

ONTARIO SCHOOL DISTRICT 8C

**INDEPENDENT AUDITOR'S REPORT,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2012

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
June 30, 2012

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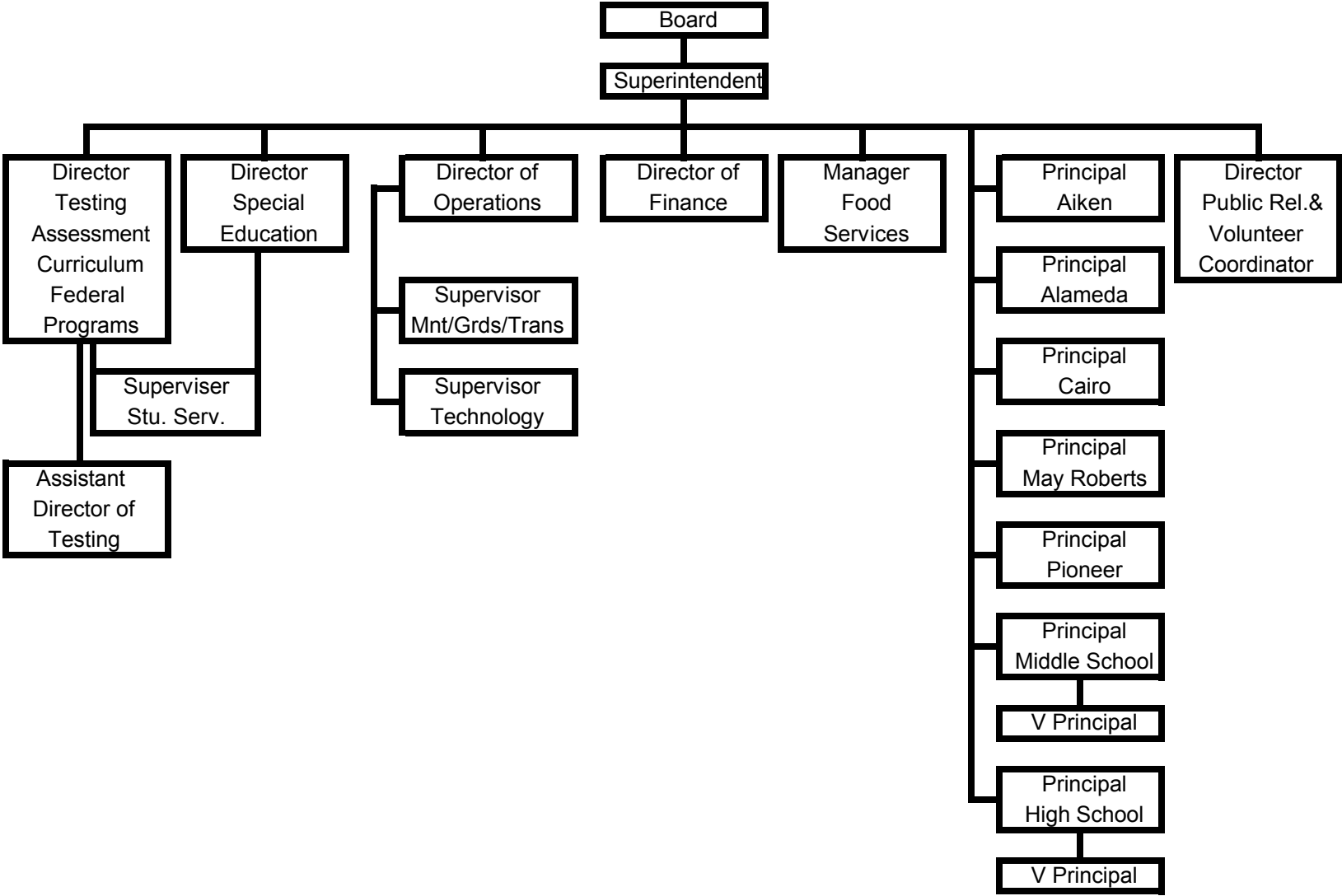
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INTRODUCTORY SECTION

Ontario School District Organizational Chart



ONTARIO SCHOOL DISTRICT 8C
Ontario, Malheur County, Oregon
BOARD OF DIRECTORS AND OFFICIALS
June 30, 2012

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>
Rena Corn Ontario, OR	Chairperson
Dr. Ann Easley-DeBisschop Ontario, OR	Vice-Chairperson
Randy Atagi Ontario, OR	Director
Dr. David Cox Ontario, OR	Director
Mike Blackaby Ontario, OR	Director

OFFICIALS

Linda Florence	Superintendent
Rachel Hopper	Director of Finance

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying 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, 2012, which collectively comprise the district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ontario School District No. 8C's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 internal service fund, each major fund and the aggregate remaining fund information of Ontario School District No. 8C, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012, on our consideration of the Ontario School District No. 8C's internal control over financial reporting and on 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 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 principally 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ontario School District No. 8C's financial statements as a whole. The combining and individual nonmajor fund financial schedules, required supplementary information, other supplementary information and other financial schedules listed in the financial section on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial schedules, required supplementary information, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to 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 basic financial statements taken as a whole.

The accompanying introductory section, as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Oster Professional Group, CPA's, PC

By



Burns, Oregon
December 31, 2012

ONTARIO SCHOOL DISTRICT NO. 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2012

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, 2012. 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 \$50.8MM and liabilities of \$33.3MM. Of the \$17.5MM in net assets, \$9.5MM is invested in capital assets, \$1.8MM is restricted for debt service, \$900K is restricted for special programs and \$5.3MM is unrestricted and available to meet the District's ongoing obligations.
- The District's Net Assets increased by \$1.7MM during the fiscal year.
- The District had \$28.9MM in expenses; \$7.7MM of these expenses were offset by program specific charges for services, grants or contributions. The remaining \$21.2MM is made up of General Fund revenues which consist primarily of taxes, state school support and earnings on investments.
- The District's governmental funds report combined ending fund balance of \$12.1MM. This is a \$9.9MM decrease compared to the prior year and is mostly due to the usage of bond funds available in prior year, but used for capital improvements in the current 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 assets 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 nonmajor 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 Assets (page 13) Statement of Activities (page 14)	Balance Sheet (page 15) Statement of Revenues, Expenditures, and Changes in Fund Balances (page 17)
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

ONTARIO SCHOOL DISTRICT NO. 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2012

Information is included to support and explain the data in the basic financial statements. Schedules include: Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund and major special revenue funds (pages 41 – 45), 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 ASSETS AND STATEMENT OF ACTIVITIES

The statement of net assets 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 assets and changes in those assets. This change in net assets 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 assets and the statement of activities, all District activities are classified as "Governmental Activities."

ONTARIO SCHOOL DISTRICT NO. 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2012

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 2011-12 were the General Fund, the Bond Projects Fund, the Federal Programs Fund, and the Bond Debt Service Fund. All other funds are combined into a single, aggregated fund for 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 year end 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The district's net assets increased \$1.7MM for the period ending June 30, 2012 to \$17.5MM. This increase was attributed to an increase in capital assets net of related debt, an increase in unrestricted assets, and a decrease in assets restricted for debt service as compared to the prior year.

The District's assets totaled \$50.8MM. Prepaid pension contribution assets of \$10.1MM represent 20% of total assets. Capital assets net of accumulated depreciation, which consist of the District's land, buildings, building improvements, vehicles, and equipment, total \$23.2MM and comprise 46% of total assets. The remaining assets consist mainly of investments, cash, and receivables.

The District's total liabilities totaled \$33.3MM. The largest liability, \$18.5MM, is for the repayment of the Qualified School Construction bond. Current liabilities of \$4.8MM represent 14% 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 assets (54%) 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2012

ONTARIO SCHOOL DISTRICT NO. 8C			
NET ASSETS AS OF JUNE 30, 2012 and 2011			
	Governmental Activities		Increase (Decrease) from Fiscal
	2012	2011	2011
Current Assets	\$ 17,229,366	\$ 25,136,385	\$ (7,907,019)
Long-Term Assets	10,454,723	10,943,773	(489,050)
Capital Assets, net of accumulated depreciation	23,159,551	11,082,811	12,076,740
Total Assets	<u>50,843,640</u>	<u>47,162,969</u>	<u>3,680,671</u>
Current Liabilities	4,878,567	3,168,523	1,710,044
Long-Term Debt	28,468,452	28,317,258	151,194
Total Liabilities	<u>33,347,019</u>	<u>31,485,781</u>	<u>1,861,238</u>
Net Assets:			
Invested in capital assets, net of related debt	9,456,400	9,688,368	(231,968)
Restricted for debt service	1,762,031	846,650	915,381
Restricted for special programs	917,680	801,280	116,400
Unrestricted	5,360,510	4,340,890	1,019,620
Total Net Assets	<u>\$ 17,496,621</u>	<u>\$ 15,677,188</u>	<u>\$ 1,819,433</u>

REVENUES AND EXPENSES

Key components of governmental revenues and expenses for the year ending June 30, 2012 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 \$16.6MM in 2011-12 compared to \$15.7MM in fiscal year 2010-11.
- Restricted Federal State Fiscal Stabilization Fund (SFSF) revenue increased by \$216K.
- Operating grants increased by \$1.1MM as a result of a Federal ARRA funds in the area of Title IA, IID and IDEA.
- Expenditures for government activities increased by \$1.56MM or 5.7% over the prior year, due in part to spending in association with increased Federal ARRA funds.

ONTARIO SCHOOL DISTRICT NO. 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2012

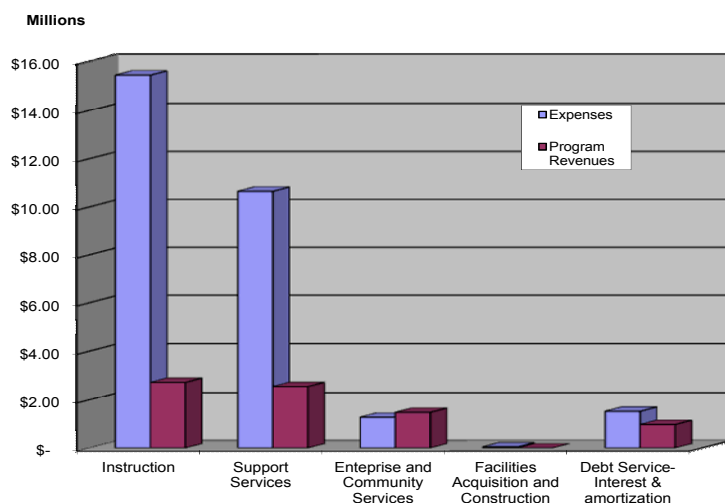
Changes in Net Assets			
	<u>Governmental Activities</u>		Increase (Decrease) from Fiscal 2011
	<u>2012</u>	<u>2011</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 910,030	\$ 821,640	\$ 88,390
Operating grants and contributions	6,836,352	5,763,528	1,072,824
Capital grants and contributions	-	19,053	(19,053)
General revenues			
Property taxes	4,501,075	4,502,512	(1,437)
State School Fund - general support	16,613,295	15,697,874	915,421
State School Fund - restricted	13,276	12,984	292
Federal State Fiscal Stability Fund	526,169	309,895	216,274
Other state and local sources	226,177	223,518	2,659
Earnings on Investments	119,758	304,997	(185,239)
Other	891,705	553,243	338,462
Total revenues	<u>30,637,837</u>	<u>28,209,244</u>	<u>2,428,593</u>
Expenses:			
Instruction (regular, special, adult, summer)	15,470,916	15,074,781	396,135
Support services	10,651,511	9,614,317	1,037,194
Enterprise and community services	1,273,484	1,314,633	(41,149)
Facilities acquisition and construction	51,051	12,602	38,449
Interest on long-term debt	1,521,035	1,357,290	163,745
Total expenses	<u>28,967,997</u>	<u>27,373,623</u>	<u>1,594,374</u>
Change in net assets	1,669,840	835,621	834,219
Net assets - July 1, before restatement	15,677,188	14,725,894	951,294
Restatements	149,593	115,673	33,920
Net assets - July 1, after restatement	<u>15,826,781</u>	<u>14,841,567</u>	<u>985,214</u>
Net assets - June 30	<u>\$ 17,646,214</u>	<u>\$ 15,677,188</u>	<u>\$ (1,969,026)</u>

ONTARIO SCHOOL DISTRICT NO. 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2012

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities

Charges for services	\$ 910,030	3.0%
Earnings on Investments	119,758	0.4%
Operating grants and contributions	6,836,352	22.3%
Federal SFSF funds	526,169	1.7%
Other	891,705	2.9%
Other state and local sources	226,177	0.7%
Property Taxes	4,501,075	14.7%
State School Fund	16,626,571	54.3%
	\$ 30,637,837	

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

ONTARIO SCHOOL DISTRICT NO. 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2012

At June 30, 2012, the District's governmental funds reported combined ending fund balance of \$12.1MM, a decrease of \$9.9MM in comparison with the prior year. The decrease was due to the expenditures in Bond Projects Fund as we near the completion date.

