Pool and allocated to each fund based on the amount of excess cash each fund has deposited.

Oregon statutes and local ordinances authorize the district to invest (short-term and long-term) in certificates of deposit (considered investments for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the United States, U.S. agency issues, general obligations of the states of Oregon, Washington, Idaho and California, certain interest bearing bonds of a county, port or school district, certain interest bearing bonds on any city in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds.

I. Encumbrances

The district does not use encumbrance accounting.

J. Inventory

The costs of inventories that are not consumed within sixty days in governmental fund types are recorded as expenditures when purchased and as inventory in the government-wide statements. Inventories are valued at cost using the first in first out method. The value of inventories at June 30, 2017 is \$86,778.

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K. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

L. Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The district has two items that qualify for reporting in this category. They are the deferred amounts relating to pensions. This amount of \$11,069,324 is deferred and recognized as an outflow of resources in the period when the district recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position.

In addition to liabilities, the statement of financial position will a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has three items that qualify for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheet in the amount of \$288,794. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The district also reports deferred amounts related to pensions and unearned grant revenues. These amounts are deferred and recognized as an inflow of resources in the period when the district recognizes pension income or grant income. Deferred inflows are included in the government-wide Statement of Net Position. The district had \$5,825 of unearned grant income and \$668,300 of PERS related deferred inflows at June 30, 2017.

N. Statements of Cash Flows

For purposes of the Statement of Cash Flows, the district considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the district’s pooled cash and investments.

O. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the

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reported amounts of revenues and expenses during the reporting period. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Actual results could differ from those estimates.

P. 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 Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Fund Balances

GASB Statement No. 54 requires analysis and presentation of fund balances in five categories; the fund balance categories are:

- *Nonspendable*—Includes items not immediately converted to cash, such as prepaid items, interfund receivables and inventory.
- *Restricted*—Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- *Committed*—Includes items committed by the district's board of directors, by formal board resolution.
- *Assigned*—Includes items assigned for specific uses, authorized by the district's superintendent and/or Director of Finance.
- *Unassigned*—This is the residual classification used for those balances not assigned to another category.

The board authorized the Superintendent and the Director of Finance to make assignments of ending fund balance. Assignments of fund balances can be done at any time, including after fiscal year end date.

Finally, GASB 54 requires a spending policy, as it relates to ending fund balance. The spending policy states in what order fund balance categories are spent. The board approved the following fund balance order of spending policy:

1. Restricted Fund Balance
2. Committed Fund Balance
3. Assigned Fund Balance
4. Unassigned Fund Balance

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Note 2. Retirement Plan - Public Employees Retirement System (PERS)

PERS

General Information about the Pension Plan

Plan Description

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits Provided

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

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Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes

After retirement, members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

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3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 were \$1,246,367, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2017 were 13.09 percent for Tier One/Tier Two General Service Member, 8.4 percent for OPSRP Pension Program General Service Members, and 6 percent for OPSRP Individual Account Program.

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

At June 30, 2017, the District reported a liability of \$21,559,605 for its proportionate share of the net pension liability. 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 December 31, 2014, rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the District's proportion was 0.1436 percent, which was decreased from its proportion of 0.1557 percent measured as of June 30, 2015.

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For the year ended June 30, 2017, the District's recognized pension expense (income) of \$3,757,560. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 713,286	\$ -
Changes of assumptions	4,598,146	-
Net difference between projected and actual earnings on investments	4,259,273	-
Changes in proportion	15,933	651,392
Differences between employer contributions and proportionate share of contributions	127,339	16,908
Total (prior to post-MD contributions)	9,713,977	668,300
Contributions subsequent to the MD	1,246,367	-
Total	<u>\$ 10,960,344</u>	<u>\$ 668,300</u>

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Deferred Outflows</u>		<u>Deferred Inflows</u>	
Amortization Period		Amortization Period	
FY2018	\$ 1,747,278	FY2018	\$ 155,419
FY2019	1,747,278	FY2019	155,419
FY2020	3,304,646	FY2020	155,419
FY2021	2,529,127	FY2021	155,419
FY2022	385,648	FY2022	46,624
Total	<u>\$ 9,713,977</u>	Total	<u>\$ 668,300</u>

Actuarial Assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount

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for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.5 percent (reduced from 2.75%)
Long-Term Expected Rate of Return ¹	7.5 percent (reduced from 7.75%)
Discount Rate	7.5 percent (reduced from 7.75%)
Projected Salary Increases	3.5 percent (reduced from 3.75%)
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service
Mortality	<p>Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.</p>
¹ At its September 25, 2015 meeting the PERS Board reduced the assumed rate of return on investments from 7.75 percent to 7.50 percent.	

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital

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market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	100.00%	

Assumed Inflation - Mean

2.50%

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Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 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 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability (asset)	\$ 34,811,574	\$ 21,559,605	\$ 10,483,278

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Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Payables to the Pension Plan

The district reported payables of legally required contributions to the pension plan in the amount of \$496,484 at June 30, 2017.

Changes in Plan Provisions During the Measurement Period

As reflected in the December 31, 2014 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015 reversed a significant portion of the reductions passed by the 2013 Oregon Legislature, which increased the benefits projected to be paid by Employers compared to those previously developed and consequently increased plan liabilities. The employers' projected long-term contribution effort reflects the estimated impact of the Moro Decision. Following the completion of the December 31, 2014 actuarial valuation, the PERS Board adopted several assumption changes, including lowering the investment return assumption from 7.75% to 7.5%.

Changes in Plan Provisions Subsequent to Measurement Date

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

Note 3. Retirement Plan – Early Retirement Incentive Plan

General Information about the Pension Plan

The district has established an early retirement incentive plan. The plan is a single employer defined benefit pension plan available to teachers and administrators.

Eligibility:

Retirees must meet the following criteria:

- Retiring as an administrator employee with at least seven consecutive years of continuous, full-time service with the district or
- Retiring as a certified employee having completed at least twenty years of teaching, of which twelve years of service must be with the district and
- Retired from active service while eligible to receive a pension benefit from Oregon PERS.

Benefits payable:

Administrator retirees are eligible to receive a monthly stipend of \$300 for up to seven years. The

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benefit stops when the retiree dies or upon reemployment with the district.

Certified retirees are eligible to receive a monthly stipend of \$250 for seven years. If the retiree dies, the spouse will continue to receive payments until such time the retiree would have received the stipend for seven years. Payments cease after the retiree reaches age 65.

The district pays an additional 7.65% FICA tax on stipend benefits, unless the stipend is used to pay medical insurance premiums covered under the district's Section 125 cafeteria plan.

Employees Covered

There are 30 inactive employees currently receiving early retiree stipend benefits. Currently, 141 teachers and 15 administrators are eligible to be covered by this early retirement stipend plan.

Contributions

The district has chosen not to fund the net pension obligation, but rather will continue to pay retirees their benefits as the benefits become due. Contributions for the fiscal year ended June 30, 2017 were \$74,724.

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

At June 30, 2017, the District reported a liability of \$645,824 for the Early Retirement Incentive Plan. The net pension liability was measured as of June 30, 2016, which was determined by an actuarial valuation as of October 1, 2015, rolled forward to June 30, 2016. The increase in pension liability was computed as follows:

	Fiscal Year ended June 30, 2017
Increase / (Decrease) in Total Pension Liability	
Balance at Beginning of Year	\$ 637,089
Service Cost	24,817
Interest on Total Pension Liability	23,982
Effect of assumptions changes or inputs	38,648
Benefit payments	(78,712)
Total	<u>\$ 645,824</u>

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward/backward to the measurement date. There are no assets accumulated in a trust that meets the criteria in GASB 73 paragraph 4.

For the year ended June 30, 2017, the District's recognized pension expense of \$53,191. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to

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pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	34,256
Total (prior to post-MD contributions)	-	34,256
Contributions subsequent to the MD	-	74,724
 Total	 \$ -	 \$ 108,980

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows	
Amortization Period	
FY2018	\$ 4,392
FY2019	4,392
FY2020	4,392
FY2021	4,392
FY2022	4,392
Thereafter	12,296
Total	\$ 34,256

The total pension liability in the October 1, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	October 1, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Discount Rate	2.85 percent
Projected Salary Increases	3.5 percent
Demographic assumptions	Based on Oregon PERS valuation assumptions as of December 31, 2014

Discount Rate

The discount rate used to measure the total pension liability was 2.85 percent for the Defined Benefit Pension Plan. Under GASB 73 unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The assumptions reflect the Bond Buyer 20-Year General Obligation Index.

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Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's net pension liability calculated using the discount rate of 2.85 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85 percent) or 1-percentage-point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Discount Rate (2.85%)	1% Increase (3.85%)
District's total pension liability	\$ 686,114	\$ 645,824	\$ 607,923

Changes in Plan Provisions During the Measurement Period

There were no changes during the June 30, 2016 measurement date.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2016 measurement date.

Note 4. Accounts Receivable

Accounts receivable are comprised of the following at June 30, 2017:

Fund	Revenue Source	Amount
General Fund	Property Taxes	\$ 270,469
General Fund	Common school fund	143,365
General Fund	Miscellaneous	58,653
Federal Programs	Federal grants	1,480,436
Debt Service Fund	Property Taxes	80,747
Non major funds	Grants	310,240
	Total Accounts Receivable	<u>\$ 2,343,910</u>

Note 5. Interfund Transfers and Loans

The following table represents the district's transfers to and from various funds during the fiscal year.

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From	To	Amount	Reason
General fund	Nonmajor fund	\$ 2,000	To pay for the district's share of SMILE expenses
General fund	Nonmajor fund	63,000	To fund future technological needs
General fund	Nonmajor fund	132,031	To fund future building improvements
General fund	Nonmajor fund	38,639	To fund future maintenance equipment needs
General fund	OHS Teen Parent Program	15,000	To fund the teen parent program
Total		<u>\$ 250,670</u>	

Interfund loan receivables and payables consist of the following at June 30, 2017:

Receivable Fund	Payable Fund	Amount
General Fund	Federal Programs Fund	\$ 1,209,818
General Fund	Nonmajor Funds	224,155
Total		<u>\$ 1,433,973</u>

The above loans will be paid back when the grant reimbursements are received.

