

ONTARIO SCHOOL DISTRICT 8C

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

For the Year Ended June 30, 2013

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
June 30, 2013

CONTENTS

PAGE

INTRODUCTORY SECTION

Ontario School District Organization Chart.....	i
Board of Directors and Officials	ii

FINANCIAL SECTION

<i>Independent Auditor's Report</i>	1-3
<i>Management's Discussion and Analysis</i>	4-13
<i>Basic Financial Statements</i>	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds.....	16
Reconciliation of Governmental Funds Balance Sheet to the	
Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in	
Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures	
and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Fund	20
Statement of Revenues, Expenses and Changes in	
Fund Net Position – Proprietary Funds.....	21
Statement of Cash Flows – Proprietary Funds.....	22
Notes to the Basic Financial Statements.....	23-44
<i>Required Supplementary Information</i>	
Schedules of Revenues, Expenditures and Changes in	
Fund Balance – Budget and Actual (Budgetary Basis)	
General Fund	45
Federal Programs Fund.....	46
Notes to the Required Supplementary Information – Budgetary Reporting	47
<i>Other Supplementary Information</i>	
Combining Balance Sheet - Nonmajor Governmental Funds	48
Combining Schedule of Revenues, Expenditures and Changes in Fund	
Balances - Nonmajor Governmental Funds	49
Schedules of Revenues, Expenditures and Changes in	
Fund Balance -Budget and Actual (Budgetary Basis)	
Pension Bond Debt Service	50
Response to Intervention.....	51

FINANCIAL SECTION (CONTINUED)

Other Information (continued)

Schedules of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual (Budgetary Basis)

Lowe's Grant – OHS	52
Lowe's Grant – Aiken Elementary.....	53
Smile Grant.....	54
ASPIRE Grant	55
SB622 School Technology.....	56
Challenge Day.....	57
Goldman Sachs Philanthropic.....	58
Student Body	59
Food Services	60
Equipment Replacement	61
Technology	62
Building Improvement.....	63
<i>Major Capital Projects Fund</i>	
Bond Projects.....	64
<i>Major Debt Service Fund</i>	
Bond Debt Service	65

Other Financial Schedules

Schedule of Cash, Cash Items, Investments and Collateral Security	66-67
Schedule of Property Tax Transactions	68
Combining Schedule of Federal Program Sub-Funds	69
Continuing Disclosures Required for Bonded Debt	70-71
Schedule of District Revenues.....	72
Schedules of Expenditures by Object	
General Fund.....	73
Special Revenue Funds	74
Debt Service Funds	75
Capital Projects Funds.....	76
Internal Service Fund	77
Oregon Department of Education Required Information.....	78