General Fund. The General Fund is the chief operating fund of the district. As of June 30, 2012, unassigned fund balance was \$3.2MM. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 15% of total General Fund expenditures, including transfers out and debt service. This fund balance percentage was unchanged from 15% in 2010-11 and 13% in 2009-10.

The fund balance increased by \$1.2MM during the current fiscal year. This was due to a slight increase in School Fund revenue as well as the usage of Federal School Fund Stability Funds. The District's share of State School Funds was \$520K more than projected in the 2011-12 Budget.

Bond Project. In 2011-12, the District spent \$12.4MM from this fund to begin renovations and construction at Ontario High School and at Ontario Middle School. The ending fund balance was \$4.8MM.

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, 2012, the fund had accounts receivable of \$978K.

Bond Debt Service Fund. The Bond Debt Service Fund is used to collect property taxes levied for capital projects. There is a minimum reserve requirement that the District must meet annual and these reserved funds are held in this fund. The ending fund balance was \$1.7MM.

Nonmajor Governmental Funds. Food Services, State and Local Grants, Equipment Replacement, Technology, and Pension Bond Debt Service are all funds that are contained in the Nonmajor Governmental Funds category. Ending fund balance in Nonmajor Governmental Funds increased by \$180K which included an increase of \$100K in the Food Services Fund.

ONTARIO SCHOOL DISTRICT NO. 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2012

GENERAL FUND BUDGETARY HIGHLIGHTS

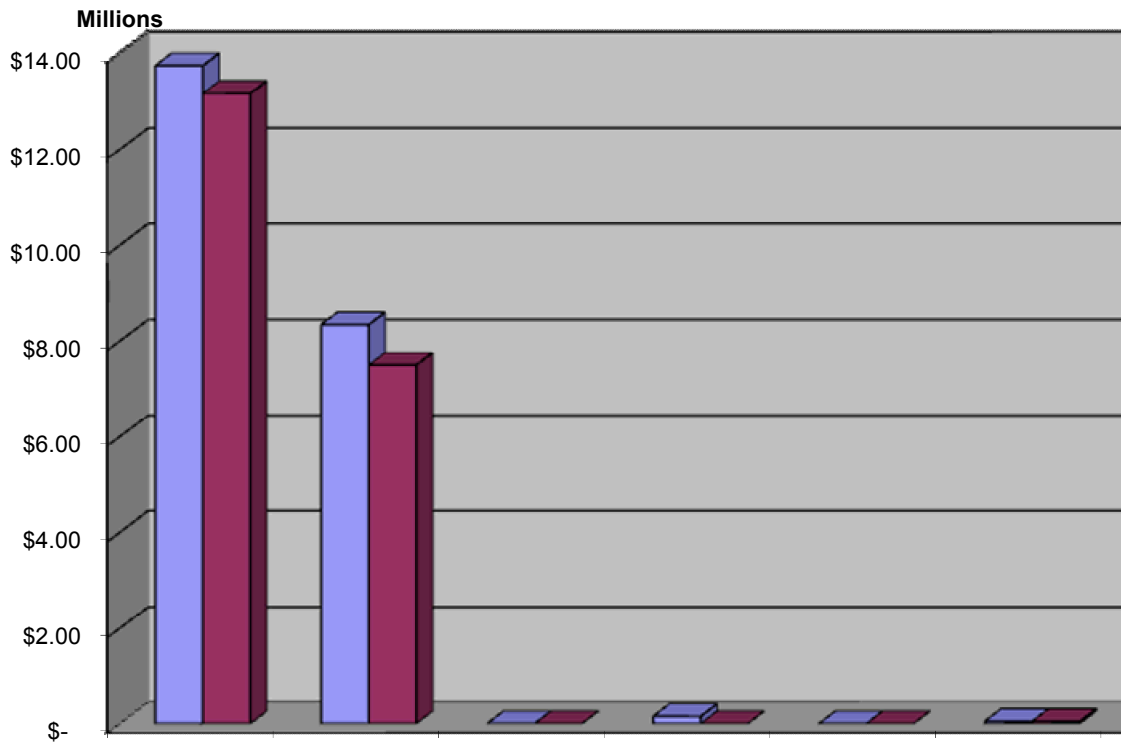
The District's budget is prepared according to Oregon law and is based on accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the 2011-12 fiscal year, the Board did adopt resolutions that affected the general fund budget.

For the General Fund, the final budget revenue basis was \$21,333,155. The actual amount of revenue received was \$21,948,698.

During the year, as shown in the chart below, General Fund expenditures were within budget.

Actual Expenditures vs. Final Budget - General Fund



ONTARIO SCHOOL DISTRICT NO. 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2012

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, 2012 the District had invested approximately \$23.2MM 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
	2012	2011	(Decrease) from
			Fiscal 2011
Land	\$ 563,110	\$ 563,110	\$ -
Contruction in progress	13,696,196	1,320,720	12,375,476
Buildings & building improvements	14,515,968	14,394,296	121,672
Vehicles, furniture and equipment	4,294,929	4,232,268	62,661
Accumulated depreciation	(9,910,652)	(9,427,583)	(483,069)
TOTAL	\$ 23,159,551	\$ 11,082,811	\$ 12,076,740

Debt administration. At the end of the current fiscal year, the District had total bonded debt outstanding of \$27.1MM, consisting of pension obligation bonds net of unamortized discount, issued in October of 2002 to pay the unfunded actuarial liability to the Oregon Public Employees Retirement System 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 \$200K. The decrease was due to the required payments on the PERS bond payable.

CURRENT FINANCIAL ISSUES AND CONCERNS

The most significant economic factor for the District remains the State of Oregon's State School fund and the reorganization of the Education Service Districts (ESDs). For the year ended June 30, 2012, the State School Fund – General Support, provided 54% of the District's program resources. The current budget proposal from the governor includes a reduction of funding to the ESDs and how this will affect the services currently delivered to Ontario School District by the various ESDs that service the district remains to be seen.

The District is currently in the final year of School Improvement Grants for the High School. This grant has supplemented the General Fund in many areas and these supplements are no longer available beginning July 1, 2013.

In May 2011 the District finalized design and bid package data and solicited contractors for bids to commence the construction phase of the District's bond projects. Ontario Middle School 'Early Site Package' contracts were awarded in late May 2011 and work commenced in June 2011. The \$18.5MM bond, approved by the voters in May of 2010, will address some of the facility needs of the District. The bond proceeds are being used to build a new middle school building, a new science and technology wing at the high school, and improvements at district

ONTARIO SCHOOL DISTRICT NO. 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2012

schools. The new buildings opened up to students in the fall of 2012. As the projects wrap up, the District's students are at home in the new buildings and all remaining construction projects must be completed in May 2013.

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 ASSETS
June 30, 2012

ASSETS	Governmental Activities
Cash and investments	\$ 15,388,973
Receivables	
Taxes	454,519
Accounts	1,385,874
Inventory	86,599
Prepaid pension contribution	10,123,868
Bond issuance costs	244,256
Capital assets	
Non-depreciable assets	
Land	563,110
Construction in progress	13,696,196
Site improvements	
Depreciable assets	
Buildings and building improvements	14,515,968
Furniture and equipment	4,294,929
Accumulated depreciation	(9,910,652)
Total assets	<u>50,843,640</u>
 LIABILITIES	
Accounts payable	2,015,431
Accrued liabilities	
Payroll, payroll taxes, insurance	2,521,974
Early retirement obligation - current portion	170,195
Early retirement obligation - due in more than one year	467,560
Other Post Employment Benefits liability	1,048,383
Bonds payable	
Due within one year	170,967
Due in more than one year	26,960,292
Unamortized original issue discount	(7,783)
Total liabilities	<u>33,347,019</u>
 NET ASSETS	
Invested in capital assets, net of related debt	9,456,400
Restricted for debt service (expendable)	1,762,031
Restricted for special programs (expendable)	917,680
Unrestricted	5,360,510
Total net assets	<u><u>\$ 17,496,621</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended

June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Revenues and Changes in Net Assets
GOVERNMENTAL ACTIVITIES					
Regular programs	\$ 9,762,805	\$ 2,818	\$ -	\$ 671,550	\$ (9,088,437)
Special programs	5,432,793	-	-	1,764,358	(3,668,435)
Adult/continuing education	11,311	-	-	-	(11,311)
Summer school programs	264,008	-	-	294,074	30,066
Students	858,080	-	-	351,452	(506,628)
Instructional staff	1,875,082	-	-	1,507,088	(367,994)
General administration	356,507	-	-	-	(356,507)
School administration	1,741,057	-	-	-	(1,741,057)
Business services	3,126,302	4,345	-	-	(3,121,957)
Central activities	2,270,957	699,188	-	-	(1,571,769)
Supplemental retirement program	423,525	-	-	-	(423,525)
Enterprise & community services	1,273,484	203,679	-	1,272,880	203,075
Facilities acquisition & construction	51,051	-	-	-	(51,051)
Debt service-interest & amortization	1,521,035	-	-	974,950	(546,085)
Total governmental activities	<u>\$ 28,967,997</u>	<u>\$ 910,030</u>	<u>\$ -</u>	<u>\$ 6,836,352</u>	<u>(21,221,615)</u>
GENERAL REVENUES					
Property taxes for general purposes					3,558,692
Property taxes for debt service					942,383
State school fund-general support					16,613,295
State school fund-restricted					13,276
Federal SFSF funds					526,169
County school fund					2,467
Common school fund					223,710
Earnings on investments					119,758
Miscellaneous					891,705
Total general revenues					<u>22,891,455</u>
Change in net assets					1,669,840
Net assets - June 30, 2011, before restatement					15,677,188
Restatement - see Note 13					<u>149,593</u>
Net assets - June 30, 2011, after restatement					<u>15,826,781</u>
Total net assets - June 30, 2012					<u>\$ 17,496,621</u>

GOVERNMENTAL FUND
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

	General	Bond Projects	Federal Programs	Bond Debt Service	Nonmajor Governmental Funds	Total
ASSETS						
Cash and investments	\$ 5,440,839	\$ 6,703,693	\$ -	\$ 1,695,149	\$ 1,320,378	\$ 15,160,059
Receivables						
Property tax	376,304	-	-	78,215	-	454,519
Grants	316,611	-	978,398	-	51,095	1,346,104
Other	39,770	-	-	-	-	39,770
Interfund loan receivable	978,857	-	-	-	-	978,857
Inventory	10,217	-	-	-	-	10,217
Total assets	<u>\$ 7,162,598</u>	<u>\$ 6,703,693</u>	<u>\$ 978,398</u>	<u>\$ 1,773,364</u>	<u>\$ 1,371,473</u>	<u>\$ 17,989,526</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 97,187	\$ 1,906,844	\$ 11,400	\$ -	\$ -	\$ 2,015,431
Accrued liabilities	2,521,974	-	-	-	-	2,521,974
Interfund loan payable	-	-	978,857	-	-	978,857
Deferred revenues	329,155	-	-	74,217	-	403,372
Total liabilities	<u>2,948,316</u>	<u>1,906,844</u>	<u>990,257</u>	<u>74,217</u>	<u>-</u>	<u>5,919,634</u>
Fund balances						
Nonspendable	989,074	-	-	-	-	989,074
Spendable						
Restricted	-	-	-	1,699,147	980,564	2,679,711
Committed	-	4,796,849	-	-	390,909	5,187,758
Unassigned	3,225,208	-	(11,859)	-	-	3,213,349
Total fund balances	<u>4,214,282</u>	<u>4,796,849</u>	<u>(11,859)</u>	<u>1,699,147</u>	<u>1,371,473</u>	<u>12,069,892</u>
Total liabilities and fund balances	<u>\$ 7,162,598</u>	<u>\$ 6,703,693</u>	<u>\$ 978,398</u>	<u>\$ 1,773,364</u>	<u>\$ 1,371,473</u>	<u>\$ 17,989,526</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total fund balances		\$ 12,069,892
Capital assets are not financial resources and therefore, are not reported in the governmental funds.		
Cost	\$ 33,070,203	
Accumulated depreciation	<u>(9,910,652)</u>	23,159,551
Pension assets not included in fund financial statements		10,123,868
Certain delinquent property taxes not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.		403,372
The unamortized portion of issuance costs is not available to pay for current period expenditures and therefore, is not reported in the governmental funds.		244,256
The original issue discount on the bonds issued is not recorded on the fund financial statements, but is amortized over the life of the bond in the statement of net assets.		7,783
Internal service funds		228,914
Inventory not consumed within sixty days is not included in the fund financial statements.		76,382
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	(27,131,259)	
Early retirement obligation	(637,755)	
Other Post Employment Benefits liability	<u>(1,048,383)</u>	<u>(28,817,397)</u>
Total net assets		<u><u>\$ 17,496,621</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, 2012