Note 6. Capital Assets

Capital assets activity for the year was as follows:

Governmental Activities

	Balance July 1, 2016	Restatements	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated					
Land	\$ 563,110	\$ -	\$ -	\$ -	\$ 563,110
Construction in progress	9,135	-	-	(9,135)	-
Total capital assets not being depreciated	<u>572,245</u>	<u>-</u>	<u>-</u>	<u>(9,135)</u>	<u>563,110</u>
Capital assets being depreciated					
Buildings and improvements	34,480,068	-	298,665	-	34,778,733
Equipment	2,659,433	-	97,740	(45,937)	2,711,236
Vehicles	2,790,959	-	252,972	(146,290)	2,897,641
Total capital assets being depreciated	<u>39,930,460</u>	<u>-</u>	<u>649,377</u>	<u>(192,227)</u>	<u>40,387,610</u>
Less accumulated depreciation	(14,671,807)	1,290,464	(1,069,001)	185,425	(14,264,919)
Total capital assets being depreciated, net	<u>25,258,653</u>	<u>1,290,464</u>	<u>(419,624)</u>	<u>(6,802)</u>	<u>26,122,691</u>
Total capital assets, net	<u>\$ 26,296,065</u>	<u>\$ 1,290,464</u>	<u>\$ (419,624)</u>	<u>\$ (15,937)</u>	<u>\$ 26,685,801</u>

Depreciation expense for the year was charged to the following programs:

Central activities \$1,069,001

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Note 7. Deposits and Investments

Cash and Investments

The district maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets as cash and investments.

Cash and investments are comprised of the following at June 30, 2017:

Deposits with banks	\$ 2,326,634
Investments	12,989,267
Cash on hand	1,170
	<u>\$ 15,317,071</u>

Cash and investments are shown on the basic financial statements as:

Statement of Net Position

Cash and investments	<u>\$ 15,317,071</u>
	<u>\$ 15,317,071</u>

As of June 30, 2017, the district held the following investments and maturities:

Investment Type	Fair Value	% of Investment Portfolio
Local Government Investment Pool	\$ 12,989,267	100%

Deposits

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial risk assumed by the district at June 30, 2017. If bank deposits at year end are not entirely insured or collateralized with securities held by the district or by its agent in the district's name, the district must disclose the custodial credit risk (below) that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295.

At June 30, 2017 the carrying amount of the district's deposits (cash and certificates of deposit) in various financial institutions was \$2,326,634 and the bank balances were \$2,783,779. Of these deposits, not all were covered by federal depository insurance. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance (FDIC) of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295.018 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the Oregon state treasurer's website. Qualifying depository banks must pledge securities with a particular value based on the banks level of capitalization. At June 30, 2017 and for the year then ended, the district's deposits were in compliance with the requirements of ORS 295.018.

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Custodial credit risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The district mitigates custodial credit risk for deposits by investing only in fully collateralized items.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of governmental entities.

Investments

At June 30, 2017, the district held \$12,989,267 of investments, which is all classified as cash and investments on the Statement of Net Position. The district has no policy for managing interest rate risk or credit risk.

The district has invested funds in the Oregon Short-term Fund Local Government Investment Pool (LGIP) during fiscal year 2017. The Local Government Investment Pool was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Local Government Investment Pool is an external investment pool managed by the state treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40. The Oregon LGIP is unrated for credit quality.

In addition, the Oregon LGIP distributes investment income on an amortized cost basis and participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the district's cash position.

Investments in the Oregon LGIP are made under the provisions of ORS 194.180. These funds are held in the district's name and are not subject to collateralization requirements or ORS 295.018. Investments are stated at cost, which approximated fair value.

A separate financial report for the Oregon Short-term Fund Local Government Investment Pool is prepared by the Secretary of State Audits Division in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon Audits Division 255 Capitol Street NE, Suite 500, Salem, OR 97310 or online at <http://www.sos.state.or.us/audits/index.html>.

Oregon statutes restrict the types of investments in which the district may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the Oregon Local Government Investment Pool (LGIP). As of June 30, 2017 and for the year then ended, the district was in compliance with the aforementioned Oregon statutes.

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Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes authorize the district to invest primarily in general obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool, among others. The district has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk – Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The district is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the United States Government. The district has no such investments.

Interest Rate Risk – The district has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Foreign Currency Risk – The district is prohibited from investments that are not US dollar-denominated; therefore, the district is not exposed to this risk.

Note 8. Other Post-Employment Benefits (OPEB)

Health Care Benefits

The district implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, for the fiscal year ended June 30, 2009. This implementation allows the district to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

The district is required by Oregon Revised Statute 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. Retired employees may continue enrollment in the health plan on a self-pay basis until age 65.

The district's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the district, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the district's normal cost each year and amortize any unfunded actuarial liabilities over a period of 15 years. The following table shows the components of the district's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the district's OPEB obligation to the plan.

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	June 30, 2017	June 30, 2016
Determination of Annual Required Contribution		
(1) Normal Cost at year end	\$ 94,750	\$ 128,139
(2) Amortization of UAAL	189,999	245,485
(3) Annual Required Contribution (ARC)	<u>284,749</u>	<u>373,624</u>
Determination of Net OPEB Obligation		
(4) Annual Required Contribution (ARC)	284,749	373,624
(5) Interest on prior year Net OPEB Obligation	47,874	44,817
(6) Adjustment to ARC	<u>(164,469)</u>	<u>(153,966)</u>
(7) Annual Pension Cost	<u>168,154</u>	<u>264,475</u>
Less		
(8) Explicit Benefit Payments	-	-
(9) Implied Benefit Payments	<u>146,697</u>	<u>177,124</u>
(9) Increase in Net OPEB Obligation	<u>21,457</u>	<u>87,351</u>
(10) Net OPEB Obligation - beginning	<u>1,367,825</u>	<u>1,280,474</u>
(11) Net OPEB Obligation - ending	<u><u>\$ 1,389,282</u></u>	<u><u>\$ 1,367,825</u></u>

The following table shows the annual pension cost and net pension obligation for the prior two years and the current fiscal year assuming the district does not fund this liability:

Fiscal Year Ending	Annual Pension Cost	Percentage of Pension Cost Contributed	Net Pension Obligation
June 30, 2015	\$ 265,213	72%	\$ 1,280,474
June 30, 2016	264,475	67%	1,367,825
June 30, 2017	168,154	87%	1,389,282

Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial methods and assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical matter of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the June 30, 2017 actuarial valuation “the projected unit credit cost method” was used. The actuarial assumption was a 3.5% investment rate of return (net of administrative expenses). Medical

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and prescription drugs premium increase of 7.5% in the first year, 6% in the second year, 5.75% in the third year through 13th year, 6.0% in the 14th through 15th year, 6.75% in the 16th year, 7.0% in the 17th through 22nd year, 6.75% for the 23rd year and then tapering down to an ultimate trend of 5.5%. The annual healthcare cost trend rate of 5.25% for dental and vision insurance premiums. The UAAL (Unfunded Actuarial Accrued Liability) is being amortized as a level percentage of projected payroll on a closed basis over a period of fifteen years.

Note 9. PERS UAL Bonds Payable

On October 9, 2002, the district issued \$9,513,783 in limited tax pension bonds to finance the unfunded pension liability to the Oregon Public Employees Retirement System. These bonds have interest rates that range from 2.06 to 6.10 percent. Interest payments are to be made semiannually on June 30 and December 30. Principal payments are to be made on June 30 of each year. Debt service is financed by a self-imposed pension expense based on a percentage of payroll costs.

	PERS UAL Bonds Payable
Balance 7/1/16	\$ 7,240,442
Additions	-
Payments & deletions	(193,991)
Balance 6/30/17	<u>\$ 7,046,451</u>
Current portion	\$ 198,149

The debt service requirements to maturity on June 30, 2028 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Interest Rate
2018	\$ 198,149	\$ 688,484	5.93%
2019	200,945	730,688	6.02%
2020	202,357	774,275	6.10%
2021	-	391,633	5.50%
2022	720,000	356,708	5.82%
2023-2027	5,135,000	1,080,654	5.49% to 5.55%
2028	590,000	32,745	5.55%
Total	<u>\$ 7,046,451</u>	<u>\$ 4,055,186</u>	

Interest expense for the year ended June 30, 2017 was \$647,642.

On August 11, 2011 the district participated in a partial redemption of the 2002 PERS Series B obligation bond. The district's portion of the bond refinance was \$655,000 and was refinanced over a ten-year period beginning in the 2011-2012 fiscal year. The refinanced bond is referred to as the 2011 PERS Series B. The agreement will reduce the PERS debt by \$48,719 over the duration of the bonds. The debt service requirements to maturity on June 30, 2021 are as follows:

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Fiscal Year Ending June 30,	Principal	Interest	Interest Rate
2018	\$ -	\$ 27,365	4.12%
2019	-	27,365	4.12%
2020	-	27,365	4.12%
2021	665,000	27,365	4.12%
Total	<u>\$ 665,000</u>	<u>\$ 109,460</u>	

Note 10. Qualified School Construction Bond

On May 18, 2010 the voters in the district approved a \$18,500,000 bond for new construction and capital improvements. The general obligation bonds were sold on July 21, 2010 using the Qualified School Construction Bond (QSCB) program. The bonds have a fixed interest rate of 5.584%, but the federal government will pay 5.27% of the interest cost on the bonds. Interest is due and payable on December 15th and June 15th of each year. Principal is due at maturity on June 15, 2027, funds are to be set aside in a dedicated account for this future principal payment. Future set aside amounts as of June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Deposit Requirement	Interest	Federal Subsidy for Interest	Principal Due	Total
2018	\$ 1,065,000	\$ 1,033,040	\$ (974,950)	\$ -	\$ 1,123,090
2019	1,090,000	1,033,040	(974,950)	-	1,123,090
2020	1,120,000	1,033,040	(974,950)	-	1,148,090
2021	1,150,000	1,033,040	(974,950)	-	1,178,090
2022	1,180,000	1,033,040	(974,950)	-	1,208,090
2023-2027	6,375,000	5,165,200	(4,874,750)	18,000,000	6,665,450
Total	<u>\$ 11,980,000</u>	<u>\$ 10,330,400</u>	<u>\$ (9,749,500)</u>	<u>\$ 18,000,000</u>	<u>\$ 12,445,900</u>

Interest expense for the year ended June 30, 2017 was \$1,033,040.

At June 30, 2017, the Local Government Investment Pool account dedicated for the deposit of the set aside requirements had a balance of \$6,625,910. The required balance to be reserved was \$6,520,000.

Note 11. Risk Management

Ontario School District No. 8C is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The district assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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Note 12. Restatement

The fund balance in the General Fund was decreased by \$5,670 due to uncollectable accounts receivables.

The Governmental Net Position on the Statement of Net Position was increased by \$1,290,464 due to an error in depreciation accumulation.

The Governmental Net Position was also decreased by \$21,433 due to the implementation of GASB 73.