REPORTS REQUIRED BY THE OREGON STATE REGULATIONS

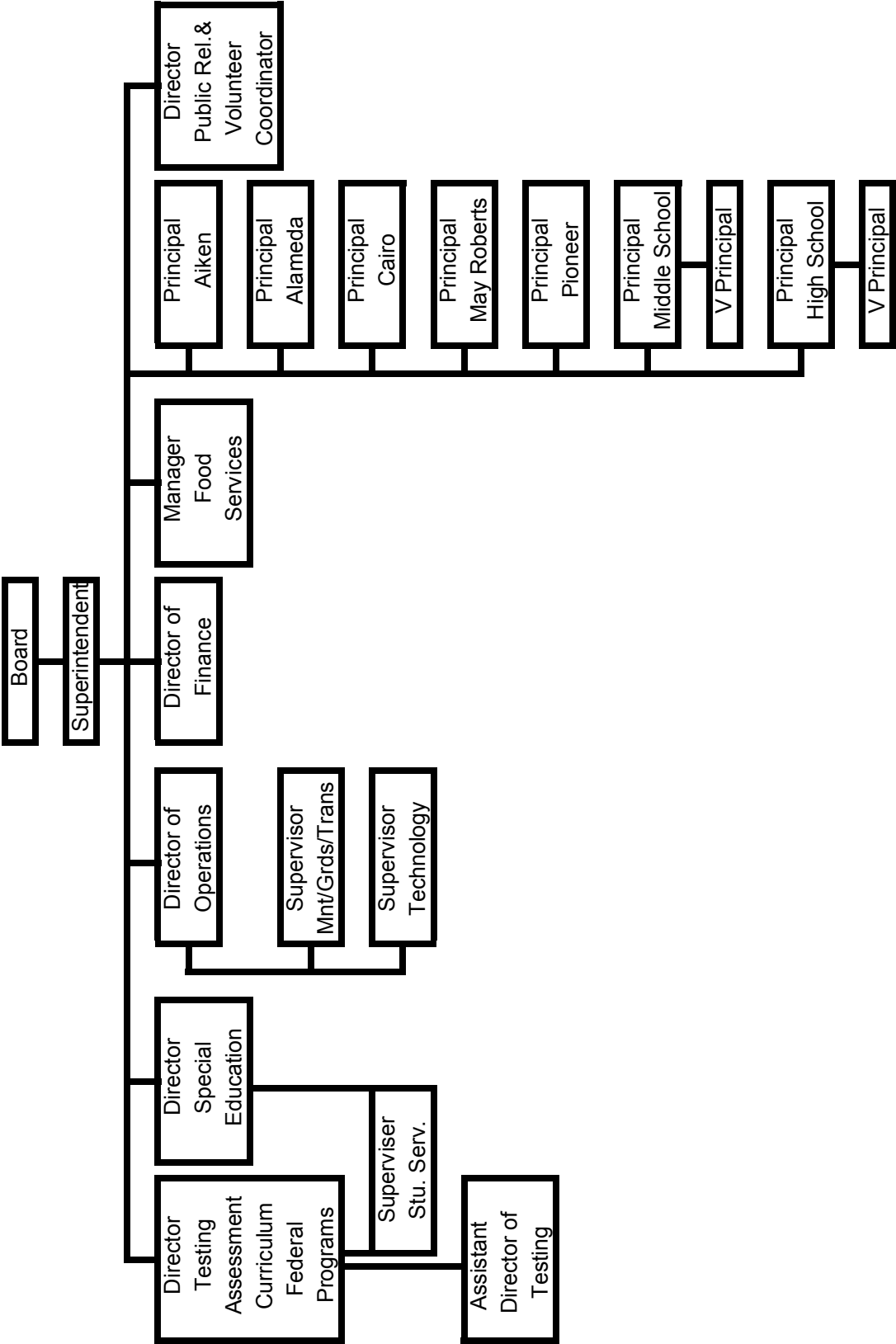
Report Required by the State of Oregon Regulations	79-80
Comments and Disclosures Required by the State of Oregon.....	81-82

SINGLE AUDIT

Single Audit.....	83-90
-------------------	-------

INTRODUCTORY SECTION

Ontario School District Organizational Chart



ONTARIO SCHOOL DISTRICT 8C
Ontario, Malheur County, Oregon
BOARD OF DIRECTORS AND OFFICIALS
June 30, 2013

BOARD OF DIRECTORS

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

OFFICIALS

Nicole Albisu	Superintendent
Mary Jo Evers	Director of Finance

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2013, and the related notes to the financial statements which collectively comprise Ontario School District No. 8C's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Ontario School District No. 8C's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the internal service fund, each major fund and the aggregate remaining fund information for Ontario School District No. 8C, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information for the General Fund and the major special revenue fund on pages 45 through 46 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This budgetary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ontario School District No. 8C's financial statements as a whole. The combining and individual nonmajor fund financial statements, other supplementary information, other financial schedules and the Schedule of Expenditures of Federal Awards, required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other supplementary information, other financial schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Reporting on Other Legal and Regulatory Requirements

Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 23, 2013 on our consideration of Ontario School District No. 8C's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ontario School District No. 8C's internal control over financial reporting and compliance.

Reporting Required by Oregon Minimum Standards

In accordance with Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 23, 2013 on our consideration of Ontario School District No. 8C's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations in considering Ontario School District No. 8C's internal control over financial reporting and compliance.

Oster Professional Group, CPA's, PC

By 

Burns, Oregon
December 23, 2013

ONTARIO SCHOOL DISTRICT 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2013

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, 2013. 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 \$39.1MM, deferred outflows of \$10.8MM, liabilities of \$30.8MM, deferred inflows of 12.3K and net position of \$19.1MM. Of the \$19.1MM in net position, \$9.0MM is invested in capital assets, \$2.6MM is restricted for debt service, \$1MM is restricted for special programs and \$6.4MM is unrestricted and available to meet the District's ongoing obligations.
- The District's Net Position increased by \$1.5MM during the fiscal year.
- The District had \$28.3MM in expenses; \$7.1MM 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 \$8.75MM. This is a \$3.5MM decrease compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Features of Government-Wide and Fund Financial Statements

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

ONTARIO SCHOOL DISTRICT 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2013

Information is included to support and explain the data in the basic financial statements. Schedules include: Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for General Fund and Major Special Revenue Funds (pages 45-46), Combining Balance Sheet – Nonmajor Governmental Funds, and Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance-Nonmajor Funds.