	General	Bond Projects	Federal Programs	Bond Debt Service	Nonmajor Governmental Funds	Total
Revenues						
Taxes	\$ 3,498,314	\$ -	\$ -	\$ 904,830	\$ -	\$ 4,403,144
Local sources	274,955	68,359	-	7,364	1,204,083	1,554,761
Intermediate sources	12,467	-	-	-	-	12,467
State sources	17,468,531	-	-	-	30,650	17,499,181
Federal sources	526,169	-	4,000,514	974,950	1,268,906	6,770,539
Total revenues	21,780,436	68,359	4,000,514	1,887,144	2,503,639	30,240,091
Expenditures						
Instruction						
Regular programs	9,287,499	-	470,077	-	5,228	9,762,805
Special programs	3,886,696	-	1,283,647	-	275,850	5,446,193
Adult and continuing education programs	-	-	11,311	-	-	11,311
Summer school programs	-	-	264,008	-	-	264,008
Support services						
Students	554,833	-	299,248	-	4,000	858,080
Improvement of instruction	522,870	-	1,389,352	-	6,378	1,918,600
General administration	356,507	-	-	-	-	356,507
School administration	1,626,822	-	114,235	-	-	1,741,057
Business services	3,259,657	-	62,941	125	20,361	3,343,083
Central activities	1,010,934	-	49,901	-	121	1,060,957
Supplemental retirement program	168,558	-	-	-	-	168,558
Food services	-	-	60	-	1,392,350	1,392,410
Facilities acquisition and construction	-	12,377,067	-	-	49,460	12,426,527
Debt service						
Principal	-	-	-	-	796,304	796,304
Interest	-	-	-	1,033,040	487,995	1,521,035
Total expenditures	20,674,376	12,377,067	3,944,780	1,033,165	3,038,047	41,067,434
Excess of revenues over (under) expenditures	1,106,060	(12,308,708)	55,734	853,979	(534,408)	(10,827,343)
Other financing sources (uses)						
Debt proceeds	-	-	-	-	665,000	665,000
Grant indirect charges	168,262	-	-	-	-	168,262
Transfers in (out)	(49,600)	-	-	-	49,600	-
Total other financing sources (uses)	118,662	-	-	-	714,600	833,262
Net change in fund balances	1,224,722	(12,308,708)	55,734	853,979	180,192	(9,994,081)
Available fund balances, July 1, before restatement	2,989,560	17,105,557	(67,622)	845,168	1,103,388	21,976,051
Restatement - See Note 13	-	-	29	-	87,893	87,922
Available fund balances, July 1, after restatement	2,989,560	17,105,557	(67,593)	845,168	1,191,281	22,063,973
Available fund balances, June 30	\$ 4,214,282	\$ 4,796,849	\$ (11,859)	\$ 1,699,147	\$ 1,371,473	\$ 12,069,892

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, 2012

Net change in fund balanced	\$ (9,994,081)
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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	\$ 12,652,220	
Less current year depreciation	<u>(637,151)</u>	12,015,069

The fund financial statements report early retirement obligations as expended, however the statement of activities expenses only the net change in early retirement obligation.

Investment earnings/(losses) on prepaid pension asset, not recorded in fund financial statements.	(540,262)
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Long-term debt proceeds are reported as other financing sources in governmental funds. In the statement of Net Assets, 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 Assets. This is the amount by which proceeds exceeded repayments.

Debt issued	(665,000)	
Debt principal repaid	<u>796,304</u>	131,304

Governmental funds do not report the effects of the implementation of GASB Statements No. 45 and 50 which caused the recognition of new long term liabilities.	(254,967)
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Governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences.

Discount on bonds issued in current year	20,361	
Amortization of original issue discount	(476)	
Amortization of issuance costs on bonds issued	<u>(16,046)</u>	3,839

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.	97,931
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Inventory not consumed within sixty days is not included in the fund financial statements.	76,382
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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 income	188,471	
Internal service fund expense	<u>(53,846)</u>	<u>134,625</u>

CHANGE IN NET ASSETS	<u>\$ 1,669,840</u>
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PROPRIETARY FUND
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
STATEMENT OF FUND NET ASSETS
 Proprietary Funds
 June 30, 2012

	Governmental Activities <u>Internal Service Funds</u>
ASSETS	
Current assets	
Cash and investments	\$ 228,914
Total assets	<u>228,914</u>
LIABILITIES	
Current liabilities	
Accounts payable	-
Total liabilities	<u>-</u>
NET ASSETS	
Unrestricted	228,914
Total net assets	<u><u>\$ 228,914</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
Proprietary Funds
For the Year Ended
June 30, 2012

	Governmental Activities <u>Internal Service Funds</u>
Operating revenue	
Charges for services	<u>\$ 187,272</u>
Total operating revenue	<u>187,272</u>
Operating expenses	
Employee benefits	<u>53,846</u>
Total operating expenses	<u>53,846</u>
Operating income	133,426
Nonoperating income	
Earnings on investments	<u>1,199</u>
Total nonoperating income	<u>1,199</u>
Change in net assets	134,625
Total net assets - beginning	<u>94,289</u>
Total net assets - ending	<u><u>\$ 228,914</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
STATEMENT OF CASH FLOWS
 Proprietary Funds
 June 30, 2012

	Governmental Activities
	Internal Service Funds
Cash flows from operating activities	
Receipts from interfund services provided	\$ 187,272
Payments for employee benefits	(53,846)
Net cash provided/(used) by operating activities	<u>133,426</u>
Cash flows from investing activities	
Interest received	<u>1,199</u>
Net increase in cash and cash equivalents	<u>134,625</u>
Cash and cash equivalents - beginning	<u>94,289</u>
Cash and cash equivalents - ending	<u><u>\$ 228,914</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 133,426
Net cash provided/(used) by operating activities	<u><u>\$ 133,426</u></u>

NOTES TO THE BASIC
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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 Assets 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 Assets present the district's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt 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 assets results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have 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, 2012

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 assets are reported as restricted when constraints placed on net asset 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, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental 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.

Bond Projects Fund - The Bond Projects Fund accounts for the usage of bond proceeds received for major building renovations and construction. Principal revenue sources are proceed from debt.

Federal Programs Fund - Federal Programs Fund are 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.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

C. Measurement Focus and Basis of Accounting

Government-wide and fiduciary 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 gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. 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 restricted cost-reimbursement grant resources to such programs and then to 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. The district considers property taxes as available if they are collected within 60 days after year end. A one year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general 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 general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary fund financial statements include a Statement of Fund Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and the proprietary fund financial statements to the extent they do not conflict or contradict guidance of the GASB.

Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The district has elected to not follow subsequent private sector guidance.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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.

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.

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 assets. 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

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

F. Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. 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. Interest incurred during construction is not capitalized. 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.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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.

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 Assets.

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. 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.

N. 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 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.

O. 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 action.

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- *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

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

Plan Description - The district contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the district's contribution for qualifying employees who were hired before August 20, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program and defined benefit portion of the plan, applies to qualifying district employees hired after August 20, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which established the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

Funding Policy – Members of PERS are required to contribute 6% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. Per negotiated contract the district "picks up" the employee portion. The district is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2012 were 13.39% and 11.88% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

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Annual Pension Cost – The district’s contributions to PERS for the years ending June 30, 2010, 2011, and 2012 were \$2,259,192, \$2,270,856 and \$3,101,326 respectively, which equaled the required contribution for the year. During the 2002-03 year, the district issued limited tax pension bonds, the proceeds of which were used to finance a portion of its estimated unfunded actuarial liability.

Pension Asset – The pension asset is the result of the transfer of the district’s pension bond proceeds to PERS to cover a portion of the district’s share of the cost sharing plans unfunded actuarial liability. This pension asset is being used to pay a portion of the district’s annual required contribution. The balance as of the last available valuation on December 31, 2012 was \$10,123,868, being held in a side account at PERS.

Note 3. Accounts Receivable

Accounts receivable are comprised of the following at June 30, 2012:

Fund	Revenue Source	Amount
General Fund	Property Taxes	\$ 376,304
General Fund	Federal Grants	204,756
General Fund	Common school fund	111,855
General Fund	Miscellaneous	39,770
Federal Programs	Federal Grants	978,398
Debt Service Fund	Property Taxes	78,215
Food Service Fund	Grants	51,095
	Total Accounts Receivable	<u>\$ 1,840,393</u>

Note 4. Interfund Transfers

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

From	To	Amount	Reason
General Fund	Nonmajor fund	\$ 6,600	To pay for the district's share of SMILE expense
General Fund	Nonmajor fund	43,000	To fund future technological needs
Total		<u>\$ 49,600</u>	

Interfund loan receivables and payables consist of the following at June 30, 2012:

Receivable Fund	Payable Fund	Amount
General Fund	Federal Programs Fund	\$ 978,856

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Note 5. Capital Assets

Capital assets activity for the year was as follows:

	Balance July 1, 2011	Restatements	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated					
Land	\$ 563,110	\$ -	\$ -	\$ -	\$ 563,110
Construction in progress	1,320,720	-	12,375,476	-	13,696,196
Total capital assets not being depreciated	1,883,830	-	12,375,476	-	14,259,306
Capital assets being depreciated					
Buildings and improvements	14,394,296	-	121,672	-	14,515,968
Equipment	1,810,137	-	92,410	-	1,902,547
Vehicles	2,422,131	-	155,072	184,821	2,392,382
Total capital assets being depreciated	18,626,564	-	369,154	184,821	18,810,897
Less accumulated depreciation	(9,427,583)	61,671	(637,151)	(92,411)	(9,910,652)
Total capital assets being depreciated, net	9,198,981	61,671	(267,997)	92,410	8,900,245
Total capital assets, net	\$ 11,082,811	\$ 61,671	\$ 12,107,479	\$ 92,410	\$ 23,159,551

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

Central activities \$637,151

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Note 6. 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, 2012:

Deposits with banks	\$ 5,348,828
Investments	10,039,075
Cash on hand	1,070
	<u>\$ 15,388,973</u>

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

Statement of Net Assets	
Cash and investments	<u>\$ 15,388,973</u>
	<u>\$ 15,388,973</u>

As of June 30, 2012, the district held the following investments and maturities:

Investment Type	Fair Value	% of Investment Portfolio
Local Government Investment Pool	\$ 10,039,075	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, 2012. 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, 2012 the carrying amount of the district's deposits (cash and certificates of deposit) in various financial institutions was \$5,348,828 and the bank balances were \$5,838,926. Of these deposits, 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, 2012 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, 2012, the district held \$10,039,075 of investments, which is all classified as cash and investments on the Statement of Net Assets. 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 2012. 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, 2012 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 7. Other Post Employment Benefits (OPEB)

Early Retirement Incentive 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 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.

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A one-time early retirement incentive was made available to certified retirees who retired on June 2, 2011. This incentive provides the retirees with an additional \$700 per month payable until August 21, 2013 and is in addition to the other stipend benefits described above.

Annual Required Contribution and Net Pension Obligation

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. The actuarial present value of plan benefits is as follows. First, at June 30, 2012, the obligation is as follows:

	June 30, 2012	June 30, 2011
Determination of Annual Required Contribution		
(1) Normal Cost at year end	\$ 30,126	\$ 30,126
(2) Amortization of UAAL	352,572	394,321
(3) Annual Required Contribution (ARC)	382,698	424,447
Determination of Net OPEB Obligation		
(4) Annual Required Contribution (ARC)	382,698	424,447
(5) Interest on prior year Net OPEB Obligation	25,343	23,226
(6) Adjustment to ARC	335,921	307,868
(7) Annual Pension Cost	72,120	139,805
Less		
(8) Expected Stipend Payments	67,931	86,895
(9) Increase in Net OPEB Obligation	4,189	52,910
(11) Net OPEB Obligation - beginning	633,566	580,656
(12) Net OPEB Obligation - ending	<u>\$ 637,755</u>	<u>\$ 633,566</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, 2010	\$ 160,697	67%	\$ 580,656
June 30, 2011	139,805	62%	633,566
June 30, 2012	72,120	94%	637,755

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

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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.