Note 13. Fund Balance Classifications

Below is a schedule of ending fund balances, based on GASB Statement No. 54 Requirements:

Fund Balances	General Fund	Bond Debt Service	Nonmajor Funds	Total
<u>Nonspendable</u>				
Interfund receivables	\$ 1,433,973	\$ -	\$ -	\$ 1,433,973
Prepaid items	1,750	-	-	1,750
	<u>1,435,723</u>	<u>-</u>	<u>-</u>	<u>1,435,723</u>
<u>Restricted</u>				
Education - Grants	-	-	87,895	87,895
Debt Service	-	6,639,998	368,639	7,008,637
Food Service	-	-	1,528,093	1,528,093
	<u>-</u>	<u>6,639,998</u>	<u>1,984,627</u>	<u>8,624,625</u>
<u>Committed</u>				
Building repairs and maint.	-	-	649,857	649,857
Equipment reserve	-	-	92,249	92,249
Technological equipment	-	-	19,421	19,421
Student body use	-	-	191,820	191,820
	<u>-</u>	<u>-</u>	<u>953,347</u>	<u>953,347</u>
<u>Assigned</u>				
Program training and expenses	-	-	12,546	12,546
	<u>-</u>	<u>-</u>	<u>12,546</u>	<u>12,546</u>
<u>Unassigned</u>	<u>3,343,064</u>	<u>-</u>		<u>3,343,064</u>
TOTAL FUND BALANCES	<u><u>\$ 4,778,787</u></u>	<u><u>\$ 6,639,998</u></u>	<u><u>\$ 2,950,520</u></u>	<u><u>\$ 14,369,305</u></u>

GASB 54 implementation required Board approved action to authorize commitments of fund balances. These commitments, outlined in the table above, were approved by the board of directors on June 29, 2017. Commitments of fund balances must be made prior to the end of the fiscal year.

REQUIRED SUPPLEMENTARY
INFORMATION

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ 3,910,000	\$ 3,910,000	\$ 3,887,585	\$ (22,415)
Local sources	312,600	312,600	485,555	172,955
Intermediate sources	675,000	675,000	698,897	23,897
State sources	20,480,000	20,594,525	21,608,891	1,014,366
Total revenues	25,377,600	25,492,125	26,680,928	1,188,803
Expenditures				
Instruction				
Regular programs	10,021,777	9,910,999	9,472,277	438,722
Special programs	5,981,273	5,979,848	5,507,511	472,337
Support services				
Students	1,002,547	1,002,547	950,174	52,373
Improvement of instruction	535,737	535,737	566,286	(30,549)
General administration	523,906	523,906	534,094	(10,188)
School administration	2,203,113	2,203,113	2,273,558	(70,445)
Business services	4,185,203	4,949,500	4,899,005	50,495
Central activities	1,181,031	1,273,006	1,320,015	(47,009)
Supplemental retirement program	116,471	116,471	94,568	21,903
Facilities acquisition and construction	60,000	-	-	-
Total expenditures	25,811,058	26,495,127	25,617,488	877,639
Excess of revenues over (under) expenditures	(433,458)	(1,003,002)	1,063,440	2,066,442
Other financing sources (uses)				
Sale of assets	1,000	1,000	20,803	19,803
Transfers in (out)	(125,000)	(250,670)	(250,670)	-
Total other financing sources (uses)	(124,000)	(249,670)	(229,867)	19,803
Net change in fund balance	(557,458)	(1,252,672)	833,573	2,086,245
Available fund balance, July 1, before restatement	3,250,000	3,945,214	3,950,884	5,670
Restatement - see note 12	-	-	(5,670)	(5,670)
Available fund balance, July 1, after restatement	3,250,000	3,945,214	3,945,214	-
Available fund balance, June 30	\$ 2,692,542	\$ 2,692,542	\$ 4,778,787	\$ 2,086,245

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FEDERAL PROGRAMS (BUDGET BASIS)

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Federal sources	\$ 3,405,429	\$ 3,405,429	\$ 2,603,984	\$ (801,445)
Total revenues	3,405,429	3,405,429	2,603,984	(801,445)
Expenditures				
Instruction				
Regular programs	293,805	293,805	-	293,805
Special programs	2,185,685	2,185,685	1,818,628	367,057
Summer school programs	240,034	240,034	215,306	24,728
Support services				
Students	327,100	327,100	260,304	66,796
Improvement of instruction	253,708	253,708	252,466	1,242
School administration	1,450	1,450	-	1,450
Business services	5,000	5,000	-	5,000
Central activities	47,670	47,670	34,712	12,958
Community services	50,977	50,977	22,568	28,409
Total expenditures	3,405,429	3,405,429	2,603,984	801,445
Net change in fund balance	-	-	-	-
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ -	\$ -

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
 For the Last Four Fiscal Years*

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Year Ended June 30,	(a) District's proportion of the net pension liability (asset)	(b) District's proportionate share of the net pension liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.14361273%	\$ 21,559,605	\$ 13,498,920	159.71%	80.50%
2016	0.15571267%	8,940,183	12,565,430	71.15%	91.90%
2015	0.15451174%	(3,502,340)	12,337,039	-28.39%	103.60%
2014	0.15451174%	2,367,774	12,036,139	19.67%	91.97%

SCHEDULE OF DISTRICT CONTRIBUTIONS

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2017	\$ 1,246,367	\$ 1,246,367	\$ -	\$ 14,597,750	8.54%
2016	1,364,191	1,364,191	-	13,498,920	10.11%
2015	1,786,148	1,786,148	-	12,565,430	14.21%
2014	1,737,762	1,737,762	-	12,337,039	14.09%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
EARLY RETIREMENT INCENTIVE PLAN
For the Last Fiscal Year*

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS

	Fiscal Year Ending June 30 <u>2017</u>
Total Pension Liability	
Service Cost	\$ 24,817
Interest on Total Pension Liability	23,982
Effect of changes of benefit terms	-
Effect of economic/demographic gains or (losses)	-
Effect of assumption changes or inputs	38,648
Benefit payments	<u>(78,712)</u>
Net change in Total Pension Liability	8,735
Total Pension Liability, beginning	<u>637,089</u>
Total Pension Liability, ending	<u><u>645,824</u></u>
Covered payroll **	N/A
Total Pension Liability as a % of covered payroll**	N/A

The amounts presented for each fiscal year were actuarial determined at October 1, 2015 and rolled forward to the measurement date.

There are no assets accumulated in a trust that meets the criteria in GASB 73 paragraph 4.

*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available

**Contributions are not made according to payroll, therefore, there is no covered payroll

ONTARIO SCHOOL DISTRICT No. 8C
Ontario, Malheur County, Oregon
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

BUDGETARY REPORTING

In accordance with the State of Oregon, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The district's budget is prepared on the modified accrual basis. Encumbrances are not recognized on the modified accrual basis budget and appropriations lapse at year end. This method of accounting contains all information needed for GAAP presentation and no additional reconciliation is required.

Formal and legal budgetary control for the certified budget is based upon major classes of expenditures known as functions within fund. These functions include expenditures for instruction, support services, community services, capital acquisitions, and other uses. Although the budget document presents function expenditures or expenses by line item within fund, the legal level of control is at the aggregated fund and functional level.

During the year ended June 30, 2017, there was one General Fund expenditure that exceeded budget at the legal level of budgetary control.

General Fund	Support services	\$ 33,420
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OREGON PUBLIC RETIREMENT SYSTEM INFORMATION

Changes in Benefit Terms

As reflected in the December 31, 2014 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015 reversed a significant portion of the reductions passed by the 2013 Oregon Legislature, which increased the benefits projected to be paid by Employers compared to those previously developed and consequently increased plan liabilities. The employers' projected long-term contribution effort reflects the estimated impact of the Moro Decision. Following the completion of the December 31, 2014 actuarial valuation, the PERS Board adopted several assumption changes, including lowering the investment return assumption from 7.75% to 7.5%.

Changes of Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/mercero_reports.aspx.

EARLY RETIREMENT INCENTIVE PLAN INFORMATION

There are no assets accumulated in a trust that meets the criteria in paragraph 4 to pay related benefits. There were no changes in benefit terms in the current year.

OTHER SUPPLEMENTARY INFORMATION

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Debt Service	Special Revenue Funds	
	Pension Bond Debt Service	Response to Intervention	HB 3499 English Language Learners Grant
ASSETS			
Cash	\$ 368,639	\$ -	\$ -
Receivables			
Other	-	63,735	141,030
Total assets	<u>\$ 368,639</u>	<u>\$ 63,735</u>	<u>\$ 141,030</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Interfund payable	-	43,580	136,950
Payroll liabilities		7,609	4,080
Total liabilities	<u>-</u>	<u>51,189</u>	<u>141,030</u>
Fund balances			
Spendable			
Restricted	368,639	-	-
Committed	-	-	-
Assigned	-	12,546	-
Total fund balances	<u>368,639</u>	<u>12,546</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 368,639</u>	<u>\$ 63,735</u>	<u>\$ 141,030</u>

See accompanying independent auditor's report.

Special Revenue Funds		
Malheur Promise Grant	Smile Grant	ASPIRE Grant
\$ -	\$ -	\$ 8,417
18,308	7,899	-
<u>\$ 18,308</u>	<u>\$ 7,899</u>	<u>\$ 8,417</u>
\$ -	\$ -	\$ -
18,308	2,907	-
-	720	-
<u>18,308</u>	<u>3,627</u>	<u>-</u>
-	4,272	8,417
-	-	-
-	-	-
<u>-</u>	<u>4,272</u>	<u>8,417</u>
<u>\$ 18,308</u>	<u>\$ 7,899</u>	<u>\$ 8,417</u>

Special Revenue Funds		
Goldman Sachs Philanthropic	NW Health Foundation Grant	Maybelle Clark McDonald Grant
\$ 150	\$ 1,537	\$ 1,912
-	-	-
<u>\$ 150</u>	<u>\$ 1,537</u>	<u>\$ 1,912</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
-	-	-
150	1,537	1,912
-	-	-
-	-	-
<u>150</u>	<u>1,537</u>	<u>1,912</u>
<u>\$ 150</u>	<u>\$ 1,537</u>	<u>\$ 1,912</u>

Special Revenue Funds

CTE Pathways Grant	Family Services Grant	Aiken PBIS Incentive
\$ -	\$ 263	\$ 2,151
22,410	-	-
<u>\$ 22,410</u>	<u>\$ 263</u>	<u>\$ 2,151</u>
\$ -	\$ -	\$ (27)
22,410	-	-
-	-	-
<u>22,410</u>	<u>-</u>	<u>(27)</u>
-	263	2,178
-	-	-
-	-	-
<u>-</u>	<u>263</u>	<u>2,178</u>
<u>\$ 22,410</u>	<u>\$ 263</u>	<u>\$ 2,151</u>

Special Revenue Funds		
Medicaid Reimbursement	Student Body	Food Services
\$ 71,557	\$ 191,820	\$ 1,562,395
-	-	56,858
<u>\$ 71,557</u>	<u>\$ 191,820</u>	<u>\$ 1,619,253</u>
\$ 2,389	\$ -	\$ 7,083
-	-	-
2	-	84,077
<u>2,391</u>	<u>-</u>	<u>91,160</u>
69,166	-	1,528,093
-	191,820	-
-	-	-
<u>69,166</u>	<u>191,820</u>	<u>1,528,093</u>
<u>\$ 71,557</u>	<u>\$ 191,820</u>	<u>\$ 1,619,253</u>