Modified Accrual Accounting vs. Full Accrual Accounting

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

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

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

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

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

ONTARIO SCHOOL DISTRICT 8C MANAGEMENT'S DISCUSSION AND ANALYSIS For the fiscal year ended June 30, 2013

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 2012-13 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 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 position may serve over time as a useful indicator of a government's financial position. The district's net position increased \$1.5MM for the period ending June 30, 2013 to \$19.1MM. This increase was attributed to an increase in assets restricted for debt service and a decrease in the accrued liability for payroll and payroll taxes as compared to the prior year.

The District's assets totaled \$39.1MM. The prepaid pension contribution deferred outflow was \$10.8MM at June 30, 2013. Capital assets net of accumulated depreciation, which consist of the District's land, buildings, building improvements, vehicles, and equipment, total \$27.5MM and comprise 55% of total assets. With the implementation of GASB 65, the current assets do not include bond issuance costs as assets. The remaining assets consist mainly of investments, cash, and receivables.

The District's total liabilities totaled \$30.8MM. The largest liability, \$18.5MM, is for the repayment of the Qualified School Construction bond. Current liabilities of \$2.3MM represent 7% of the district total liabilities. Current liabilities consist of payables on account, salaries and benefits, and the current portion of long-term debt and early retirement obligations.

A large portion of the District's net position (47%) reflects its net 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 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2013

ONTARIO SCHOOL DISTRICT NO. 8C			
NET POSITION AS OF JUNE 30, 2013 and 2012			
	Governmental Activities		Increase (Decrease) from Fiscal
	<u>2013</u>	<u>2012</u>	<u>2012</u>
Current Assets	\$ 11,461,334	\$ 17,229,366	\$ (5,768,032)
Long-Term Assets	72,321	330,855	(258,534)
Capital Assets, net of accumulated depreciation	27,520,794	23,159,551	4,361,243
Total Assets	<u>39,054,449</u>	<u>40,719,772</u>	<u>(1,665,323)</u>
Prepaid pension contribution	10,824,639	10,123,868	700,771
Total Deferred Inflows	<u>10,824,639</u>	<u>10,123,868</u>	<u>700,771</u>
Current Liabilities	2,295,286	4,878,567	(2,583,281)
Long-Term Debt	28,497,028	28,468,452	28,576
Total Liabilities	<u>30,792,314</u>	<u>33,347,019</u>	<u>(2,554,705)</u>
Deferred unearned grant income	12,273	-	12,273
Total Deferred Inflows	<u>12,273</u>	<u>-</u>	<u>12,273</u>
Net investment in capital assets	9,020,795	9,456,400	(435,605)
Restricted for debt service	2,554,571	1,762,031	792,540
Restricted for special programs	1,003,508	917,680	85,828
Restricted for bond capital project	127,340	-	127,340
Unrestricted	6,368,287	5,360,510	1,007,777
Total Net Position	<u>\$ 19,074,501</u>	<u>\$ 17,496,621</u>	<u>\$ 1,577,880</u>

REVENUES AND EXPENSES

Key components of governmental revenues and expenses for the year ending June 30, 2013 are as follows:

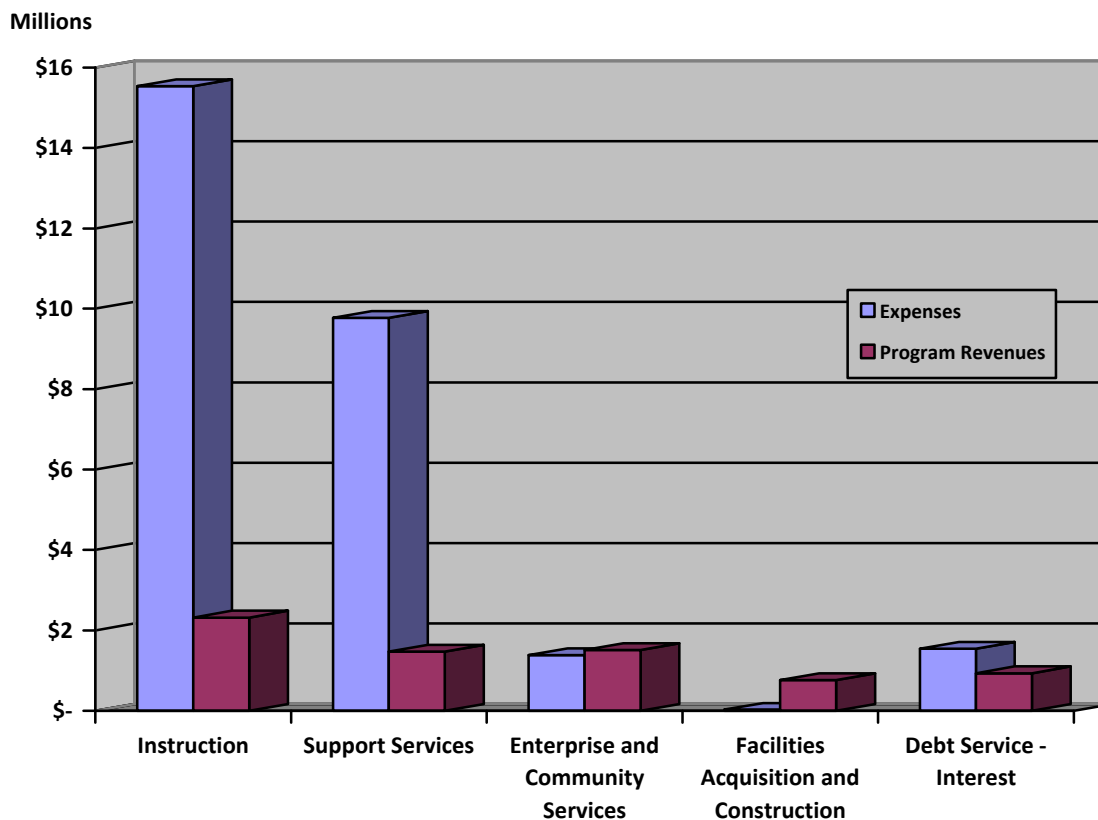
- Revenue from the State School Fund comprises the largest portion of the District's revenue. Unrestricted revenue from the State School Fund was \$16.3MM in 2012-13 compared to \$16.6MM in fiscal year 2011-12.
- Operating grants decreased by \$1.3MM as a result of the end of Federal ARRA funding programs.
- Expenditures for government activities decreased by \$711K or 2.5% over the prior year, due in part to the exhaustion of Federal ARRA funding programs.

ONTARIO SCHOOL DISTRICT 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2013

Changes in Net Position			
	<u>Governmental Activities</u>		Increase (Decrease) from Fiscal 2012
	<u>2013</u>	<u>2012</u>	
Revenues			
Program Revenues			
Charges for services	\$ 827,848	\$ 910,030	\$ (82,182)
Operating grants and contributions	5,495,394	6,836,352	(1,340,958)
Capital grants and contributions	759,772	-	759,772
General Revenues			
Property Taxes	4,580,497	4,501,075	79,422
State School Fund - general support	16,317,155	16,613,295	(296,140)
State School Fund - restricted	13,500	13,276	224
Federal State Fiscal Stability Fund	-	526,169	(526,169)
Other state and local sources	245,369	226,177	19,192
Earnings on Investments	772,288	119,758	652,530
Other	781,174	891,705	(110,531)
Total Revenues	<u>29,792,997</u>	<u>30,637,837</u>	<u>(844,840)</u>
Expenses:			
Instruction (regular, special, adult, summer)	15,536,379	15,470,917	65,462
Support services	9,775,301	10,651,510	(876,209)
Enterprise and community services	1,379,819	1,273,484	106,335
Facilities acquisition and construction	23,817	51,051	(27,234)
Interest on long-term debt	1,541,132	1,521,035	20,097
Total expenses	<u>28,256,448</u>	<u>28,967,997</u>	<u>(711,549)</u>
Change in net position	1,536,549	1,669,840	(133,291)
Net Position - July 1, before restatement	17,496,621	15,677,188	1,819,433
Restatements see notes for details	41,331	149,593	(108,262)
Net Position - July 1, after restatement	<u>17,537,952</u>	<u>15,826,781</u>	<u>1,711,171</u>
Net Position - June 30	<u>\$ 19,074,501</u>	<u>\$ 17,496,621</u>	<u>\$ (1,577,880)</u>