	June 30, 2012	June 30, 2011
Determination of Annual Required Contribution		
(1) Normal Cost at year end	\$ 268,427	\$ 253,712
(2) Amortization of UAAL	276,132	267,133
(3) Annual Required Contribution (ARC)	<u>544,559</u>	<u>520,845</u>
Determination of Net OPEB Obligation		
(4) Annual Required Contribution (ARC)	544,559	520,845
(5) Interest on prior year Net OPEB Obligation	31,904	22,055
(6) Adjustment to ARC	<u>(54,204)</u>	<u>(37,472)</u>
(7) Annual OPEB Cost	<u>522,259</u>	<u>505,428</u>
Less		
(8) Explicit Benefit Payments	-	-
(9) Implicit Benefit Payments	<u>271,481</u>	<u>259,209</u>
(10) Increase in Net OPEB Obligation	<u>250,778</u>	<u>246,219</u>
(11) Net OPEB Obligation - beginning	<u>797,605</u>	<u>551,386</u>
(12) Net OPEB Obligation - ending	<u><u>\$ 1,048,383</u></u>	<u><u>\$ 797,605</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, 2010	\$ 525,520	48%	\$ 551,386
June 30, 2011	505,428	51%	797,605
June 30, 2012	522,259	52%	1,048,383

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

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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, 2012 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 and prescription drugs premium increase of 7.25% in the first year, 7.5% in the second year, 6.75% in the third year, 6.0% in the fourth year, 5.75% in the fifth through 23rd year, 5.50% in the 24th through 27th year, and then 5.25% thereafter. 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 8. Long-term Debt Early Retirement Obligation

The following represents changes in long-term liabilities that are not reported as fund liabilities (i.e., debt of the trust and agency funds) but are reported on the government-wide financial statements. Current requirements for principal and interest expenditures are accounted for in the Debt Service Funds.

	Early Retirement Obligations
Amounts Payable in Fiscal Year:	
2012-13	\$ 170,195
2013-14	90,910
2014-15	66,366
2015-16	55,386
2016-17	38,323
2018 and thereafter	16,955
Total	<u>\$ 438,136</u>
	Early Retirement Obligations
Balance 7/1/11	\$ 633,566
Additions	-
Payments & deletions	(195,431)
Balance 6/30/12	<u>\$ 438,136</u>

All long-term debt obligations are payable from the general and debt service funds.

(1) The maturity schedule of cumulative amount of early retirement obligations in excess of amounts funded has not been determined.

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

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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 7/1/11	\$ 8,762,563
Additions	-
Payments	796,304
Balance 6/30/12	<u>\$ 7,966,259</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Interest Rate
2013	\$ 170,967	\$ 590,850	5.18%
2014	178,035	508,673	5.36%
2015	185,862	540,845	5.51%
2016	190,953	575,754	5.67%
2017	193,991	612,717	5.67%
2018-2022	1,321,451	2,802,087	5.82% to 5.50%
2023-2027	5,135,000	1,080,654	5.48% to 5.55%
2027-2028	590,000	32,745	5.55%
Total	<u>\$ 7,966,259</u>	<u>\$ 6,744,325</u>	

Interest expense for the year ended June 30, 2012 was \$455,404

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:

Fiscal Year Ending June 30,	Principal	Interest	Interest Rate
2013	\$ -	\$ 27,365	4.12%
2014	-	27,365	4.12%
2015	-	27,365	4.12%
2016	-	27,365	4.12%
2017	-	27,365	4.12%
2018-2021	665,000	109,459	4.12%
Total	<u>\$ 665,000</u>	<u>\$ 246,284</u>	

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2011 PERS Series B

When the district issued the 2011 PERS Series B Bonds , they capitalized \$20,361 of bond issuance costs, which will be amortized over the life of the loan. The annual amortization expense is \$2,036.

Year Ending June 30,	Amortization Expense
2013	\$2,036
2014	2,036
2015	2,036
2016	2,036
2017	2,036
2018-2021	8,824
Totals	<u>\$19,004</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, 2012 are as follows:

Year Ending June 30,	Deposit Requirement	Interest	Federal Subsidy for Interest	Total
2013	\$ 890,000	\$ 1,033,040	\$ (974,950)	\$ 948,090
2014	935,000	1,033,040	(974,950)	993,090
2015	985,000	1,033,040	(974,950)	1,043,090
2016	1,010,000	1,033,040	(974,950)	1,068,090
2017	1,035,000	1,033,040	(974,950)	1,093,090
2017-2021	5,460,000	5,165,200	(4,874,750)	5,750,450
2022-2026	6,215,000	5,165,200	(4,874,750)	6,505,450
2027	1,340,000	1,033,040	974,950	3,347,990
Total	<u>\$ 17,870,000</u>	<u>\$ 16,528,640</u>	<u>\$ (13,649,300)</u>	<u>\$ 17,401,350</u>

Interest expense for the year ended June 30, 2012 was \$1,033,040.

At June 30, 2012, the Local Government Investment Pool account dedicated for the deposit of the set aside requirements had a balance of \$1,753,199. The required balance to be reserved was \$1,665,000.

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QSCB Bond Issuance Costs and Underwriters discount

When the district issued the QSBC bond, they capitalized \$178,825 of bond issuance costs, which will be amortized over the life of the loan. The annual amortization expense is \$10,624.

Year Ending June 30,	Amortization Expense
2013	\$10,624
2014	10,623
2015	10,624
2016	10,624
2017	10,624
2018-2022	53,116
2023-2027	53,116
Totals	<u>\$169,477</u>

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. Fund Balance Classifications

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

Fund Balances	General Fund	Bond Projects	Federal Programs	Bond Debt Service	Nonmajor Funds	Total
<u>Nonspendable</u>						
Interfund receivables	\$ 978,857	\$ -	\$ -	\$ -	\$ -	\$ 978,857
Inventories	10,217	-	-	-	-	10,217
	<u>989,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>989,074</u>
<u>Restricted</u>						
Education-Grants	-	-	-	-	59,661	59,661
Debt Service	-	-	-	1,699,147	62,884	1,762,031
Food services	-	-	-	-	858,019	858,019
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,699,147</u>	<u>980,564</u>	<u>2,679,711</u>
<u>Committed to:</u>						
Renovation and construction	-	4,796,849	-	-	-	4,796,849
Building repairs & maint.	-	-	-	-	139,449	139,449
Equipment replacement	-	-	-	-	87,749	87,749
Techological equipment	-	-	-	-	68,000	68,000
Student body use	-	-	-	-	95,711	95,711
	<u>-</u>	<u>4,796,849</u>	<u>-</u>	<u>-</u>	<u>390,909</u>	<u>5,187,758</u>
<u>Unassigned</u>	<u>3,225,208</u>	<u>-</u>	<u>(11,859)</u>	<u>-</u>	<u>-</u>	<u>3,213,349</u>
TOTAL FUND BALANCES	\$ 4,214,282	\$ 4,796,849	\$ (11,859)	\$ 1,699,147	\$ 1,371,473	\$ 12,069,892

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 21, 2012. Commitments of fund balances must be made prior to the end of the fiscal year.

Note 13. Restatement

In the prior year, the following were restated:

The Student Body Fund beginning fund balance was increased by \$87,893 to account for this funds inclusion in the financial statements as a special revenue fund instead of an agency fund as in the past.

The Federal Programs Fund beginning fund balance was increased by \$29 to account for the reversal of indirect expenses in excess of available grant funds in 2010-11. The result is a beginning fund balance of \$0 instead of \$(29).

Note 14. Deficit Fund Balance

At June 30, 2012, the Federal Programs Fund had a negative fund balance of \$11,859. This fund deficit will be eliminated by a request of funds submitted to Oregon Department of Education in fiscal year 2012-13 or a reduction to indirect fees charged.

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, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ 3,514,500	\$ 3,514,500	\$ 3,498,314	\$ (16,186)
Local sources	178,085	178,085	274,955	96,870
Intermediate sources	10,000	10,000	12,467	2,467
State sources	16,948,280	16,948,280	17,468,531	520,251
Federal sources	562,290	562,290	526,169	(36,121)
Total revenues	21,213,155	21,213,155	21,780,436	567,281
Expenditures				
Instruction				
Regular programs	9,651,268	9,590,060	9,287,499	302,561
Special programs	4,098,775	4,159,789	3,886,696	273,093
Support services				
Students	616,534	622,734	554,833	67,901
Improvement of instruction	569,804	634,524	522,870	111,654
General administration	435,204	435,204	356,507	78,697
School administration	1,598,637	1,598,637	1,626,822	(28,185)
Business services	3,801,875	3,798,663	3,259,657	539,006
Central activities	1,041,505	1,041,505	1,010,934	30,571
Supplemental retirement program	208,953	208,953	168,558	40,395
Community services	1,000	1,000	-	1,000
Facilities acquisition and construction	150,000	150,000	-	150,000
Total expenditures	22,173,555	22,241,069	20,674,376	1,566,693
Excess of revenues over (under) expenditures	(960,400)	(1,027,914)	1,106,060	2,133,974
Other financing sources (uses)				
Grant indirect charges	115,000	115,000	168,262	53,262
Sale of assets	5,000	5,000	-	(5,000)
Transfers in (out)	(49,600)	(49,600)	(49,600)	-
Total other financing sources (uses)	70,400	70,400	118,662	48,262
Net change in fund balance	(890,000)	(957,514)	1,224,722	2,182,236
Available fund balance, July 1	2,200,000	2,267,514	2,989,560	722,046
Available fund balance, June 30	\$ 1,310,000	\$ 1,310,000	\$ 4,214,282	\$ 2,904,282

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, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Federal sources	\$ 4,438,452	\$ 4,533,386	\$ 4,000,514	\$ (532,872)
Total revenues	<u>4,438,452</u>	<u>4,533,386</u>	<u>4,000,514</u>	<u>(532,872)</u>
Expenditures				
Instruction				
Regular programs	568,792	506,002	470,077	35,925
Special programs	1,647,039	1,612,811	1,283,647	329,164
Adult and continuing education programs	6,500	11,500	11,311	189
Summer school programs	349,178	193,204	264,008	(70,804)
Support services				
Students	314,947	436,981	299,248	137,733
Improvement of instruction	1,309,504	1,479,737	1,389,352	90,385
School administration	86,657	129,195	114,235	14,960
Business services	60,622	44,111	62,941	(18,830)
Central activities	95,213	119,845	49,901	69,944
Food services	-	-	60	(60)
Total expenditures	<u>4,438,452</u>	<u>4,533,386</u>	<u>3,944,780</u>	<u>588,606</u>
Net change in fund balance	-	-	55,734	55,734
Available fund balance, July 1, before restatement	-	-	(67,622)	(67,622)
Restatement, see note 13	-	-	29	29
Available fund balance, July 1, after restatement	-	-	(67,593)	(67,593)
Available fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,859)</u>	<u>\$ (11,859)</u>

ONTARIO SCHOOL DISTRICT No. 8C
Ontario, Malheur County, Oregon
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
June 30, 2012

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, 2012, we noted a couple minor procedural violations. In addition, there were also the following budget violations due to overexpenditure:

Debt Service Funds	
Other uses	\$632,665
Supporting services	20,347
Student Body Fund	
Instruction	\$70,596

OTHER SUPPLEMENTARY INFORMATION

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Debt			
	Service		Special Revenue	
	Pension Bond Debt Service	Response to Intervention	Lowe's Grant- OHS	Lowe's Grant- Aiken Elementary
ASSETS				
Cash	\$ 62,884	\$ 5,571	\$ 5,000	\$ 5,000
Receivables				
Other	-	-	-	-
Total assets	<u>\$ 62,884</u>	<u>\$ 5,571</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Spendable				
Restricted	62,884	5,571	5,000	5,000
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>62,884</u>	<u>5,571</u>	<u>5,000</u>	<u>5,000</u>
Total liabilities and fund balances	<u>\$ 62,884</u>	<u>\$ 5,571</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>

See accompanying independent auditor's report.