Capital Project Funds			
Equipment Replacement	Technology	Building Improvement	Totals June 30, 2017
\$ 92,249	\$ 19,421	\$ 649,857	\$ 2,970,368
-	-	-	310,240
<u>\$ 92,249</u>	<u>\$ 19,421</u>	<u>\$ 649,857</u>	<u>\$ 3,280,608</u>
\$ -	\$ -	\$ -	\$ 9,445
-	-	-	224,155
<u>-</u>	<u>-</u>	<u>-</u>	<u>96,488</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>330,088</u>
-	-	-	1,984,627
92,249	19,421	649,857	953,347
<u>-</u>	<u>-</u>	<u>-</u>	<u>12,546</u>
<u>92,249</u>	<u>19,421</u>	<u>649,857</u>	<u>2,950,520</u>
<u>\$ 92,249</u>	<u>\$ 19,421</u>	<u>\$ 649,857</u>	<u>\$ 3,280,608</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
For the Year Ended
June 30, 2017

	Debt Service	Special Revenue Funds	
	Pension Bond Debt Service	Response to Intervention	HB 3499 English Language Learners Grant
Revenues			
Local sources	\$ 915,006	\$ 63,735	\$ -
Intermediate sources	-	-	-
State sources	-	-	149,450
Federal sources	-	-	-
Total revenues	<u>915,006</u>	<u>63,735</u>	<u>149,450</u>
Expenditures			
Current			
Instruction			
Regular programs	-	-	-
Special programs	-	-	141,528
Support services			
Students	-	-	-
Improvement of instruction	-	62,838	-
School administration	-	-	-
Business services	-	-	-
Central activities	121	-	7,922
Food services	-	-	-
Facilities acquisition and construction	-	-	-
Debt service			
Principal	193,991	-	-
Interest	640,082	-	-
Total expenditures	<u>834,194</u>	<u>62,838</u>	<u>149,450</u>
Excess of revenues over (under) expenditures	80,812	897	-
Other financing sources (uses)			
Transfers in (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	80,812	897	-
Available fund balances, July 1	<u>287,827</u>	<u>11,649</u>	<u>-</u>
Available fund balance, June 30	<u><u>\$ 368,639</u></u>	<u><u>\$ 12,546</u></u>	<u><u>\$ -</u></u>

See accompanying independent auditor's report.

Special Revenue Funds		
Malheur Promise Grant	Smile Grant	ASPIRE Grant
\$ -	\$ -	\$ -
18,308	-	-
-	14,149	-
-	-	-
18,308	14,149	-
18,308	-	-
-	14,217	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
18,308	14,217	-
-	(68)	-
-	2,000	-
-	2,000	-
-	1,932	-
-	2,340	8,417
\$ -	\$ 4,272	\$ 8,417

Special Revenue Funds		
Goldman Sachs Philanthropic	NW Health Foundation Grant	Maybelle Clark McDonald Grant
\$ -	\$ 1,500	\$ -
-	-	-
-	-	-
-	-	-
-	1,500	-
555	-	-
-	-	-
-	-	-
-	833	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
555	833	-
(555)	667	-
-	-	-
-	-	-
(555)	667	-
705	870	1,912
\$ 150	\$ 1,537	\$ 1,912

Special Revenue Funds

CTE Pathways Grant	Family Services Grant	Aiken PBIS Incentive
\$ -	\$ 1,500	\$ 2,885
-	-	-
22,410	-	-
-	-	-
22,410	1,500	2,885
21,910	-	480
-	-	-
-	-	-
500	-	-
-	-	3,627
-	-	-
-	1,237	-
-	-	-
-	-	-
-	-	-
-	-	-
22,410	1,237	4,107
-	263	(1,222)
-	-	-
-	-	-
-	263	(1,222)
-	-	3,400
\$ -	\$ 263	\$ 2,178

Special Revenue Funds		
Medicaid Reimbursement	Student Body	Food Service
\$ 35,387	\$ 234,228	\$ 155,855
-	-	-
-	-	20,176
-	-	1,847,365
35,387	234,228	2,023,396
-	-	-
1,025	212,797	-
31,850	-	-
271	-	-
-	-	-
-	-	-
-	-	-
-	-	1,910,303
-	-	-
-	-	-
-	-	-
33,146	212,797	1,910,303
2,241	21,431	113,093
-	-	-
-	-	-
2,241	21,431	113,093
66,925	170,389	1,415,000
\$ 69,166	\$ 191,820	\$ 1,528,093

Capital Project Funds			Totals
Equipment Replacement	Technology	Building Improvement	June 30, 2017
\$ 1,000	\$ 10,078	\$ -	\$ 1,421,174
-	-	-	18,308
-	-	-	206,185
-	-	-	1,847,365
1,000	10,078	-	3,493,032
-	-	-	41,253
-	-	-	369,567
-	-	-	31,850
-	-	-	63,609
-	-	-	4,460
43,793	-	-	43,793
-	53,969	-	63,249
-	-	-	1,910,303
-	-	69,389	69,389
-	-	-	193,991
-	-	-	640,082
43,793	53,969	69,389	3,431,546
(42,793)	(43,891)	(69,389)	61,486
38,639	63,000	132,031	235,670
38,639	63,000	132,031	235,670
(4,154)	19,109	62,642	297,156
96,403	312	587,215	2,653,364
\$ 92,249	\$ 19,421	\$ 649,857	\$ 2,950,520

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PENSION BOND DEBT SERVICE (BUDGET BASIS)**

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 869,130	\$ 869,130	\$ 915,006	\$ 45,876
Total revenues	<u>869,130</u>	<u>869,130</u>	<u>915,006</u>	<u>45,876</u>
Expenditures				
Support services				
Central activities	125	125	121	4
Debt service				
Principal	193,995	193,995	193,991	4
Interest	<u>675,010</u>	<u>675,010</u>	<u>640,082</u>	<u>34,928</u>
Total expenditures	<u>869,130</u>	<u>869,130</u>	<u>834,194</u>	<u>34,936</u>
Net change in fund balance	-	-	80,812	80,812
Available fund balance, July 1	<u>-</u>	<u>-</u>	<u>287,827</u>	<u>287,827</u>
Available fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 368,639</u>	<u>\$ 368,639</u>

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - RESPONSE TO INTERVENTION (BUDGET BASIS)**

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 85,000	\$ 85,000	\$ 63,735	\$ (21,265)
Total revenues	85,000	85,000	63,735	(21,265)
Expenditures				
Support services				
Improvement of instruction	85,000	85,000	62,838	22,162
Total expenditures	85,000	85,000	62,838	22,162
Net change in fund balance	-	-	897	897
Available fund balance, July 1	-	-	11,649	11,649
Available fund balance, June 30	\$ -	\$ -	\$ 12,546	\$ 12,546

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - HB 3499 ENGLISH LANGUAGE LEARNERS GRANT FUND (BUDGET BASIS)

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
State sources	\$ -	\$ 189,362	\$ 149,450	\$ (39,912)
Total revenues	-	189,362	149,450	(39,912)
Expenditures				
Instruction				
Special programs	-	189,362	141,528	47,834
Support services				
Central activities	-	-	7,922	(7,922)
Total expenditures	-	189,362	149,450	39,912
Net change in fund balance	-	-	-	-
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ -	\$ -

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MALHEUR PROMISE GRANT FUND (BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Intermediate sources	\$ -	\$ -	\$ 18,308	\$ 18,308
Total revenues	-	-	18,308	18,308
Expenditures				
Instruction				
Regular programs	-	-	18,308	(18,308)
Total expenditures	-	-	18,308	(18,308)
Net change in fund balance	-	-	-	-
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ -	\$ -

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SMILE GRANT FUND (BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
State sources	\$ 6,052	\$ 6,052	\$ 14,149	\$ 8,097
Total revenues	6,052	6,052	14,149	8,097
Expenditures				
Instruction				
Special programs	10,884	10,884	14,217	(3,333)
Total expenditures	10,884	10,884	14,217	(3,333)
Excess of revenues over (under) expenditures	(4,832)	(4,832)	(68)	4,764
Other financing sources (uses)				
Transfers in (out)	2,000	2,000	2,000	-
Total other financing sources (uses)	2,000	2,000	2,000	-
Net change in fund balance	(2,832)	(2,832)	1,932	4,764
Available fund balance, July 1	2,832	2,832	2,340	(492)
Available fund balance, June 30	\$ -	\$ -	\$ 4,272	\$ 4,272

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ASPIRE GRANT (BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
State sources	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Expenditures				
Instruction				
Regular programs	<u>11,500</u>	<u>11,500</u>	<u>-</u>	<u>11,500</u>
Total expenditures	<u>11,500</u>	<u>11,500</u>	<u>-</u>	<u>11,500</u>
Net change in fund balance	(8,500)	(8,500)	-	8,500
Available fund balance, July 1	<u>8,500</u>	<u>8,500</u>	<u>8,417</u>	<u>(83)</u>
Available fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,417</u>	<u>\$ 8,417</u>

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GOLDMAN SACHS PHILANTHROPIC (BUDGET BASIS)**

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Instruction				
Regular programs	705	705	555	150
Total expenditures	705	705	555	150
Net change in fund balance	(705)	(705)	(555)	150
Available fund balance, July 1	705	705	705	-
Available fund balance, June 30	\$ -	\$ -	\$ 150	\$ 150

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NW HEALTH FOUNDATION GRANT FUND (BUDGET BASIS)**

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 3,000	\$ 3,000	\$ 1,500	\$ (1,500)
Total revenues	3,000	3,000	1,500	(1,500)
Expenditures				
Support services				
School administration	-	-	833	(833)
Business services	3,000	3,000	-	3,000
Total expenditures	3,000	3,000	833	2,167
Net change in fund balance	-	-	667	667
Available fund balance, July 1	-	-	870	870
Available fund balance, June 30	\$ -	\$ -	\$ 1,537	\$ 1,537

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MAYBELLE CLARK MCDONALD GRANT FUND (BUDGET BASIS)

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Instruction				
Special programs	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Available fund balance, July 1	-	-	1,912	1,912
Available fund balance, June 30	\$ -	\$ -	\$ 1,912	\$ 1,912

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CTE PATHWAYS GRANT FUND (BUDGET BASIS)**

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
State sources	\$ 11,100	\$ 11,100	\$ 22,410	\$ 11,310
Total revenues	11,100	11,100	22,410	11,310
Expenditures				
Instruction				
Regular programs	11,100	11,100	21,910	(10,810)
Support services				
Improvement of instruction	-	-	500	(500)
Total expenditures	11,100	11,100	22,410	(11,310)
Net change in fund balance	-	-	-	-
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ -	\$ -

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FAMILY SERVICES GRANT FUND (BUDGET BASIS)**

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ 1,500	\$ 1,500	\$ -
Total revenues	-	1,500	1,500	-
Expenditures				
Support services				
Central activities	-	1,500	1,237	263
Total expenditures	-	1,500	1,237	263
Net change in fund balance	-	-	263	263
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ 263	\$ 263

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - AIKEN PBIS INCENTIVE FUND (BUDGET BASIS)