ONTARIO SCHOOL DISTRICT 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2013

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities

Capital grants and contributions	\$	759,772	2.5%
Charges for services		827,848	2.8%
Earnings on investments		772,288	2.6%
Operating grants and contributions		5,495,394	18.4%
Other		781,174	2.6%
Other state and local sources		258,869	0.9%
Property Taxes		4,580,497	15.4%
State School Fund - general support		16,317,155	54.8%
	\$	<u>29,792,997</u>	

ONTARIO SCHOOL DISTRICT 8C MANAGEMENT'S DISCUSSION AND ANALYSIS For the fiscal year ended June 30, 2013

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

At June 30, 2013, the District's governmental funds reported combined ending fund balance of \$8.75MM, a decrease of \$3.5MM in comparison with the prior year. The decrease was mainly in the Bond Projects Fund due to completing projects and exhaustion of available bond funds.

General Fund. The General Fund is the chief operating fund of the district. As of June 30, 2013, unassigned fund balance was \$3.9MM. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 17% of total General Fund expenditures, including transfers out and debt service. This fund balance percentage changed from 15% in 2011-12 and 15% in 2010-11.

The fund balance decreased by \$491K during the current fiscal year. This was due to General Fund expenditures related to furnishing the newly constructed buildings, increase in number of employees, and salary and benefit increases given to two of the bargaining units.

Bond Project. In 2012-13, the District spent \$4.7MM from this fund to complete renovations and construction at Ontario High School and at Ontario Middle School. The ending fund balance was \$127K.

Federal Programs. The Federal Programs Fund is operated on a reimbursement 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 usually does not have an ending fund balance. At June 30, 2013, the fund had accounts receivable of \$682K and deferred revenues of \$12K.

Bond Debt Service. In 2012-13, the District spent 1MM for interest on bonds. The ending fund balance was 2.5MM.

Other Governmental Funds. Food Services, State and Local Grants, Equipment Replacement, Technology, and Debt Service are all funds that are contained in the Other Governmental Funds category. Ending fund balance in Other Governmental Funds increased by \$773K which included a transfer to the Building Improvement Fund of \$759K.

ONTARIO SCHOOL DISTRICT 8C MANAGEMENT'S DISCUSSION AND ANALYSIS For the fiscal year ended June 30, 2013

GENERAL FUND BUDGETARY HIGHLIGHTS

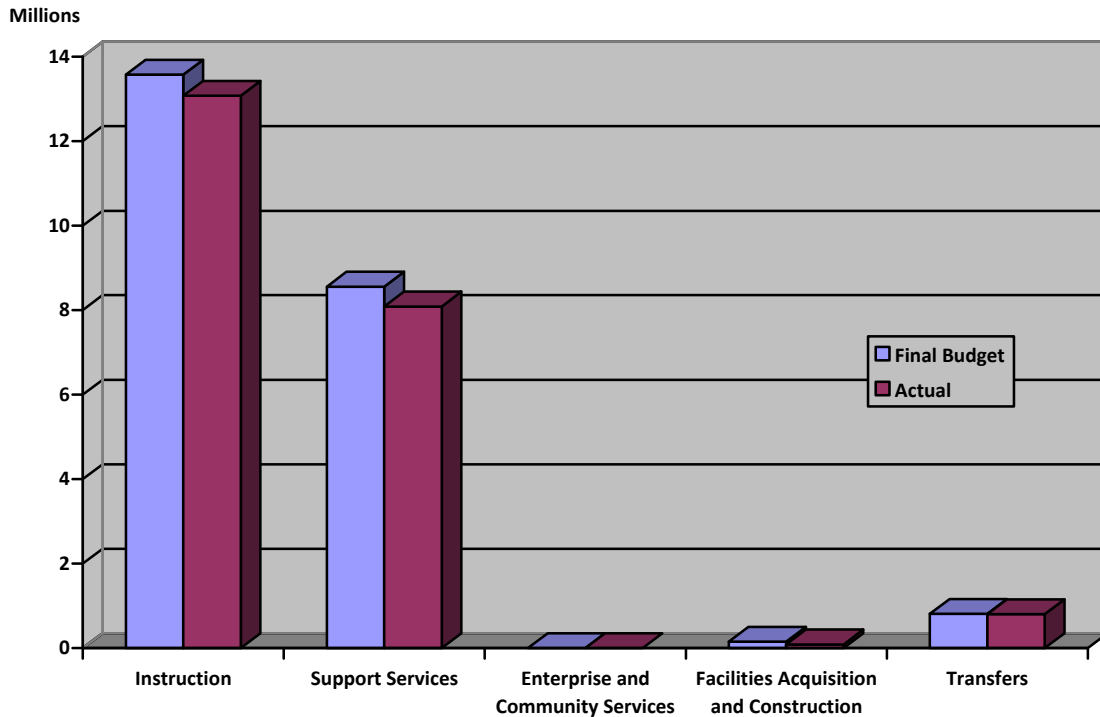
The District's budget is prepared according to Oregon law and is based on accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the 2012-13 fiscal year, the Board did adopt resolutions that affected the general fund budget.