Special Revenue		
Smile Grant	Project Lead the Way	ASPIRE Grant
\$ 2,315	\$ -	\$ 4,000
-	-	-
<u>\$ 2,315</u>	<u>\$ -</u>	<u>\$ 4,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>-</u>	<u>-</u>	<u>-</u>
2,315	-	4,000
-	-	-
<u>2,315</u>	<u>-</u>	<u>4,000</u>
<u>\$ 2,315</u>	<u>\$ -</u>	<u>\$ 4,000</u>

Special Revenue		
SB 622 School Technology	Student Body	Food Services
\$ 37,775	\$ 95,711	\$ 806,924
-	-	51,095
<u>\$ 37,775</u>	<u>\$ 95,711</u>	<u>\$ 858,019</u>
\$ -	\$ -	\$ -
-	-	-
37,775	-	858,019
-	95,711	-
<u>37,775</u>	<u>95,711</u>	<u>858,019</u>
<u>\$ 37,775</u>	<u>\$ 95,711</u>	<u>\$ 858,019</u>

Capital Projects			
Equipment Replacement	Technology	Building Improvement	Totals June 30, 2012
\$ 87,749	\$ 68,000	\$ 139,449	\$ 1,320,378
-	-	-	51,095
<u>\$ 87,749</u>	<u>\$ 68,000</u>	<u>\$ 139,449</u>	<u>\$ 1,371,473</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	980,564
<u>87,749</u>	<u>68,000</u>	<u>139,449</u>	<u>390,909</u>
<u>87,749</u>	<u>68,000</u>	<u>139,449</u>	<u>1,371,473</u>
<u>\$ 87,749</u>	<u>\$ 68,000</u>	<u>\$ 139,449</u>	<u>\$ 1,371,473</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, 2012

	Debt Service		Special Revenue	
	Pension	Response		
	Bond	to	Lowe's Grant-	Lowe's Grant-
	Debt Service	Intervention	OHS	Aiken Elementary
Revenues				
Local sources	\$ 701,183	\$ 2,602	\$ 5,000	\$ 5,000
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	701,183	2,602	5,000	5,000
Expenditures				
Instruction				
Regular programs	-	-	-	-
Special programs	-	-	-	-
Support services				
Students	-	-	-	-
Improvement of instruction	-	1,556	-	-
Business services	20,361	-	-	-
Central activities	121	-	-	-
Food services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service				
Principal	796,304	-	-	-
Interest	487,995	-	-	-
Total expenditures	1,304,781	1,556	-	-
Excess of revenues over (under) expenditures	(603,598)	1,046	5,000	5,000
Other financing sources (uses)				
Debt service proceeds	665,000	-	-	-
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	665,000	-	-	-
Net change in fund balances	61,402	1,046	5,000	5,000
Available fund balances, July 1, before restatement	1,482	4,525	-	-
Restatement, see note 13	-	-	-	-
Available fund balances, July 1, after restatement	1,482	4,525	-	-
Available fund balance, June 30	\$ 62,884	\$ 5,571	\$ 5,000	\$ 5,000

See accompanying independent auditor's report.

Special Revenue		
Smile Grant	Project Lead the Way	ASPIRE Grant
\$ -	\$ -	\$ -
5,400	-	8,000
-	-	-
5,400	-	8,000
-	5,228	-
10,352	-	-
-	-	4,000
-	4,822	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
10,352	10,050	4,000
(4,952)	(10,050)	4,000
-	-	-
6,600	-	-
6,600	-	-
1,648	(10,050)	4,000
667	10,050	-
-	-	-
667	10,050	-
\$ 2,315	\$ -	\$ 4,000

Special Revenue		
SB 622 School Technology	Student Body	Food Service
\$ -	\$ 273,316	\$ 215,950
-	-	17,250
-	-	1,268,906
-	273,316	1,502,106
-	-	-
-	265,498	-
-	-	-
-	-	-
-	-	-
-	-	1,392,350
-	-	-
-	-	-
-	-	-
-	265,498	1,392,350
-	7,818	109,756
-	-	-
-	-	-
-	-	-
-	7,818	109,756
37,775	-	748,263
-	87,893	-
37,775	87,893	748,263
\$ 37,775	\$ 95,711	\$ 858,019

Capital Projects			Totals
Equipment Replacement	Technology	Building Improvement	June 30, 2012
\$ -	\$ -	\$ 1,032	\$ 1,204,083
-	-	-	30,650
-	-	-	1,268,906
-	-	1,032	2,503,639
-	-	-	5,228
-	-	-	275,850
-	-	-	4,000
-	-	-	6,378
-	-	-	20,361
-	-	-	121
-	-	-	1,392,350
-	-	49,460	49,460
-	-	-	796,304
-	-	-	487,995
-	-	49,460	3,038,047
-	-	(48,428)	(534,408)
-	-	-	665,000
-	43,000	-	49,600
-	43,000	-	714,600
-	43,000	(48,428)	180,192
87,749	25,000	187,877	1,103,388
-	-	-	87,893
87,749	25,000	187,877	1,191,281
<u>\$ 87,749</u>	<u>\$ 68,000</u>	<u>\$ 139,449</u>	<u>\$ 1,371,473</u>

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, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 651,259	\$ 651,259	\$ 701,183	\$ 49,924
Total revenues	651,259	651,259	701,183	49,924
Expenditures				
Support services				
Business services	-	-	20,361	(20,361)
Central activities	125	125	121	4
Debt service				
Principal	161,304	161,304	796,304	(635,000)
Interest	490,330	490,330	487,995	2,335
Total expenditures	651,759	651,759	1,304,781	(653,022)
Excess of revenues over (under) expenditures	(500)	(500)	(603,598)	(603,098)
Other financing sources (uses)				
Debt proceeds	-	-	665,000	665,000
Total other financing sources (uses)	-	-	665,000	665,000
Net change in fund balance	(500)	(500)	61,402	61,902
Available fund balance, July 1	500	500	1,482	982
Available fund balance, June 30	\$ -	\$ -	\$ 62,884	\$ 62,884

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, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ 2,602	\$ 2,602
Total revenues	-	-	2,602	2,602
Expenditures				
Support services				
Improvement of instruction	3,000	3,000	1,556	1,444
Total expenditures	3,000	3,000	1,556	1,444
Net change in fund balance	(3,000)	(3,000)	1,046	4,046
Available fund balance, July 1	3,000	3,000	4,525	1,525
Available fund balance, June 30	\$ -	\$ -	\$ 5,571	\$ 5,571

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LOWE'S GRANT - OHS (BUDGET BASIS)
 For the Year Ended
 June 30, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ 5,000	\$ 5,000	\$ -
Total revenues	-	5,000	5,000	-
Expenditures				
Support services				
Business services	-	5,000	-	5,000
Total expenditures	-	5,000	-	5,000
Net change in fund balance	-	-	5,000	5,000
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ 5,000	\$ 5,000

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LOWE'S GRANT - AIKEN ELEMENTARY (BUDGET BASIS)**

For the Year Ended

June 30, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ 5,000	\$ 5,000	\$ -
Total revenues	-	5,000	5,000	-
Expenditures				
Support services				
Business services	-	5,000	-	5,000
Total expenditures	-	5,000	-	5,000
Net change in fund balance	-	-	5,000	5,000
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ 5,000	\$ 5,000

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, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
State sources	\$ 8,000	\$ 8,000	\$ 5,400	\$ (2,600)
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>5,400</u>	<u>(2,600)</u>
Expenditures				
Instruction				
Special programs	15,187	15,187	10,352	4,835
Total expenditures	<u>15,187</u>	<u>15,187</u>	<u>10,352</u>	<u>4,835</u>
Excess of revenues over (under) expenditures	(7,187)	(7,187)	(4,952)	2,235
Other financing sources (uses)				
Transfers in (out)	6,600	6,600	6,600	-
Total other financing sources (uses)	<u>6,600</u>	<u>6,600</u>	<u>6,600</u>	<u>-</u>
Net change in fund balance	(587)	(587)	1,648	2,235
Available fund balance, July 1	<u>587</u>	<u>587</u>	<u>667</u>	<u>80</u>
Available fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,315</u>	<u>\$ 2,315</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PROJECT LEAD THE WAY (BUDGET BASIS)
For the Year Ended
June 30, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
State sources	\$ 15,976	\$ 15,976	\$ -	\$ (15,976)
Total revenues	<u>15,976</u>	<u>15,976</u>	<u>-</u>	<u>(15,976)</u>
Expenditures				
Instruction				
Regular programs	8,986	8,986	5,228	3,758
Support services				
Improvement of instruction	<u>6,990</u>	<u>6,990</u>	<u>4,822</u>	<u>2,168</u>
Total expenditures	<u>15,976</u>	<u>15,976</u>	<u>10,050</u>	<u>5,926</u>
Net change in fund balance	-	-	(10,050)	(10,050)
Available fund balance, July 1	<u>-</u>	<u>-</u>	<u>10,050</u>	<u>10,050</u>
Available fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
State sources	\$ -	\$ -	\$ 8,000	\$ 8,000
Total revenues	-	-	8,000	8,000
Expenditures				
Support services				
Students	-	-	4,000	(4,000)
Total expenditures	-	-	4,000	(4,000)
Net change in fund balance	-	-	4,000	4,000
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ 4,000	\$ 4,000

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SB622 SCHOOL TECHNOLOGY (BUDGET BASIS)
For the Year Ended
June 30, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Support services				
Central activities	38,000	38,000	-	38,000
Total expenditures	38,000	38,000	-	38,000
Net change in fund balance	(38,000)	(38,000)	-	38,000
Available fund balance, July 1	38,000	38,000	37,775	(225)
Available fund balance, June 30	\$ -	\$ -	\$ 37,775	\$ 37,775

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, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 223,525	\$ 223,525	\$ 273,316	\$ 49,791
Total revenues	<u>223,525</u>	<u>223,525</u>	<u>273,316</u>	<u>49,791</u>
Expenditures				
Instruction				
Special programs	<u>194,902</u>	<u>194,902</u>	<u>265,498</u>	<u>(70,596)</u>
Total expenditures	<u>194,902</u>	<u>194,902</u>	<u>265,498</u>	<u>(70,596)</u>
Net change in fund balance	28,623	28,623	7,818	(20,805)
Available fund balance, July 1, before restatement	109,169	109,169	-	(109,169)
Restatement, see note 13	-	-	87,893	87,893
Available fund balance, July 1, after restatement	<u>109,169</u>	<u>109,169</u>	<u>87,893</u>	<u>(21,276)</u>
Available fund balance, June 30	<u>\$ 137,792</u>	<u>\$ 137,792</u>	<u>\$ 95,711</u>	<u>\$ (42,081)</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, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 260,000	\$ 260,000	\$ 215,950	\$ (44,050)
State sources	16,000	16,000	17,250	1,250
Federal sources	1,140,000	1,140,000	1,268,906	128,906
Total revenues	<u>1,416,000</u>	<u>1,416,000</u>	<u>1,502,106</u>	<u>86,106</u>
Expenditures				
Food services	<u>1,567,196</u>	<u>1,567,196</u>	<u>1,392,350</u>	<u>174,846</u>
Total expenditures	<u>1,567,196</u>	<u>1,567,196</u>	<u>1,392,350</u>	<u>174,846</u>
Net change in fund balance	(151,196)	(151,196)	109,756	260,952
Available fund balance, July 1	<u>350,000</u>	<u>350,000</u>	<u>748,263</u>	<u>398,263</u>
Available fund balance, June 30	<u>\$ 198,804</u>	<u>\$ 198,804</u>	<u>\$ 858,019</u>	<u>\$ 659,215</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - EQUIPMENT REPLACEMENT FUND (BUDGET BASIS)
For the Year Ended
June 30, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Support services				
Business services	30,000	30,000	-	30,000
Central activities	58,000	58,000	-	58,000
Total expenditures	88,000	88,000	-	88,000
Net change in fund balance	(88,000)	(88,000)	-	88,000
Available fund balance, July 1	88,000	88,000	87,749	(251)
Available fund balance, June 30	\$ -	\$ -	\$ 87,749	\$ 87,749

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TECHNOLOGY FUND (BUDGET BASIS)
For the Year Ended
June 30, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Facilities acquisition and construction	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Transfers in (out)	43,000	43,000	43,000	-
Total other financing sources (uses)	43,000	43,000	43,000	-
Net change in fund balance	43,000	43,000	43,000	-
Available fund balance, July 1	25,000	25,000	25,000	-
Available fund balance, June 30	<u>\$ 68,000</u>	<u>\$ 68,000</u>	<u>\$ 68,000</u>	<u>\$ -</u>