For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ 2,885	\$ 2,885
Total revenues	-	-	2,885	2,885
Expenditures				
Instruction				
Regular programs	-	1,000	480	520
Support services				
School administration	-	2,400	3,627	(1,227)
Total expenditures	-	3,400	4,107	(707)
Net change in fund balance	-	(3,400)	(1,222)	2,178
Available fund balance, July 1	-	3,400	3,400	-
Available fund balance, June 30	\$ -	\$ -	\$ 2,178	\$ 2,178

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MEDICAID REIMBURSEMENT FUND (BUDGET BASIS)**

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 30,000	\$ 30,000	\$ 35,387	\$ 5,387
Total revenues	30,000	30,000	35,387	5,387
Expenditures				
Instruction				
Special programs	10,000	10,000	1,025	8,975
Support services				
Students	10,000	10,000	31,850	(21,850)
Improvement of instruction	10,000	10,000	271	9,729
Total expenditures	30,000	30,000	33,146	(3,146)
Net change in fund balance	-	-	2,241	2,241
Available fund balance, July 1	-	-	66,925	66,925
Available fund balance, June 30	\$ -	\$ -	\$ 69,166	\$ 69,166

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STUDENT BODY FUND (BUDGET BASIS)**

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 435,765	\$ 435,765	\$ 234,228	\$ (201,537)
Total revenues	<u>435,765</u>	<u>435,765</u>	<u>234,228</u>	<u>(201,537)</u>
Expenditures				
Instruction				
Special programs	<u>435,765</u>	<u>435,765</u>	<u>212,797</u>	<u>222,968</u>
Total expenditures	<u>435,765</u>	<u>435,765</u>	<u>212,797</u>	<u>222,968</u>
Net change in fund balance	-	-	21,431	21,431
Available fund balance, July 1	<u>140,000</u>	<u>140,000</u>	<u>170,389</u>	<u>30,389</u>
Available fund balance, June 30	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 191,820</u>	<u>\$ 51,820</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FOOD SERVICE FUND (BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 110,000	\$ 110,000	\$ 155,855	\$ 45,855
State sources	16,000	16,000	20,176	4,176
Federal sources	1,675,000	1,675,000	1,847,365	172,365
Total revenues	1,801,000	1,801,000	2,023,396	222,396
Expenditures				
Food services	2,701,000	2,701,000	1,910,303	790,697
Total expenditures	2,701,000	2,701,000	1,910,303	790,697
Net change in fund balance	(900,000)	(900,000)	113,093	1,013,093
Available fund balance, July 1	1,200,000	1,200,000	1,415,000	215,000
Available fund balance, June 30	\$ 300,000	\$ 300,000	\$ 1,528,093	\$ 1,228,093

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - EQUIPMENT REPLACEMENT (BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 400	\$ 400	\$ 1,000	\$ 600
Total revenues	400	400	1,000	600
Expenditures				
Support services				
Business services	65,000	65,000	43,793	21,207
Total expenditures	65,000	65,000	43,793	21,207
Excess of revenues over (under) expenditures	(64,600)	(64,600)	(42,793)	21,807
Other financing sources (uses)				
Transfers in (out)	-	-	38,639	38,639
Total other financing sources (uses)	-	-	38,639	38,639
Net change in fund balance	(64,600)	(64,600)	(4,154)	60,446
Available fund balance, July 1	64,600	64,600	96,403	31,803
Available fund balance, June 30	\$ -	\$ -	\$ 92,249	\$ 92,249

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TECHNOLOGY (BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ 10,078	\$ 10,078
Total revenues	-	-	10,078	10,078
Expenditures				
Supporting services				
Central activities	63,000	63,000	53,969	9,031
Total expenditures	63,000	63,000	53,969	9,031
Excess of revenues over (under) expenditures	(63,000)	(63,000)	(43,891)	19,109
Other financing sources (uses)				
Transfers in (out)	63,000	63,000	63,000	-
Total other financing sources (uses)	63,000	63,000	63,000	-
Net change in fund balance	-	-	19,109	19,109
Available fund balance, July 1	-	-	312	312
Available fund balance, June 30	\$ -	\$ -	\$ 19,421	\$ 19,421

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUILDING IMPROVEMENT (BUDGET BASIS)
For the Year Ended
June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Total revenues	4,000	4,000	-	(4,000)
Expenditures				
Facilities acquisition and construction	614,000	614,000	69,389	544,611
Total expenditures	614,000	614,000	69,389	544,611
Excess of revenues over (under) expenditures	(610,000)	(610,000)	(69,389)	540,611
Other financing sources (uses)				
Transfers in (out)	60,000	60,000	132,031	(72,031)
Total other financing sources (uses)	60,000	60,000	132,031	(72,031)
Net change in fund balance	(550,000)	(550,000)	62,642	612,642
Available fund balance, July 1	550,000	550,000	587,215	37,215
Available fund balance, June 30	\$ -	\$ -	\$ 649,857	\$ 649,857

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BOND DEBT SERVICE (BUDGET BASIS)**

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,102,037	\$ 1,102,037	\$ 1,146,881	\$ 44,844
Local sources	35,000	35,000	69,288	34,288
Federal sources	908,653	908,653	907,678	(975)
Total revenues	<u>2,045,690</u>	<u>2,045,690</u>	<u>2,123,847</u>	<u>78,157</u>
Expenditures				
Support services				
Business services	150	150	126	24
Debt service				
Interest	<u>1,033,040</u>	<u>1,033,040</u>	<u>1,033,040</u>	<u>-</u>
Total expenditures	<u>1,033,190</u>	<u>1,033,190</u>	<u>1,033,166</u>	<u>24</u>
Net change in fund balance	1,012,500	1,012,500	1,090,681	78,181
Available fund balance, July 1	<u>5,507,500</u>	<u>5,507,500</u>	<u>5,549,317</u>	<u>41,817</u>
Available fund balance, June 30	<u>\$ 6,520,000</u>	<u>\$ 6,520,000</u>	<u>\$ 6,639,998</u>	<u>\$ 119,998</u>

PROPRIETARY FUNDS

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - OHS BISTRO FUND (BUDGET BASIS)**

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 5,000	\$ 5,000	\$ 776	\$ (4,224)
Total revenues	5,000	5,000	776	(4,224)
Expenditures				
Instruction				
Special programs	4,000	4,000	-	4,000
Supporting services				
Students	1,000	1,000	-	1,000
Total expenditures	5,000	5,000	-	5,000
Net change in fund balance	-	-	776	776
Available fund balance, July 1	-	-	3,684	3,684
Available fund balance, June 30	\$ -	\$ -	\$ 4,460	\$ 4,460

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - OHS TEEN PARENT PROGRAM (BUDGET BASIS)**

For the Year Ended

June 30, 2017

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 15,000	\$ 15,000	\$ 5,243	\$ (9,757)
State sources	15,000	15,000	-	(15,000)
Federal sources	-	-	17,612	17,612
Total revenues	30,000	30,000	22,855	(7,145)
Expenditures				
Instruction				
Special programs	35,000	35,000	29,897	5,103
Supporting services				
Students	5,000	5,000	923	4,077
Total expenditures	40,000	40,000	30,820	9,180
Excess of revenues over (under) exp	(10,000)	(10,000)	(7,965)	2,035
Other financing sources (uses)				
Transfers in (out)	-	-	15,000	(15,000)
Total other financing sources (uses)	-	-	15,000	(15,000)
Net change in fund balance	(10,000)	(10,000)	7,035	17,035
Available fund balance, July 1	10,000	10,000	4,895	(5,105)
Available fund balance, June 30	\$ -	\$ -	\$ 11,930	\$ 11,930

OTHER FINANCIAL SCHEDULES

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF CASH, CASH ITEMS, INVESTMENTS, AND COLLATERAL SECURITY
June 30, 2017

	All Funds	Total
Cash and cash items		
Umpqua Bank		
Demand accounts	\$ 2,269,012	
Total Umpqua Bank		\$ 2,269,012
Bank of the West		
Demand accounts	2,000	
Total Bank of the West		2,000
Washington Federal		
Demand accounts	39,919	
Total Washington Federal		39,919
JP Morgan Chase Bank		
Demand accounts	9,762	
Total JP Morgan Chase Bank		9,762
U.S. Bank, N.A.		
Demand accounts	5,941	
Total U.S. Bank, N.A.		5,941
Total cash with banks		2,326,634
Cash-on-hand		1,170
Total cash and cash items		2,327,804
Investments		
Oregon State Treasury Local Government Investment Pool***		12,989,267
Total net investments		12,989,267
Total cash, cash items and investments		\$ 15,317,071
Collateral security**		
* Umpqua Bank-FDIC		\$ 250,000
* Bank of the West - FDIC		250,000
* Washington Federal-FDIC		250,000
* Intermountain Community Bank - FDIC		250,000
* JP Morgan Chase Bank - FDIC		250,000
* U. S. Bank, N.A. - FDIC		250,000
Total collateral security		\$ 1,500,000

** All demand accounts within a single financial institution are federally secured up to \$250,000, and all non-demand accounts per institution are secured up to \$250,000.

*Qualified depository per Oregon State Treasurer

***Oregon LGIP is fully collateralized.

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FEDERAL PROGRAMS**

For the Year Ended

June 30, 2017

	Migrant Title IC	Migrant Summer School	Migrant Preschool Program	Title IA Grant
Revenues				
Federal sources	\$ 315,587	\$ 121,177	\$ 23,990	\$ 1,400,912
Total revenues	<u>315,587</u>	<u>121,177</u>	<u>23,990</u>	<u>1,400,912</u>
Expenditures				
<i>Current</i>				
Instruction				
Special programs	69,207	6,500	23,287	1,253,959
Summer school programs	508	114,677	-	79,580
Support services				
Students	214,483	-	703	25,276
Improvement of instruction	16,781	-	-	-
Central activities	-	-	-	34,231
Community services	14,608	-	-	7,866
Total expenditures	<u>315,587</u>	<u>121,177</u>	<u>23,990</u>	<u>1,400,912</u>
Net change in fund balances	-	-	-	-
Available fund balances, July 1	-	-	-	-
Available fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Title III	IDEA	Effective Behavioral & Instructional Support Systems	Title VI (B) Innovative Rural Ed	Title II A	Title III Immigrant Grant	Totals
\$ 41,681	\$ 436,676	\$ 1,180	\$ 64,828	\$ 195,707	\$ 2,246	\$ 2,603,984
41,681	436,676	1,180	64,828	195,707	2,246	2,603,984
28,728	434,701	-	-	-	2,246	1,818,628
4,447	-	-	16,094	-	-	215,306
-	-	-	19,842	-	-	260,304
8,506	1,975	1,180	28,411	195,613	-	252,466
-	-	-	481	-	-	34,712
-	-	-	-	94	-	22,568
41,681	436,676	1,180	64,828	195,707	2,246	2,603,984
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
For the Year Ended
June 30, 2017