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, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 900	\$ 900	\$ 1,032	\$ 132
Total revenues	900	900	1,032	132
Expenditures				
Facilities acquisition and construction	175,400	175,400	49,460	125,940
Total expenditures	175,400	175,400	49,460	125,940
Net change in fund balance	(174,500)	(174,500)	(48,428)	126,072
Available fund balance, July 1	174,500	174,500	187,877	13,377
Available fund balance, June 30	\$ -	\$ -	\$ 139,449	\$ 139,449

MAJOR CAPITAL PROJECTS FUND

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BOND PROJECTS (BUDGET BASIS)
For the Year Ended
June 30, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 27,230	\$ 27,230	\$ 68,359	\$ 41,129
Total revenues	<u>27,230</u>	<u>27,230</u>	<u>68,359</u>	<u>41,129</u>
Expenditures				
Facilities acquisition and construction	<u>17,654,755</u>	<u>17,654,755</u>	<u>12,377,067</u>	<u>5,277,688</u>
Total expenditures	<u>17,654,755</u>	<u>17,654,755</u>	<u>12,377,067</u>	<u>5,277,688</u>
Net change in fund balance	(17,627,525)	(17,627,525)	(12,308,708)	5,318,817
Available fund balance, July 1	<u>17,627,525</u>	<u>17,627,525</u>	<u>17,105,557</u>	<u>(521,968)</u>
Available fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,796,849</u>	<u>\$ 4,796,849</u>

MAJOR DEBT SERVICE FUND

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, 2012

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ 905,590	\$ 905,590	\$ 904,830	\$ (760)
Local sources	6,000	6,000	7,364	1,364
Federal sources	974,950	974,950	974,950	-
Total revenues	<u>1,886,540</u>	<u>1,886,540</u>	<u>1,887,144</u>	<u>604</u>
Expenditures				
Support services				
Business services	135	135	125	10
Debt service				
Interest	<u>1,033,040</u>	<u>1,033,040</u>	<u>1,033,040</u>	<u>-</u>
Total expenditures	<u>1,033,175</u>	<u>1,033,175</u>	<u>1,033,165</u>	<u>10</u>
Net change in fund balance	853,365	853,365	853,979	614
Available fund balance, July 1	<u>817,500</u>	<u>817,500</u>	<u>845,168</u>	<u>27,668</u>
Available fund balance, June 30	<u><u>\$ 1,670,865</u></u>	<u><u>\$ 1,670,865</u></u>	<u><u>\$ 1,699,147</u></u>	<u><u>\$ 28,282</u></u>

OTHER FINANCIAL SCHEDULES

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF CASH, CASH ITEMS, INVESTMENTS, AND COLLATERAL SECURITY
June 30, 2012

	All Funds	Total
Cash and cash items		
Sterling Savings Bank		
Demand accounts	\$ 1,759,917	
Total Sterling Savings Bank		\$ 1,759,917
Bank of the West		
Demand accounts	2,000	
Total Bank of the West		2,000
Bank of America		
Demand accounts	16,818	
Total Bank of America		16,818
JP Morgan Chase Bank		
Demand accounts	4,236	
Total JP Morgan Chase Bank		4,236
Intermountain Community Bank		
Demand accounts	3,563,519	
Total Intermountain Community Bank		3,563,519
U.S. Bank, N.A.		
Demand accounts	2,038	
Total U.S. Bank, N.A.		2,038
Total cash with banks		5,348,528
Cash-on-hand		1,370
Total cash and cash items		5,349,898
Investments		
Oregon State Treasury Local Government Investment Pool***		10,039,075
Total net investments		15,388,973
Total cash, cash items and investments		\$ 15,388,973

(Continued on next page)

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF CASH, CASH ITEMS, INVESTMENTS, AND COLLATERAL SECURITY
June 30, 2012

Collateral security			
*	Sterling Savings Bank - FDIC	** \$	250,000
*	Bank of the West - FDIC		250,000
*	Bank of America - 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	\$	<u>1,500,000</u>

** 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
SCHEDULE OF PROPERTY TAX TRANSACTIONS
For the Year Ended
June 30, 2012

GENERAL FUND

Tax Year	Uncollected Taxes June 30, 2011	Current Assessment	(Abatement) and Adjustments	Rebates Allowed	Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes June 30, 2012
2011-12		\$ 3,626,758	\$ -	\$ (89,085)	\$ 1,525	\$ 3,339,825	\$ 3,341,350	\$ 197,848
2010-11	\$ 205,489	-	(9,916)	-	4,832	98,617	103,449	96,956
2009-10	95,451	-	(3,857)	108	5,306	35,350	40,656	56,352
2008-09	53,510	-	(322)	-	6,436	30,815	37,251	22,373
2007-08	24,838	-	(203)	-	5,729	23,212	28,941	1,423
2006-07	1,223	-	(264)	-	80	252	332	707
2005-06	696	-	(146)	-	114	279	393	271
2004-05	170	-	-	-	-	-	-	170
2003-04	103	-	-	-	-	-	-	103
2002-03	158	-	-	-	25	57	82	101
2001-02	65	-	(19)	-	25	46	71	-
	<u>\$ 381,703</u>	<u>\$ 3,626,758</u>	<u>\$ (14,727)</u>	<u>\$ (88,977)</u>	<u>\$ 24,072</u>	<u>\$ 3,528,453</u>	<u>\$ 3,552,525</u>	<u>\$ 376,304</u>

BOND DEBT SERVICE FUND

Tax Year	Uncollected Taxes June 30, 2011	Current Assessment	(Abatement) and Adjustments	Rebates Allowed	Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes June 30, 2012
2011-12		\$ 968,261	\$ -	\$ (23,784)	\$ 20	\$ 891,656	891,676	52,821
2010-11	\$ 53,821	-	(2,597)	-	1,266	25,830	27,096	25,394
	<u>\$ 53,821</u>	<u>\$ 968,261</u>	<u>\$ (2,597)</u>	<u>\$ (23,784)</u>	<u>\$ 1,286</u>	<u>\$ 917,486</u>	<u>\$ 918,772</u>	<u>\$ 78,215</u>

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, 2012

	Migrant Title IC	Migrant Summer School	Migrant Preschool Program	Title IA Grant	School Improvement Grants
Revenues					
Federal sources	\$ 348,168	\$ 294,074	\$ 40,024	\$ 1,291,752	\$ 1,247,242
Total revenues	<u>348,168</u>	<u>294,074</u>	<u>40,024</u>	<u>1,291,752</u>	<u>1,247,242</u>
Expenditures					
Instruction					
Regular programs	-	-	39,176	138,632	288,960
Special programs	145,080	-	-	716,820	40,693
Adult / continuing ed programs	-	-	-	-	11,311
Summer school programs	(5,088)	231,415	-	2,305	35,376
Support services					
Students	174,408	12,083	-	90,353	21,660
Improvement of instruction	7,400	3,556	-	278,196	741,902
School administration	-	2,661	-	-	111,574
Business services	5,426	38,535	407	4,073	9,732
Central activities	20,882	1,956	-	8,726	18,337
Food services	60	-	-	-	-
Total expenditures	<u>348,168</u>	<u>290,206</u>	<u>39,583</u>	<u>1,239,105</u>	<u>1,279,545</u>
Net change in fund balances	-	3,868	441	52,647	(32,303)
Available fund balances, July 1, before restatement	-	(3,868)	(441)	(50,429)	18,275
Restatement, see note 13	-	-	-	(2,628)	2,628
Available fund balances, July 1, after restatement	-	(3,868)	(441)	(53,057)	20,903
Available fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (410)</u>	<u>\$ (11,400)</u>

See accompanying independent auditor's report.

Title II D	Title III	IDEA	Effective Behavioral & Instructional Support Systems	Title VI (B) Innovative Rural Ed	Title II A	Totals
\$ 5,528	\$ 79,109	\$ 400,333	\$ 14,873	\$ 54,687	\$ 224,724	\$ 4,000,514
5,528	79,109	400,333	14,873	54,687	224,724	4,000,514
-	-	-	3,309	-	-	470,077
-	16,659	364,395	-	-	-	1,283,647
-	-	-	-	-	-	11,311
-	-	-	-	-	-	264,008
-	36	708	-	-	-	299,248
1,365	55,331	24,921	11,564	52,076	213,041	1,389,352
-	-	-	-	-	-	114,235
-	4,768	-	-	-	-	62,941
-	-	-	-	-	-	49,901
-	-	-	-	-	-	60
1,365	76,794	390,024	14,873	52,076	213,041	3,944,780
4,163	2,315	10,309	-	2,611	11,683	55,734
(4,192)	(2,315)	(10,536)	-	(2,433)	(11,683)	(67,622)
29	-	-	-	-	-	29
(4,163)	(2,315)	(10,536)	-	(2,433)	(11,683)	(67,593)
\$ -	\$ -	\$ (227)	\$ -	\$ 178	\$ -	\$ (11,859)

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
For the year Ended
June 30, 2012

<u>Public utilities</u>		
Idaho Power Co.	\$ 37,979,990	4.11%
Union Pacific Railroad Co.	5,315,004	0.57%
<u>All other taxpayers</u>	<u>763,564,169</u>	<u>78.75%</u>
Total assessed value	<u><u>\$ 969,593,027</u></u>	<u>100.00%</u>

Summary of General Fund Oregon State Revenue:

	State Sources	State Sources as % of Total Revenues	Total Revenues
2002-2003	\$ 14,206,287	46.13%	\$ 30,799,275
2003-2004	16,503,849	67.80%	24,341,444
2004-2005	15,466,218	64.52%	23,971,275
2005-2006	16,676,502	65.10%	25,616,751
2006-2007	17,711,801	66.44%	26,659,580
2007-2008	19,098,457	68.61%	27,835,888
2008-2009	17,923,941	66.56%	26,928,911
2009-2010	16,743,852	62.42%	26,823,801
2010-2011	15,992,623	68.99%	23,180,488
2011-2012	17,468,531	70.05%	24,938,258

Computation of legal debt margin:

	Debt Limit	Net Bonded Debt	Legal Debt Margin
2002-2003	\$ 72,393,242	\$ 9,499,705	\$ 62,893,537
2003-2004	76,306,712	9,487,934	66,818,778
2004-2005	76,300,508	9,043,825	67,256,683
2005-2006	79,803,590	9,363,089	70,440,501
2006-2007	95,446,003	9,270,644	86,175,359
2007-2008	169,258,994	9,174,157	160,084,837
2008-2009	185,521,901	9,044,664	176,477,237
2009-2010	204,223,185	8,909,629	195,313,556
2010-2011	217,206,188	26,415,913	190,790,275
2011-2012	213,895,923	25,369,228	188,526,695

(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	3.00%
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, 2012

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 600
Revenue from Local Sources					
1110 Ad Valorem Taxes	\$ 3,498,305	\$ -	\$ 904,830	\$ -	\$ -
1120 Local Option Taxes	-	-	-	-	-
1190 Penalties and Interest	9	-	-	-	-
1200 Revenue from Local Government Other Than District	64,185	-	-	-	-
1310 Regular Tuition	2,818	-	-	-	-
1320 Adult/Continuing Ed Tuition	-	-	-	-	-
1330 Summer School Tuition	-	-	-	-	-
1400 Transportation Fees	4,345	-	-	-	-
1500 Earnings on Investments	39,810	-	9,359	69,391	1,199
1600 Food Services	-	203,679	-	-	-
1700 Extracurricular Activities	51,590	273,316	-	-	-
1800 Community Services Activities	-	-	-	-	-
1910 Rentals	2,800	-	-	-	-
1920 Contributions and Donations	-	-	-	-	-
1930 Rental or Lease Payments from Private Contractors	-	-	-	-	-
1940 Services Provided Other LEAs	1,000	-	-	-	-
1950 Textbook Sales and Rentals	-	-	-	-	-
1960 Recovery of Prior Years' Expenditures	-	-	-	-	-
1970 Services Provided Other Funds	-	-	699,188	-	187,272
1980 Fees Charged to Grants	168,262	-	-	-	-
1990 Miscellaneous	108,407	24,873	-	-	-
Total Revenue from Local Sources	3,941,531	501,868	1,613,377	69,391	188,471
Revenue from Intermediate Sources					
2101 County School Funds	2,467	-	-	-	-
2102 ESD Apportionment	10,000	-	-	-	-
2105 Natural Gas, Oil and Mineral Receipts	-	-	-	-	-
2199 Other Intermediate Sources	-	-	-	-	-
2200 Restricted Revenue Intermediate Sources	-	-	-	-	-
2800 Revenue in Lieu of Taxes	-	-	-	-	-
2900 Revenue for/on Behalf of District	-	-	-	-	-
Total Revenue from Intermediate Sources	12,467	-	-	-	-
Revenue from State Sources					
3101 State School Fund - General Support	16,613,295	-	-	-	-
3102 State School Fund - Lunch Match	-	13,276	-	-	-
3103 Common School Fund	223,710	-	-	-	-
3104 State Managed Timber	-	-	-	-	-
3199 Other Unrestricted Grants - State	-	-	-	-	-
3204 Driver Education	-	-	-	-	-
3222 SSSF Transportation	-	-	-	-	-
3299 Other Restricted Grants - State	631,526	17,374	-	-	-
3800 State Revenue in Lieu of Taxes	-	-	-	-	-
3900 State Revenue for/on Behalf of District	-	-	-	-	-
Total Revenue from State Sources	17,468,531	30,650	-	-	-
Revenue from Federal Sources					
4300 Restricted Revenue Direct from Federal Government	-	-	-	-	-
4500 Restricted Revenue from Federal Government Through the State	526,169	5,186,464	974,950	-	-
4900 Revenue for/on Behalf of the District	-	82,956	-	-	-
Total Revenue from Federal Sources	526,169	5,269,420	974,950	-	-
Revenue from Other Sources					
5100 Long-term Debt Financing	-	-	665,000	-	-
5200 Interfund Transfers	-	6,600	-	43,000	-
5300 Sale of or Compensation for Loss of Fixed Assets	-	-	-	-	-
5400 Beginning Fund Balance	2,989,560	821,580	846,650	17,406,183	94,289
Total Revenue from Other Sources	2,989,560	828,179	1,511,650	17,449,183	94,289
Grand Totals	\$ 24,938,258	\$ 6,630,117	\$ 4,099,977	\$ 17,518,574	\$ 282,760

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
GENERAL FUND
For the Year Ended
June 30, 2012

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	\$ 2,286,625	\$ 1,278,277	\$ 28,143	\$ 125,615	\$ 1,470	\$ -	\$ -	\$ 3,720,130
1113 Elementary extracurricular	-	-	-	-	-	-	-	-
1121 Middle and junior high programs	1,402,001	759,850	10,767	148,641	-	-	-	2,321,259
1122 Middle and junior high school extracurricular	55,028	17,411	6,049	3,646	-	-	-	82,134
1131 High school programs	1,762,069	969,384	26,746	99,529	-	603	-	2,858,331
1132 High school extracurricular	169,653	59,596	53,239	16,884	-	6,273	-	305,645
1210 Programs for talented and gifted	6,766	2,389	40	-	-	-	-	9,195
1226 Home instruction	-	-	-	-	-	-	-	-
1233 Other designated programs	-	-	-	-	-	-	-	-
1250 Resource rooms	967,161	575,833	5,633	4,510	1,725	-	-	1,554,862
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title 1A/D	-	3,342	-	-	-	-	-	3,342
1283 District alternative programs	44,536	22,008	-	-	-	-	-	66,544
1288 Charter School	-	-	1,714,387	-	-	-	-	1,714,387
1291 English second language programs	350,911	185,874	-	1,581	-	-	-	538,366
1292 Teen parent programs	-	-	-	-	-	-	-	-
1299 Other programs	-	-	-	-	-	-	-	-
1430 High school summer school programs	-	-	-	-	-	-	-	-
Total 1000 instruction	7,044,750	3,873,964	1,845,004	400,406	3,195	6,876	-	13,174,195
2000 Support services								
2110 Attendance and social work services	-	168	-	-	-	-	-	168
2115 Student safety	2,534	34	109,354	-	-	-	-	111,922
2117 Identification and recruitment of migrant children	-	138	-	-	-	-	-	138
2122 Counseling services	190,863	105,629	4,444	3,580	-	-	-	304,516
2134 Nurse services	-	-	38,621	-	-	-	-	38,621
2139 Other health services	-	-	-	462	-	-	-	462
2190 Student direction support	65,588	31,791	1,289	338	-	-	-	99,006
2213 Curriculum development	51,267	19,727	2,290	2,789	-	-	-	76,073
2219 Other improvement of instruction services	-	-	-	-	-	-	-	-
2222 Library media center	103,663	78,560	-	13,776	-	-	-	195,999
2223 Multimedia services	-	-	1,200	829	-	-	-	2,029
2230 Assessment and testing	106,050	56,574	9,454	1,574	-	-	-	173,652
2240 Instructional staff development	53,860	13,702	7,010	545	-	-	-	75,117
2310 Board of education	-	-	38,530	9,670	-	43,576	-	91,776
2321 Office of the superintendent services	168,139	86,666	6,243	2,494	-	1,189	-	264,731
2410 Office of the principal	978,440	516,937	19,104	23,723	-	9,655	-	1,547,859
2490 Other support services-school administration	49,823	29,140	-	-	-	-	-	78,963
2521 Fiscal services	81,803	37,807	40,977	9,238	-	1,107	-	170,932
2524 Payroll services	43,770	26,641	-	-	-	-	-	70,411
2525 Financial accounting services	23,137	16,920	-	-	-	-	-	40,057
2541 Operation and maintenance of plant services	61,595	38,345	-	-	-	-	-	99,940
2542 Care and upkeep of building services	604,570	379,706	582,102	108,186	22,373	81,395	-	1,778,332
2543 Care and upkeep of grounds	44,377	15,801	7,620	21,018	-	158	-	88,974
2551 Student transportation services	89,659	48,524	-	-	-	-	-	138,183
2552 Vehicle operation services	314,925	156,917	(32,897)	183,185	155,072	31,324	-	808,526
2559 Other student transportation services	-	-	31,346	-	-	-	-	31,346
2573 Warehouse and distribution	19,669	13,287	-	-	-	-	-	32,956
2620 Planning, research, development services	-	-	-	-	-	-	-	-
2626 Grant writing	-	-	-	-	-	-	-	-
2630 Information services	21,997	489	-	-	-	-	-	22,486
2633 Public information services	-	-	6,162	-	-	-	-	6,162
2640 Staff services	-	-	895	-	-	-	-	895
2641 Staff services-service area direction	84,933	49,243	5,837	2,208	-	1,860	-	144,081
2660 Technology services	306,718	177,274	29,694	285,844	37,780	-	-	837,310
2700 Supplemental retirement program	159,950	8,608	-	-	-	-	-	168,558
Total 2000 support services	3,627,330	1,908,460	909,275	669,459	215,225	170,264	-	7,500,181
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	-	-	-	-	-	-	49,600	49,600
Total 5000 other uses	-	-	-	-	-	-	49,600	49,600
6000 Contingencies								
6110 Operating contingency	-	-	-	-	-	-	-	-
Total 6000 contingencies	-	-	-	-	-	-	-	-
Total expenditures	\$ 10,672,080	\$ 5,782,424	\$ 2,754,279	\$ 1,069,865	\$ 218,420	\$ 177,140	\$ 49,600	\$ 20,723,976

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
SPECIAL REVENUE FUNDS
For the Year Ended
June 30, 2012

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	\$ 94,538	\$ 54,822	\$ -	\$ 5,938	\$ -	\$ 1,552	\$ -	\$ 156,850
1113 Elementary extracurricular	-	-	-	-	-	-	-	-
1121 Middle and junior high programs	-	-	-	3,409	-	-	-	3,409
1122 Middle and junior high school extracurricular	-	-	-	-	-	-	-	-
1131 High school programs	12,055	2,865	36,640	164,810	12,081	47,419	-	275,870
1132 High school extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten programs	26,738	8,995	-	1,482	-	1,961	-	39,176
1210 Programs for talented and gifted	-	-	-	-	-	-	-	-
1226 Home instruction	-	-	-	-	-	-	-	-
1233 Other designated programs	-	-	-	-	-	-	-	-
1250 Resource rooms	185,615	142,711	238	20,534	-	15,296	-	364,394
1271 Remedial programs	61,272	19,265	4,815	4,270	13,000	-	-	102,622
1272 Title I	328,483	198,047	968	-	-	50,821	-	578,319
1283 District alternative programs	-	-	-	-	-	-	-	-
1288 Charter school	-	-	76,572	-	-	-	-	76,572
1291 English second language programs	10,457	3,387	-	1,769	-	1,046	-	16,659
1292 Teen parent programs	-	-	-	-	-	-	-	-
1293 Migrant	61,124	24,894	12,181	15,506	-	31,376	-	145,081
1299 Other programs	7,500	2,480	-	265,870	-	-	-	275,850
1300 Adult Education	3,733	1,181	5,576	821	-	-	-	11,311
1400 Summer school	-	-	-	-	-	-	-	-
1420 Middle school	7,230	2,498	-	2,305	-	-	-	12,033
1430 High school	23,865	7,934	-	3,577	-	-	-	35,376
1440 Primary, K-3 program	141,623	43,979	-	17,829	-	13,168	-	216,599
Total 1000 instruction	964,233	513,058	136,990	508,120	25,081	149,471	-	2,310,121
2000 Support services								
2110 Social services	6,211	3,754	-	-	-	-	-	9,965
2117 Identification and recruitment	66,318	36,315	4,011	-	-	-	-	106,644
2122 Counseling services	13,198	4,777	600	4,351	-	2,734	-	25,660
2139 Other health services	-	-	1,886	-	-	-	-	1,886
2190 Student direction support	104,149	52,526	954	1,344	-	120	-	159,093
2213 Curriculum development	674,829	351,914	7,210	3,211	-	9,666	-	1,046,830
2219 Improvement of instruction services	19,766	5,890	-	831	-	-	-	26,487
2222 Library media center	1,361	454	1,740	-	-	-	-	3,555
2230 Assessment and testing	1,712	488	-	-	-	-	-	2,200
2240 Instructional staff development	160,703	52,536	61,939	39,775	-	1,705	-	316,658
2410 Office of the principal	68,281	28,273	14,341	3,340	-	-	-	114,235
2541 Service area direction	466	163	-	-	-	-	-	629
2542 Care and upkeep of building services	11,208	3,783	4,800	-	-	-	-	19,791
2551 Service area direction	3,313	1,142	-	-	-	-	-	4,455
2552 Vehicle operation services	8,991	3,076	25,999	-	-	-	-	38,066
2626 Grant writing	-	-	-	-	-	-	-	-
2630 Parent center coordinator	34,026	11,546	212	4,117	-	-	-	49,901
2660 Technology services	-	-	-	-	-	-	-	-
Total 2000 support services	1,174,534	556,638	123,692	56,969	-	14,225	-	1,926,055
3000 Enterprise and community services								
3110 Food services director	74,184	36,892	1,675	(389)	-	-	-	112,362
3120 Food preparation	286,130	190,649	30,398	669,778	64,625	-	-	1,241,580
3130 Food delivery	21,193	13,759	110	3,406	-	-	-	38,468
Total 3000 enterprise and community	381,507	241,300	32,183	672,795	64,625	-	-	1,392,410
4000 Facilities acquisition and construction								
Total 4000 facilities acquisition	-	-	-	-	-	-	-	-
and construction	-	-	-	-	-	-	-	-
Total expenditures	\$ 2,520,274	\$ 1,310,996	\$ 292,865	\$ 1,237,885	\$ 89,706	\$ 163,696	\$ -	\$ 5,628,586

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
DEBT SERVICE FUNDS
For the Year Ended
June 30, 2012

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	\$ -	\$ -	\$ 6,650	\$ -	\$ -	\$ 13,836	\$ -	\$ 20,486
2649 Other staff services	-	-	121	-	-	-	-	121
Total 2000 support services	-	-	6,771	-	-	13,836	-	20,607
5000 Other uses								
5110 Long-term debt service	-	-	-	-	-	2,317,339	-	2,317,339
Total 5000 other uses	-	-	-	-	-	2,317,339	-	2,317,339
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,331,175</u>	<u>\$ -</u>	<u>\$ 2,337,946</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
CAPITAL PROJECTS FUNDS
For the Year Ended
June 30, 2012

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total
4000 Facilities acquisition and construction							
4150 Building acquisition, construction and improvement services	\$ -	\$ -	\$ 471,759	\$ 298	\$ 11,921,982	\$ 32,488	\$ 12,426,527
Total 4000 facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>471,759</u>	<u>298</u>	<u>11,921,982</u>	<u>32,488</u>	<u>12,426,527</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 471,759</u>	<u>\$ 298</u>	<u>\$ 11,921,982</u>	<u>\$ 32,488</u>	<u>\$ 12,426,527</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
INTERNAL SERVICE FUND
For the Year Ended
June 30, 2012

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	\$ -	\$ 53,846	\$ -	\$ -	\$ -	\$ -	\$ 53,846
Total 2000 support services	-	53,846	-	-	-	-	53,846
Total expenditures	\$ -	\$ 53,846	\$ -	\$ -	\$ -	\$ -	\$ 53,846

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, 2012

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

	Objects 325 & 326
Function 2540	\$ 407,790
Function 2550	6,825

- 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

\$ -

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 the basic financial statements of Ontario School District No. 8C as of and for the year ended June 30, 2012, and have issued our report thereon dated December 31, 2012. 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.