2016-17 Assessed valuation of taxable property \$ 1,071,310,040

Tax rate (dollars per \$1,000 assessed value) \$ 3.9293

Ratio of annual debt service requirements for bonded debt to total General Fund expenditures and transfers:

	Principal	Interest	Total Bonded Debt Services	General Fund Expenditures and Transfers	Ratio of Debt Service to General Fund Expenditures and transfers
2016-17	\$ 193,991	\$ 1,673,122	\$ 1,867,113	\$ 25,868,158	7.22%

Ratio of net bonded debt to assessed value:

	Assessed Valuation	Net Bonded Debt (1)	Ratio of Net Bonded Debt to Assessed Value
2016-17	\$ 1,071,310,040	\$ 19,202,814	1.79%

(1) Computed as gross bonded debt less amount available for retirement of debt in Debt Service Fund

Principal taxpayers in Ontario School District 8C

	Assessed Valuation	Percent of Total Value
Private enterprises		
Heinz, H J Company LP	\$ 101,892,473	9.51%
Fry Foods Inc	22,391,270	2.09%
Americold Realty Inc	12,270,110	1.15%
Murakami Farms Inc	9,378,466	0.88%
Walmart Real Est Business Trs	9,240,740	0.86%
Baker Packing Company	6,106,418	0.57%
HIE Ontario LLC	6,040,000	0.56%
HD Development of Maryland, Inc	5,653,215	0.53%
Public utilities		
Idaho Power Co.	41,709,197	4.51%
Union Pacific Railroad Co.	7,081,001	0.77%
All other taxpayers	849,547,150	79.30%
Total assessed value	<u>\$ 1,071,310,040</u>	<u>100.00%</u>

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
 For the Year Ended
 June 30, 2017

Summary of General Fund state revenue

	State Sources	State Sources as % of Total Revenues	Total Revenues
2016-17	\$ 21,608,891	80.99%	\$ 26,680,928

Computation of Legal Debt Margin:

Real market value	\$ 1,757,906,006
Allowable proportion	<u>0.0795</u>
Debt limit: 7.95% of real market value (1)	<u>139,753,527</u>
Amount of debt applicable to debt limit:	
Bonded debt	\$ 26,211,451
Less: amount available in debt service funds	<u>(7,008,637)</u>
Amount of debt applicable to debt limit	<u>19,202,814</u>
Legal debt margin	<u><u>\$ 120,550,713</u></u>

(1) ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Aggregates are governed by real market values of all taxable properties within the district based on the following:

- A. For each grade from kindergarten to eighth for which the district operates schools, fifty-five one hundredths of one percent of the real market value.
- B. For each grade from ninth to twelfth for which the district operates schools, seventy-five one hundredths of one percent of the real market value.

Allowable percentage of real market value:

A. Kindergarten through eighth grade, 9 x .0055	4.95%
B. Ninth through twelfth, 4 x .0075	<u>3.00%</u>
Allowable percentage	<u><u>7.95%</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
DISTRICT AUDIT REVENUE SUMMARY
For the Year Ended
June 30, 2017

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600
Revenue from Local Sources						
1110 Ad Valorem Taxes	\$ 3,887,193	\$ -	\$ 1,146,765	\$ -	\$ -	\$ -
1120 Local Option Taxes	-	-	-	-	-	-
1190 Penalties and Interest	392	-	116	-	-	-
1200 Revenue from Local Government Other Than District	-	-	-	-	-	-
1310 Regular Tuition	-	-	-	-	-	-
1320 Adult/Continuing Ed Tuition	-	-	-	-	-	-
1330 Summer School Tuition	-	-	-	-	-	-
1400 Transportation Fees	53,011	-	-	-	-	-
1500 Earnings on Investments	101,509	-	73,745	-	-	-
1600 Food Services	-	141,316	-	-	-	-
1700 Extracurricular Activities	45,784	234,228	-	-	-	-
1800 Community Services Activities	-	-	-	-	-	-
1910 Rentals	9,569	-	-	-	-	-
1920 Contributions and Donations	-	3,000	-	1,000	-	-
1930 Rental or Lease Payments from Private Contractors	-	-	-	-	-	-
1940 Services Provided Other LEAs	-	63,735	-	-	-	-
1950 Textbook Sales and Rentals	-	-	-	-	-	-
1960 Recovery of Prior Years' Expenditures	-	-	-	-	-	-
1970 Services Provided Other Funds	8,734	-	910,549	-	-	-
1980 Fees Charged to Grants	236,734	-	-	-	-	-
1990 Miscellaneous	30,214	52,811	-	10,078	6,019	-
Total Revenue from Local Sources	4,373,140	495,090	2,131,175	11,078	6,019	-
Revenue from Intermediate Sources						
2101 County School Funds	979	-	-	-	-	-
2102 ESD Apportionment	-	-	-	-	-	-
2105 Natural Gas, Oil and Mineral Receipts	-	-	-	-	-	-
2199 Other Intermediate Sources	-	-	-	-	-	-
2200 Restricted Revenue Intermediate Sources	697,918	18,308	-	-	-	-
2800 Revenue in Lieu of Taxes	-	-	-	-	-	-
2900 Revenue for/on Behalf of District	-	-	-	-	-	-
Total Revenue from Intermediate Sources	698,897	18,308	-	-	-	-
Revenue from State Sources						
3101 State School Fund - General Support	21,259,343	-	-	-	-	-
3102 State School Fund - Lunch Match	-	15,429	-	-	-	-
3103 Common School Fund	286,730	-	-	-	-	-
3104 State Managed Timber	-	-	-	-	-	-
3199 Other Unrestricted Grants - State	-	-	-	-	-	-
3204 Driver Education	-	-	-	-	-	-
3222 SSSF Transportation	-	-	-	-	-	-
3299 Other Restricted Grants - State	62,818	190,756	-	-	-	-
3800 State Revenue in Lieu of Taxes	-	-	-	-	-	-
3900 State Revenue for/on Behalf of District	-	-	-	-	-	-
Total Revenue from State Sources	21,608,891	206,185	-	-	-	-
Revenue from Federal Sources						
4300 Restricted Revenue Direct from Federal Government	-	-	-	-	-	-
4500 Restricted Revenue from Federal Government Through the State	-	4,342,259	907,678	-	17,612	-
4900 Revenue for/on Behalf of the District	-	109,090	-	-	-	-
Total Revenue from Federal Sources	-	4,451,349	907,678	-	17,612	-
Revenue from Other Sources						
5100 Long-term Debt Financing	-	-	-	-	-	-
5200 Interfund Transfers	-	2,000	-	233,670	15,000	-
5300 Sale of or Compensation for Loss of Capital Assets	20,803	-	-	-	-	-
5400 Beginning Fund Balance, as restated	3,945,214	1,681,607	5,837,144	683,930	8,579	428,875
Total Revenue from Other Sources	3,966,017	1,683,606	5,837,144	917,600	23,579	428,875
Grand Totals	\$ 30,646,945	\$ 6,854,538	\$ 8,875,997	\$ 928,678	\$ 47,210	\$ 428,875

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
GENERAL FUND
For the Year Ended
June 30, 2017

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	700 Transfers	Total
1000 Instruction								
1111 Elementary	\$ 3,164,624	\$ 1,526,032	\$ 36,202	\$ 120,792	\$ -	\$ -	\$ -	\$ 4,847,650
1113 Elementary extracurricular	-	-	-	-	-	-	-	-
1121 Middle and junior high programs	919,847	424,832	8,477	67,461	-	-	-	1,420,617
1122 Middle and junior high school extracurricular	85,991	26,032	4,135	15,243	-	-	-	131,401
1131 High school programs	1,705,635	810,149	32,218	78,877	-	1,250	-	2,628,129
1132 High school extracurricular	248,781	65,501	75,688	39,049	-	15,461	-	444,480
1210 Programs for talented and gifted	3,016	669	-	2,595	-	-	-	6,280
1226 Home instruction	-	-	-	-	-	-	-	-
1233 Other designated programs	-	-	-	-	-	-	-	-
1250 Resource rooms	1,288,455	631,621	434,208	39,621	-	-	-	2,393,905
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title 1A/D	-	-	-	-	-	-	-	-
1283 District alternative programs	171,617	76,290	107	2,638	-	-	-	250,652
1288 Charter School	-	-	2,370,005	-	-	-	-	2,370,005
1291 English second language programs	308,108	155,749	4,664	18,148	-	-	-	486,669
1292 Teen parent programs	-	-	-	-	-	-	-	-
1299 Other programs	-	-	-	-	-	-	-	-
1430 High school summer school programs	-	-	-	-	-	-	-	-
Total 1000 instruction	7,896,074	3,716,875	2,965,704	384,424	-	16,711	-	14,979,788
2000 Support services								
2110 Attendance and social work services	-	-	-	-	-	-	-	-
2113 Social work service	-	-	-	-	-	-	-	-
2115 Student safety	969	111	114,858	-	-	-	-	115,938
2117 Identification and recruitment of migrant children	-	-	-	-	-	-	-	-
2119 Other attendance and social work services	33,268	18,903	-	-	-	-	-	52,171
2122 Counseling services	353,004	171,111	326	4,705	-	-	-	529,146
2134 Nurse services	-	-	46,076	1,581	-	-	-	47,657
2139 Other health services	-	-	-	1,586	-	-	-	1,586
2190 Student direction support	133,023	57,389	5,801	7,463	-	-	-	203,676
2213 Curriculum development	4,876	723	5,505	46	-	-	-	11,150
2219 Other improvement of instruction services	-	-	-	-	-	-	-	-
2222 Library media center	118,375	97,893	25	14,916	-	-	-	231,209
2223 Multimedia services	-	-	-	-	-	-	-	-
2230 Assessment and testing	143,731	67,775	3,388	-	-	-	-	214,894
2240 Instructional staff development	75,842	11,311	19,826	2,054	-	-	-	109,033
2310 Board of education	-	-	170,003	40,030	-	14,216	-	224,249
2321 Office of the superintendent services	200,390	100,710	6,044	2,471	-	230	-	309,845
2410 Office of the principal	1,290,289	623,000	49,194	34,925	-	10,059	-	2,007,467
2490 Other support services-school administration	181,596	84,495	-	-	-	-	-	266,091
2521 Fiscal services	105,742	42,340	111,778	8,021	-	1,919	-	269,800
2524 Payroll services	52,597	29,493	-	-	-	-	-	82,090
2525 Financial accounting services	33,309	18,804	-	-	-	-	-	52,113
2541 Operation and maintenance of plant services	86,049	46,039	-	-	-	-	-	132,088
2542 Care and upkeep of building services	694,501	408,881	1,459,806	159,962	-	168,777	-	2,891,927
2543 Care and upkeep of grounds	84,053	48,843	17,498	29,937	-	208	-	180,539
2551 Student transportation services	102,871	56,402	-	-	-	-	-	159,273
2552 Vehicle operation services	423,955	244,244	36,463	121,501	230,372	33,226	-	1,089,761
2559 Other student transportation services	-	-	4,651	-	-	-	-	4,651
2573 Warehouse and distribution	22,578	14,185	-	-	-	-	-	36,763
2620 Planning, research, development services	-	-	-	-	-	-	-	-
2626 Grant writing	-	-	-	-	-	-	-	-
2630 Information services	82,485	49,532	11,011	1,080	-	-	-	144,108
2633 Public information services	-	-	6,822	-	-	-	-	6,822
2640 Staff services	-	-	1,293	-	-	-	-	1,293
2641 Staff services-service area direction	150,503	75,772	5,779	1,745	-	6,170	-	239,969
2660 Technology services	298,181	164,594	26,713	374,233	63,802	300	-	927,823
2700 Supplemental retirement program	91,050	3,518	-	-	-	-	-	94,568
Total 2000 support services	4,763,237	2,436,068	2,102,860	806,256	294,174	235,105	-	10,637,700
3000 Enterprise and community services								
3300 Community services	-	-	-	-	-	-	-	-
Total 3000 enterprise and community	-	-	-	-	-	-	-	-
4000 Facilities acquisition and construction								
4150 Building acquisition, construction and improvement services	-	-	-	-	-	-	-	-
Total 4000 facilities acquisition and construction	-	-	-	-	-	-	-	-
5000 Other uses								
5110 Long-term debt service	-	-	-	-	-	-	-	-
5120 Short-term debt retirement	-	-	-	-	-	-	-	-
5200 Transfer of funds	-	-	-	-	-	-	250,670	250,670
Total 5000 other uses	-	-	-	-	-	-	250,670	250,670
6000 Contingencies								
6110 Operating contingency	-	-	-	-	-	-	-	-
Total 6000 contingencies	-	-	-	-	-	-	-	-
Total expenditures	\$ 12,659,311	\$ 6,152,943	\$ 5,068,564	\$ 1,190,680	\$ 294,174	\$ 251,816	\$ 250,670	\$ 25,868,158

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
SPECIAL REVENUE FUNDS
For the Year Ended
June 30, 2017

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	700 Transfers	Total
1000 Instruction								
1111 Elementary	\$ -	\$ -	\$ 350	\$ 130	\$ -	\$ -	\$ -	\$ 480
1113 Elementary extracurricular	-	-	-	-	-	-	-	-
1121 Middle and junior high programs	-	-	-	-	-	-	-	-
1122 Middle and junior high school extracurricular	-	-	-	-	-	-	-	-
1131 High school programs	-	-	18,308	22,372	-	93	-	40,773
1250 Resource rooms	255,560	153,905	-	532	-	25,729	-	435,726
1271 Remedial programs	-	-	-	-	-	-	-	-
1272 Title I	656,733	376,242	28,286	24,192	-	82,903	-	1,168,356
1283 District alternative programs	-	-	85,603	-	-	-	-	85,603
1291 English second language programs	40,976	8,685	102,709	10,962	-	9,355	-	172,687
1293 Migrant	26,458	8,509	37,975	13,668	-	12,197	-	98,807
1299 Other programs	10,922	2,778	-	213,316	-	-	-	227,016
1300 Adult Education	-	-	-	-	-	-	-	-
1400 Summer school	123,295	35,126	19,447	10,533	-	7,114	-	195,515
1410 Elementary school	6,424	2,201	-	-	-	1,077	-	9,702
1420 Middle school	-	-	-	-	-	-	-	-
1430 High school	-	-	-	-	-	-	-	-
1440 Primary, K-3 program	3,949	827	562	4,751	-	-	-	10,089
Total 1000 instruction	1,124,317	588,273	293,240	300,456	-	137,391	-	2,444,754
2000 Support services								
2110 Social services	14,393	9,631	800	275	-	-	-	25,099
2117 Identification and recruitment	93,312	53,008	4,371	-	-	-	-	150,691
2119 Other attendance and social work services	-	-	-	-	-	-	-	-
2122 Counseling services	11,755	8,086	-	-	-	-	-	19,841
2130 Health services	-	-	-	-	-	-	-	-
2132 Medical services	-	-	-	-	-	-	-	-
2139 Other health services	-	-	-	-	-	-	-	-
2190 Student direction support	43,781	19,916	26,981	5,845	-	-	-	96,523
2213 Curriculum development	-	-	-	-	-	-	-	-
2219 Improvement of instruction services	92,899	47,975	13,528	23	-	-	-	154,425
2222 Library media center	-	-	-	-	-	-	-	-
2230 Assessment and testing	1,404	142	-	-	-	-	-	1,546
2240 Instructional staff development	58,343	26,350	61,948	110	-	13,353	-	160,104
2410 Office of the principal	-	-	-	4,460	-	-	-	4,460
2490 Other support services - school administration	-	-	-	-	-	-	-	-
2541 Service area direction	-	-	-	-	-	-	-	-
2542 Care and upkeep of building services	-	-	-	-	-	-	-	-
2551 Service area direction	-	-	-	-	-	-	-	-
2552 Vehicle operation services	-	-	-	-	-	-	-	-
2626 Grant writing	-	-	-	-	-	-	-	-
2630 Parent center coordinator	16,523	10,321	7,131	1,974	-	-	-	35,949
2640 Staff services	-	-	-	-	-	-	-	-
2660 Technology services	-	-	-	7,922	-	-	-	7,922
Total 2000 support services	332,410	175,429	114,759	20,609	-	13,353	-	656,560
3000 Enterprise and community services								
3110 Food services director	94,395	50,292	2,274	-	-	202	-	147,163
3120 Food preparation	330,868	186,210	17,342	756,140	349,829	84,913	-	1,725,302
3130 Food delivery	22,578	14,185	1,049	26	-	-	-	37,838
3300 Community services	10,961	4,936	381	6,290	-	-	-	22,568
Total 3000 enterprise and community	458,802	255,623	21,046	762,456	349,829	85,115	-	1,932,871
Total expenditures	\$ 1,915,529	\$ 1,019,325	\$ 429,045	\$ 1,083,522	\$ 349,829	\$ 235,859	\$ -	\$ 5,034,185

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
DEBT SERVICE FUNDS
For the Year Ended
June 30, 2017

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	700 Transfers	Total
2000 Support services								
2521 Fiscal services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126	\$ -	\$ 126
2649 Other staff services	-	-	121	-	-	-	-	121
Total 2000 support services	-	-	121	-	-	126	-	247
5000 Other uses								
5110 Long-term debt service	-	-	-	-	-	1,867,113	-	1,867,113
Total 5000 other uses	-	-	-	-	-	1,867,113	-	1,867,113
Total expenditures	\$ -	\$ -	\$ 121	\$ -	\$ -	\$ 1,867,239	\$ -	\$ 1,867,360

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
BUDGET VS. ACTUAL (CASH BASIS)
CAPITAL PROJECTS FUNDS
For the Year Ended
June 30, 2017

Function		100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total
2521	Service area direction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2542	Care and upkeep of building services	-	-	-	-	43,793	-	43,793
2660	Technology services	-	-	-	-	53,969	-	53,969
	Total 2000 support services	-	-	-	-	97,762	-	97,762
4000	Facilities acquisition and construction							
4150	Building acquisition, construction and improvement services	-	-	69,389	-	-	-	69,389
	Total 4000 facilities acquisition and construction	-	-	69,389	-	-	-	69,389
5000	Other uses							
5110	Long-term debt service	-	-	-	-	-	-	-
5120	Short-term debt retirement	-	-	-	-	-	-	-
	Total 5000 other uses	-	-	-	-	-	-	-
6000	Contingencies							
6110	Operating contingency	-	-	-	-	-	-	-
	Total 6000 contingencies	-	-	-	-	-	-	-
	Total expenditures	\$ -	\$ -	\$ 69,389	\$ -	\$ 97,762	\$ -	\$ 167,151

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
BUDGET VS. ACTUAL (CASH BASIS)
PROPRIETARY FUNDS
For the Year Ended
June 30, 2017

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total
1000 Instruction							
1283 District alternative programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1292 Teen parent programs	22,514	6,267	-	1,041	-	75	29,897
Total 1000 instruction	<u>22,514</u>	<u>6,267</u>	<u>-</u>	<u>1,041</u>	<u>-</u>	<u>75</u>	<u>29,897</u>
2000 Support services							
2190 Student direction support	398	125	-	400	-	-	923
Total 2000 support services	<u>398</u>	<u>125</u>	<u>-</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>923</u>
Total expenditures	<u>\$ 22,912</u>	<u>\$ 6,392</u>	<u>\$ -</u>	<u>\$ 1,441</u>	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 30,820</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
INTERNAL SERVICE FUND
For the Year Ended
June 30, 2017

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total
2000 Support services							
2649 Other Staff Services	\$ -	\$ 3,617	\$ -	\$ -	\$ -	\$ -	\$ 3,617
Total 2000 support services	<u>-</u>	<u>3,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,617</u>
Total expenditures	<u>\$ -</u>	<u>\$ 3,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,617</u>

Ontario School District No. 8C
 Ontario, Malheur County, Oregon
OREGON DEPARTMENT OF EDUCATION REQUIRED INFORMATION
FORM 581-3211 – SUPPLEMENTAL INFORMATION
 For the Year Ended
 June 30, 2017

- A. Energy Bill for Heating - **All Funds:**
 Please enter your expenditures for electricity
 & heating fuel for these Functions & Objects.

	Objects 325 & 326
Function 2540	\$ 375,692
Function 2550	5,103

- B. Replacement of Equipment – **General Fund:**
 Include all General Fund expenditures in object 542, except for the following exclusions:
 Exclude these functions:

1113, 1122 & 1132	Co-curricular Activities	4150	Construction
1140	Pre-Kindergarten	2550	Pupil Transportation
1300	Continuing Education	3100	Food Service
1400	Summer School	3300	Community Services

\$	56,694
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REPORTS REQUIRED BY OREGON
STATE REGULATIONS

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Ontario School District No. 8C
Ontario, Malheur County, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the internal service fund, each major fund, and the aggregate remaining fund information of Ontario School District No. 8C as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Ontario School District No. 8C's basic financial statements and have issued our report thereon dated December 29, 2017.