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 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, 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.

OAR 162-10-230 Internal Control

In planning and performing our audit, we considered Ontario School District No. 8C's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ontario School District No. 8C's internal control over financial reporting.

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 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 district's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management of Ontario School District No. 8C in a separate letter dated December 31, 2012.

This report is intended solely for the information and use of the board directors, management, others within the district, the Oregon Secretary of State, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Oster Professional Group, CPA's, PC

By 

Burns, Oregon
December 31, 2012

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON
June 30, 2012

Oregon Administration Rules 162-10-200 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the secretary of state in cooperation with the Oregon State Board of Accountancy, require certain comments and disclosures relating to the audit of fiscal affairs and compliance with legal requirements. Comments relating to significant accounting policies, organization, fund structure, cash security and investments are included in the notes to financial statements. Other required comments and disclosures relating to this audit are set forth below.

Accounting Systems and Control Structure

The organizational structure of the district provides sound accounting policies for maintaining an adequate and effective system of accountability and responsibility of funds. The accounting records are being maintained in a satisfactory manner, which offers an adequate system of reporting to interested parties and compliance with legal requirements. We noted however, that the school secretaries perform certain functions incompatible with preferred internal control procedures, such as recording revenues, signing checks and performing account reconciliations for the student body funds.

Where possible the district has maintained a plan of organization encompassing methods and measures on internal control to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and carry out board policies. We believe an adequate and effective method of internal control is maintained within the limits afforded by a small office staff.

As we have stated in the following report on compliance and on internal control over financial reporting in accordance with *Government Auditing Standards*, we do not express an opinion on the district's effectiveness in those areas. However, we did note certain matters that we reported to management in a separate letter dated December 31, 2012.

Indebtedness

Our review disclosed no conditions which we considered to be matters of noncompliance with the statutory and charter requirements relating to debt.

Budgets

Our review of the 2011-2012 and 2012-2013 budgets indicate the district has substantially complied with local budget law during the preparation and adoption of those budgets. The district appropriates its budget at the function level for legal purposes. During the year ended June 30, 2012, we noted some minor procedural violations. In addition, there were also the following budget violations due to overexpenditure:

Debt Service Funds	
Other uses	\$632,665
Support services	20,347
Student Body Fund	
Instruction	\$ 70,596

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON
June 30, 2012

Insurance and Fidelity Bond Coverage

We have examined the policies relating to insurance and fidelity bond coverages and ascertained such policies appear to be in force and that they appear to satisfy bond ordinances and other provisions. The district has complied with the provisions of Oregon statutes in respect to bonding of board members and employees. We are not competent, by training, to state whether the insurance policies in force at June 30, 2012 provide adequate coverage. We understand that the coverages are reviewed periodically with the district's agent of record and that such reviews have been made recently.

Programs Funded from Outside Sources

We have audited the records and financial reports for district grants and made such tests, to the extent deemed appropriate, for the programs in which the district participates. Based on our audit, we found that for the items tested, Ontario School District No. 8C complied with the material terms and conditions of the federal and state grant contracts and agreements. Further, based on our audit, nothing came to our attention to indicate that Ontario School District No. 8C had not complied with the material terms and conditions of federal and state grant contracts and agreements which were not specifically tested. Each grant is subject to audit by the grantor agency and any adjustments may become a liability of the appropriate fund.

Public Contracts and Purchasing

Our review of district operations indicates the district complies with state statutes relating to public contracting.

Collateral

Ontario School District No. 8C bank balances of deposit at June 30, 2012, were entirely insured or collateralized with the Federal Deposit Insurance Corporation or invested in approved financial institutions. The balances throughout the year were in compliance with Oregon Revised Statute 295.

Investments

We have reviewed the district's compliance with state statutes regarding the investment of surplus public funds. Our review disclosed no conditions that we considered being matters of noncompliance.

Highway Funds

During the fiscal year ended June 30, 2012, the district did not receive state highway funds.

State School Fund

We have reviewed average daily membership and other information supplied to the State of Oregon Department of Education. We find that the district is substantially compliant with legal requirements as stated in ORS 327.013 and as further defined by the Oregon State Department of Education pertaining to the district's calculation and reporting of the factors used to compute the State School Fund distribution.

OREGON AUDITS DIVISION SUMMARY OF REVENUES AND EXPENDITURES

Name of Municipal Corporation Ontario School District No. 8C

Address Ontario, Malheur County, Oregon 97914

Period Covered by Audit Report: From July 1, 2011 to June 30, 2012

Total Revenues and/or Receipts - All Funds		\$ 30,637,837
Less:		
Revenues of Component Units included in report	-	
Taxes, assessments and other collections to be distributed to other governmental units	-	-
Net Revenues and/or Receipts		\$ 30,637,837
Total Expenditures and/or Disbursements - All Funds		\$ 28,967,997
Less:		
Expenditures of Component Units included in report	-	
Turnovers to other municipal corporations		
Taxes and Assessments	-	
Other Distributions	-	
Net Expenditures and/or Disbursements		\$ 28,967,997

The above information is based upon the revenues and expenditures/expenses for all funds of the municipal corporation on the basis of accounting used in the audited or reviewed financial statements.

Auditor/Firm Signature 

PLEASE ENCLOSE PAYMENT WITH SUMMARY

Over	Not Over	Fee	ORS 297.485 (1)
\$ 50,000	\$ 50,000	\$ 20	
150,000	150,000	40	
500,000	500,000	150	
1,000,000	1,000,000	200	
5,000,000	5,000,000	250	
10,000,000	10,000,000	300	
50,000,000	50,000,000	350	
		400	
			...The filing fee shall be determined by the total expenditures made by the municipal corporation for any and all purposes during the calendar or fiscal year audited, <u>except</u> that expenditures for principal of bonded debt, principal of short-term loans, principal of warrants redeemed which were issued during prior audit periods, transfers or loans between funds and turnovers of taxes or other trust moneys to other municipal corporations shall not be included in the total expenditures upon which the amount of the fee is based.
			(Net Expenditures and/or Disbursements)

Within 30 days after submitting the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Division of Audits, Salem, Oregon 97310, and one copy must be delivered to the municipal corporation.

For Use by Division of Audits

Account Code _____ Firm Code _____ Filing Fee _____

1 1 5 2 17 5 10 4 1 10 1 1 10 1 1

ONTARIO SCHOOL DISTRICT NO. 8C

SINGLE AUDIT

For the Year Ended June 30, 2012

ONTARIO SCHOOL DISTRICT NO. 8C
SINGLE AUDIT
June 30, 2012

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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, 2012

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA 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						
Child Nutrition Programs-Commodity Distribution	10.555	\$ -	\$ 82,956	\$ -	\$ 82,956	\$ 82,956
National School Lunch Program, School Breakfast	10.553	(30,036)	341,304	-	311,268	311,268
National School Lunch Program, Sec 4 and 11	10.555	(71,908)	818,345	-	746,437	746,437
Summer Food Service Program	10.559	(38,233)	40,663	39,722	42,152	42,152
Fresh Fruit and Vegetable Program	10.582	(20,818)	95,538	11,374	86,094	86,094
Total Department of Agriculture		(160,995)	1,378,806	51,096	1,268,907	1,268,907
<u>U.S. Department of Education</u>						
Passed through Oregon Department of Education						
Elementary and Secondary Education Act - Title IA	* 84.010	(330,168)	1,369,110	349,011	1,387,953	1,351,075
Elementary and Secondary Education Act - Migrant Education	84.011	(73,610)	569,277	186,599	682,266	677,957
Individuals with Disabilities Education Act, Part B	* 84.027	(113,596)	404,653	108,892	399,949	390,024
Elementary and Secondary Education Act-Title IID, Enhancing Ed Thru Tech	84.318	(381)	381	-	-	-
State Personnel Development Grant	84.323	(828)	14,881	820	14,873	14,873
Elementary and Secondary Education Act-Title VI, Part B, Rural Education Act	84.358	(19,326)	74,013	-	54,687	52,076
Elementary and Secondary Education Act-Title III-English Acquisition Grant	84.365	(34,283)	93,666	19,727	79,109	76,794
Elementary and Secondary Education Act-Title IIA, Improving Teacher Quality	84.367	(57,529)	241,090	41,163	224,724	213,041
Elementary and Secondary Education Act-Title I, School Improvement	84.377	(268,842)	1,147,606	272,186	1,150,950	1,167,575
Enhancing Ed Thru Tech - ARRA	84.386	(36,322)	41,850	-	5,528	1,365
Title X, Homeless Children and Youth - ARRA	84.387	(967)	967	-	-	-
Title I - Grants to State - ARRA	84.389	(26,172)	26,263	-	91	-
Special Education Grants to States - American Recovery Reinvestment Act	84.391	(130,535)	130,919	-	383	-
State Fiscal Stabilization Fund - American Recovery Reinvestment Act	84.394	(78,667)	78,667	-	-	-
Education Jobs Fund (ARRA)	* 84.410	-	204,756	321,413	526,169	526,169
		(1,171,226)	4,398,099	1,299,811	4,526,682	4,470,949
Total Department of Education		(1,171,226)	4,398,099	1,299,811	4,526,682	4,470,949
Total federal assistance		\$ (1,332,221)	\$ 5,776,905	\$ 1,350,907	\$ 5,795,589	\$ 5,739,856

* 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, 2012

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Ontario School District No. 8C, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note B. 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, 2012 is \$974,950.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

SUMMARY OF AUDITOR'S RESULTS

Type of Report Issued

In our report for Ontario School District No. 8C, our opinion was unqualified.

Significant deficiencies in Internal Control

Our audit of the financial statements of Ontario School District No. 8C did not disclose any significant deficiencies in internal control.

Noncompliance Material to Financial Statements

Our audit of the financial statements of Ontario School District No. 8C did not disclose any noncompliance which is material to the financial statements.

Significant Deficiencies in Internal Control Over Major Programs

Our audit of the financial statements of Ontario School District No. 8C did not disclose any significant deficiencies in internal control over major federal programs.

Type of Report Issued on Compliance for Major Programs

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

Audit Findings

Our audit of Ontario School District No. 8C did not disclose any audit findings that we are required to report in accordance with OMB Circular A-133.

Identification of Major Programs

U.S. Department of Education (passed through Oregon Department of Education)

Title IA	84.010	\$ 1,351,075
Individuals with Disabilities Education Act, Part B	84.027	390,024
Education Jobs Fund	84.410	526,169

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

Type A programs are the programs with total program expended funds of \$300,000 or more.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Risk Classification of Auditee

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

FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Our audit 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 OMB Circular A-133 for the year ended June 30, 2012.

Prior Year Findings

The audit for the year ended June 30, 2011 did not report any findings and questioned costs.

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 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, 2012, which collectively comprise Ontario School District No. 8C's basic financial statements and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ontario School District No. 8C's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ontario School District No. 8C's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ontario School District No. 8C's internal control over financial reporting.

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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the district's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we reported to management of Ontario School District No. 8C, in a separate letter dated December 31, 2012.

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

Oster Professional Group, CPA's, PC

By 

Burns, Oregon
December 31, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Ontario School District No. 8C's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ontario School District No. 8C's management. Our responsibility is to express an opinion on Ontario School District No. 8C's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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. Our audit does not provide a legal determination on Ontario School District No. 8C's compliance with those requirements.

In our opinion, Ontario School District No. 8C, complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Ontario School District No. 8C is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Ontario School District No. 8C's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily 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, as defined above.

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

Oster Professional Group, CPA's, PC

By 

Burns, Oregon
December 31, 2012