Compliance

As part of obtaining reasonable assurance about whether Ontario School District No. 8C's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions, and repayment
- Budgets legally required (ORS Chapter 294)
- Insurance and fidelity bonds in force or required by law
- Programs funded from outside sources
- Authorized investment of surplus funds (ORS Chapter 294)
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)
- State school fund factors and calculation

In connection with our testing nothing came to our attention that caused us to believe Ontario School District No. 8C was not in substantial compliance with certain provisions of laws, regulations, contracts and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

1. The district did not fully comply with ORS 294.456(6). Expenditures exceeded budgeted appropriations for the year ended June 30, 2017 as follows:

General Fund	Support services	\$ 33,420
Medicaid Reimbursement	Support services	12,121

OAR 162-10-230 Internal Control

In planning and performing our audit of the financial statements, we considered Ontario School District No. 8C's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ontario School District No. 8C's internal control. Accordingly, we do not express an opinion on the effectiveness of Ontario School District No. 8C's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect misstatements and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the county's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Oregon Minimum Standards in considering the county's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oster Professional Group, CPA's, LLP

By 

Burns, Oregon
December 29, 2017

MAJOR DEBT SERVICE FUND

ONTARIO SCHOOL DISTRICT NO. 8C

SINGLE AUDIT

For the Year Ended June 30, 2017

ONTARIO SCHOOL DISTRICT NO. 8C
SINGLE AUDIT
June 30, 2017

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ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended
June 30, 2017

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Subgrant Number	Receipts				Expenditures
			Reverse PY Accrual / Deferral	CY Collections	CY Accrual / Deferral	Net	
<u>U.S. Department of Agriculture</u>							
Passed through Oregon Department of Education							
<i>Child Nutrition Cluster</i>							
National School Lunch Program, School Breakfast	10.553	N/A	\$ -	\$ 467,879	\$ -	\$ 467,879	\$ 467,879
National School Lunch Program, Sec 4 and 11	10.555	N/A	-	1,120,715	-	1,120,715	1,120,715
Child Nutrition Programs-Commodity Distribution	10.555	N/A	-	107,975	-	107,975	107,975
Summer Food Service Program	10.559	N/A	(62,639)	96,406	33,831	67,598	67,598
Child Nutrition Programs-Commodity Distribution	10.559	N/A	-	1,115	-	1,115	1,115
<i>Total Child Nutrition Cluster</i>			(62,639)	1,794,090	33,831	1,765,282	1,765,282
Fresh Fruit and Vegetable Program	10.582	N/A	(3,042)	64,859	20,266	82,083	82,083
State Administrative Expenses for Child Nutrition	10.560	N/A	(3,149)	3,149	-	-	-
Total Department of Agriculture			(68,830)	1,862,098	54,097	1,847,365	1,847,365
<u>U.S. Department of Education</u>							
<i>Special Education Cluster</i>							
Passed through Oregon Department of Education							
Special Education - Grants to States	84.027	38138	(5,800)	5,800	-	-	-
Special Education - Grants to States	84.027	38727	(2,829)	2,829	-	-	-
Special Education - Grants to States	84.027	36939	(308,034)	452,108	17,984	162,058	162,058
Special Education - Grants to States	84.027	33351	(119,250)	119,250	-	-	-
Special Education - Grants to States	84.027	41593	-	-	270,791	270,791	270,791
Special Education - Grants to States	84.027	32190	(201)	201	-	-	-
Special Education - Grants to States	84.027	42720	(2,343)	2,742	1,835	2,234	2,234
Special Education - Grants to States	84.027	41996	(900)	900	900	900	900
Special Education - Preschool Grants	84.173	33512	(2,497)	2,497	-	-	-
Special Education - Preschool Grants	84.173	28192	(246)	246	-	-	-
Passed through Malheur County Education Service District							
Special Education - Grants to States	84.027	N/A	693	-	-	693	693
<i>Total Special Education Cluster</i>			(441,407)	586,573	291,510	436,676	436,676
Passed through Oregon Department of Education							
Title I Grants to Local Education Agencies	* 84.010	32650	(71,066)	71,066	-	-	-
Title I Grants to Local Education Agencies	* 84.010	41125	-	305,913	796,195	1,102,108	1,102,108
Title I Grants to Local Education Agencies	* 84.010	36041	(1,055,193)	1,323,244	30,753	298,804	298,804
<i>Total Title I</i>			(1,126,259)	1,700,223	826,948	1,400,912	1,400,912
Migrant Education - State Grant Program	* 84.011	43687	-	-	7,349	7,349	7,349
Migrant Education - State Grant Program	* 84.011	40020	(982)	114,810	-	113,828	113,828
Migrant Education - State Grant Program	* 84.011	37724	(192,765)	256,168	26,859	90,262	90,262
Migrant Education - State Grant Program	* 84.011	33606	(42,171)	42,368	-	197	197
Migrant Education - State Grant Program	* 84.011	41225	-	70,236	154,892	225,128	225,128
Migrant Education - State Grant Program	* 84.011	37743	(54)	23,287	-	23,233	23,233
Migrant Education - State Grant Program	* 84.011	41244	-	-	757	757	757
<i>Total Migrant Education</i>			(235,972)	506,869	189,857	460,754	460,754
Special Education - State Personnel Development Grant	84.323	37329	(12,779)	12,779	-	-	-
Special Education - State Personnel Development Grant	84.323	37397	(2,078)	2,078	-	-	-
Special Education - State Personnel Development Grant	84.323	43407	-	-	1,180	1,180	1,180
<i>Total State Personnel Development Grant</i>			(14,857)	14,857	1,180	1,180	1,180
Elementary and Secondary Education Act-Title VI, Part B, Rural Education Act	84.358	42560	-	13,500	27,557	41,057	41,057
Elementary and Secondary Education Act-Title VI, Part B, Rural Education Act	84.358	37772	(22,443)	46,214	-	23,771	23,771
<i>Total Rural Education Act</i>			(22,443)	59,714	27,557	64,828	64,828
English Language Acquisition Grant	84.365	41787	-	725	17,099	17,824	17,824
English Language Acquisition Grant	84.365	32352	(7,854)	7,854	-	-	-
English Language Acquisition Grant	84.365	41737	1,792	454	-	2,246	2,246
English Language Acquisition Grant	84.365	36351	(12,072)	32,595	3,334	23,857	23,857
<i>Total English Language Acquisition Grant</i>			(18,134)	41,628	20,433	43,927	43,927
Improving Teacher Quality State Grants	84.367	41380	-	41,271	110,296	151,567	151,567
Improving Teacher Quality State Grants	84.367	36238	(138,006)	154,112	6,741	22,847	22,847
Improving Teacher Quality State Grants	84.367	32974	(12,147)	33,440	-	21,293	21,293
<i>Total Improving Teacher Quality State Grants</i>			(150,153)	228,823	117,037	195,707	195,707
Total Department of Education			(2,009,225)	3,138,687	1,474,522	2,603,984	2,603,984
<u>U.S. Department of Health and Human Services</u>							
Passed through Oregon Department of Education							
Child Care and Development Block Grant	93.575	N/A	-	12,985	4,627	17,612	17,612
Total Department of Health and Human Services			-	12,985	4,627	17,612	17,612
Total federal assistance			\$ (2,078,055)	\$ 5,013,770	\$ 1,533,246	\$ 4,468,961	\$ 4,468,961

* Denotes program tested as major program

ONTARIO SCHOOL DISTRICT NO.8C
Ontario, Malheur County, Oregon
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended
June 30, 2017

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Ontario School District No. 8c under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the district, it is not intended to and does not present the net position, changes in net position, or cash flows of the district.

Note B. Summary of Significant Accounting Policies

Expenditures and receipts reported on the schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The district has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C. Subrecipients

The district did not pass any federal funds to subrecipients for the fiscal year ended June 30, 2017.

Note D. Interest Subsidy of Interest on Qualified School Construction Bonds

The Internal Revenue Service pays a portion of the interest due on the Qualified School Construction Bonds. This amount is considered federal revenue; however, it does not have a CFDA number and therefore, is not included on the Schedule of Expenditures of Federal Awards. The amount of revenue and corresponding interest for the fiscal year ending June 30, 2017 is \$907,678.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

In our independent auditor's report for Ontario School District No. 8C, our opinion was unmodified.

Internal control over financial reporting:

- Our audit of the financial statements did not identify any material weaknesses in internal control.
- Our audit of the financial statements did not identify any significant deficiencies not considered to be material weaknesses.
- Our audit of the financial statements did not disclose any noncompliance which is material to the financial statements.

Federal Awards

We have issued an unmodified opinion on compliance with requirements applicable to each major federal program.

Internal control over major program compliance:

- Our audit of the financial statements did not identify any material weaknesses in internal control over major federal programs.
- Our audit of the financial statements did not identify any significant deficiencies not considered to be material weaknesses in internal control over major federal programs.
- Our audit of the financial statements did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).

Identification of Major Programs

U.S. Department of Education

Title I Grants to Local Education Agencies	84.010	\$1,400,912
Migrant Education – State Grant Program	84.011	460,754

Dollar Threshold Used to Distinguish Between Type A and Type B Programs

Type A programs are the programs with total program expended funds of \$750,000 or more.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

Risk Classification of Auditee

We have determined that Ontario School District No. 8C qualifies as a low-risk auditee.

FINANCIAL STATEMENT FINDINGS

Current Year Findings

Our audit for the year ending June 30, 2017 did not disclose any findings required to be reported in accordance with *Government Auditing Standards*.

Prior Year Findings

The audit for the year ended June 30, 2016 did not disclose any findings required to be reported in accordance with *Government Auditing Standards*.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Current Year Findings

Our audit did not disclose any findings and questioned costs as defined by 2 CFR 200.516(a) for the year ended June 30, 2017.

Prior Year Findings

The audit for the year ended June 30, 2016 did not report any findings and questioned costs.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Ontario School District No. 8C
Ontario, Malheur County, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the internal service fund, each major fund, and the aggregate remaining fund information of Ontario School District No. 8C as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Ontario School District No. 8C's basic financial statements and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ontario School District No. 8C's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ontario School District No. 8C's internal control. Accordingly, we do not express an opinion on the effectiveness of Ontario School District No. 8C's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect misstatements and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the county's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ontario School District No. 8C's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This report is intended for the information of the board of commissioners, management and others within the district and federal and state regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Oster Professional Group, CPA's, LLP

By 

Burns, Oregon
December 29, 2017



Certified Public Accountants, PC

George W. Wilber, CR.FA, CPA
Kari J. Ott, CPA
Cara R. Wilber, CPA

Robert M. Armstrong, CPA
Jessica A. Knowles, CPA
Mitch T. Saul, CPA
Amy K. Walker, CPA
Anna K. Bass

Arlie W. Oster, CPA (1931-1998)
Deborah A. Arntz, MBA, EA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

Board of Directors
Ontario School District No. 8C
Ontario, Malheur County, Oregon

We have audited the compliance of Ontario School District No. 8C with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Ontario School District No. 8C's major federal programs for the year ended June 30, 2017. Ontario School District No. 8C's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ontario School District No. 8C's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. Those standards and the Uniform Guidance require that we plan and perform the compliance audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ontario School District No. 8C's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Ontario School District No. 8C's compliance.

Opinion on Each Major Federal Program

In our opinion, Ontario School District No. 8C complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Ontario School District No. 8C is responsible for establishing and maintaining effective internal control over compliance with requirements referred to above. In planning and performing our audit, we considered Ontario School District No. 8C's internal control over compliance with the types requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ontario School District No. 8C's internal control over compliance.

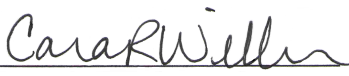
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Oster Professional Group, CPA's, LLP

By 

Burns, Oregon
December 29, 2017