For the General Fund, the final budgeted revenue was \$21,108,459. The actual amount of revenue received was \$21,364,488.

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 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets includes land, buildings and improvement, and vehicles and equipment. During the year, newly construction classrooms built with bond funds were placed in service. As of June 30, 2013 the District had invested approximately \$27.5MM 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 (Decrease) from
	<u>2013</u>	<u>2012</u>	<u>Fiscal 2012</u>
Land	\$ 563,110	\$ 563,110	\$ -
Contruction in progress	28,025	13,696,196	(13,668,171)
Buildings & building improvements	33,008,137	14,515,968	18,492,169
Vehicles, furniture and equipment	4,495,780	4,294,929	200,851
Accumulated depreciation	(10,574,257)	(9,910,652)	(663,605)
TOTAL	<u><u>\$ 27,520,795</u></u>	<u><u>\$ 23,159,551</u></u>	<u><u>\$ 4,361,244</u></u>

Debt administration. At the end of the current fiscal year, the District had total bonded debt outstanding of \$26.9MM, consisting of pension obligation bonds issued in October of 2002 to pay the unfunded actuarial liability to the Oregon Public Employees Retirement System, a partial redemption of the 2002 PERS Series B obligation bond referred to as the 2011 PERS Series B and Qualified School Construction Bonds issued in July 2010 to pay for school construction and renovations.

During the current fiscal year, the bonded debt decreased by \$200K. The decrease was due to the payment made on the 2002 PERS Series B Obligation.

CURRENT FINANCIAL ISSUES AND CONCERNS

The most significant economic factor for the District remains the State of Oregon's State School fund. For the year ended June 30, 2013, the State School Fund – General Support, provided 55% of the District's program resources. During the 2013 legislative session, the Oregon Legislature adopted a \$6.75B K-12 budget, with a 49/51 allocation plan during the biennium. Additionally, Legislators approved \$100MM in additional funding during a special session to be added to the allocation received in fiscal year 2014-15.

As a result of increased numbers of kindergarten students, the District added staffing for an additional classroom during 2012-13. This trend of adding staff back in an effort to reduce class size numbers, the District anticipates continuing to add positions in the future.

Reductions in federal funding levels due to sequestration remain a concern for the District. The IRS interest subsidy on the QSCB bond has been reduced because of federal budgets. In addition, the federal grant awards have also decreased. These reductions add strain to the General Fund in order to meet the districts obligations and maintain programs and staffing in the future.

ONTARIO SCHOOL DISTRICT 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 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 POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Cash and investments	\$ 7,553,511
Receivables	
Taxes	361,981
Accounts	863,501
Inventory	72,321
Restricted cash	2,682,340
Capital assets	
Non-depreciable assets	
Land	563,110
Construction in progress	28,025
Depreciable assets	
Buildings and building improvements	33,008,137
Furniture and equipment	4,495,780
Accumulated depreciation	(10,574,257)
Total assets	<u>39,054,449</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Prepaid pension contribution	<u>10,824,639</u>
Total deferred outflows	<u>10,824,639</u>
 LIABILITIES	
Accounts payable	124,215
Accrued liabilities	
Payroll, payroll taxes, insurance	1,916,658
Early retirement obligation - current portion	76,378
Early retirement obligation - due in more than one year	587,305
Other Post Employment Benefits liability	1,127,466
Bonds payable	
Due within one year	178,035
Due in more than one year	26,782,257
Total liabilities	<u>30,792,314</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred unearned grant income	<u>12,273</u>
Total deferred inflows	<u>12,273</u>
 NET POSITION	
Net investment in capital assets	9,020,795
Restricted for debt service (expendable)	2,554,571
Restricted for bond project (expendable)	127,340
Restricted for special programs (expendable)	1,003,508
Unrestricted	6,368,287
Total net position	<u><u>\$ 19,074,501</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended

June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Revenues and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Regular programs	\$ 9,365,625	\$ 21,999	\$ -	\$ 262,375	\$ (9,081,251)
Special programs	6,146,725	-	-	1,936,163	(4,210,562)
Summer school programs	24,029	-	-	96,356	72,327
Students	842,422	-	-	232,103	(610,319)
Instructional staff	1,067,760	-	-	537,317	(530,443)
General administration	349,385	-	-	-	(349,385)
School administration	1,764,585	-	-	79,000	(1,685,585)
Business services	3,320,356	4,068	-	-	(3,316,288)
Central activities	2,124,000	617,673	-	94,717	(1,411,610)
Supplemental retirement program	306,793	-	-	-	(306,793)
Enterprise & community services	1,379,819	184,108	-	1,324,823	129,112
Facilities acquisition & construction	23,817	-	759,772	-	735,955
Debt service-interest & amortization	1,541,132	-	-	932,540	(608,592)
Total governmental activities	<u>\$ 28,256,448</u>	<u>\$ 827,848</u>	<u>\$ 759,772</u>	<u>\$ 5,495,394</u>	<u>(21,173,434)</u>
GENERAL REVENUES					
Property taxes for general purposes					3,652,306
Property taxes for debt service					928,191
State school fund-general support					16,317,155
State school fund-restricted					13,500
County school fund					2,126
Common school fund					243,243
Earnings on investments					772,288
Miscellaneous					747,173
Total general revenues					<u>22,675,982</u>
Gain (loss) on sale of capital assets					34,001
Change in net position					1,536,549
Net position - June 30, 2012, before restatement					17,496,621
Restatement - see Note 13					41,331
Net position - June 30, 2012, after restatement					<u>17,537,952</u>
Total net position - June 30, 2013					\$ 19,074,501

GOVERNMENTAL FUND
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Bond Projects	Federal Programs	Bond Debt Service	Nonmajor Governmental Funds	Total
ASSETS AND DEFERRED OUTFLOWS						
Assets						
Cash and investments	\$ 4,983,319	\$ -	\$ -	\$ -	\$ 2,192,024	\$ 7,175,343
Receivables						
Property tax	292,718	-	-	69,263	-	361,981
Grants	152,949	-	681,897	-	28,655	863,501
Interfund loan receivable	750,095	-	-	-	-	750,095
Restricted assets						
Cash	-	127,340	-	2,555,000	-	2,682,340
Total assets	<u>6,179,081</u>	<u>127,340</u>	<u>681,897</u>	<u>2,624,263</u>	<u>2,220,679</u>	<u>11,833,260</u>
Deferred outflows	-	-	-	-	-	-
Total assets and deferred outflows	<u>\$ 6,179,081</u>	<u>\$ 127,340</u>	<u>\$ 681,897</u>	<u>\$ 2,624,263</u>	<u>\$ 2,220,679</u>	<u>\$ 11,833,260</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 111,758	\$ -	\$ 4,812	\$ -	\$ 892	\$ 117,462
Accrued liabilities	1,916,658	-	-	-	-	1,916,658
Interfund loan payable	-	-	664,634	10,594	74,867	750,095
Total liabilities	<u>2,028,416</u>	<u>-</u>	<u>669,446</u>	<u>10,594</u>	<u>75,759</u>	<u>2,784,215</u>
Deferred inflows						
Deferred property tax revenues	<u>226,187</u>	<u>-</u>	<u>12,273</u>	<u>59,098</u>	<u>-</u>	<u>297,558</u>
Total deferred inflows	<u>226,187</u>	<u>-</u>	<u>12,273</u>	<u>59,098</u>	<u>-</u>	<u>297,558</u>
Fund balances						
Nonspendable	750,095	-	-	-	-	750,095
Spendable						
Restricted	-	127,340	178	2,554,571	1,003,329	3,685,418
Committed	-	-	-	-	1,214,580	1,214,580
Unassigned	<u>3,174,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,989)</u>	<u>3,101,394</u>
Total fund balances	<u>3,924,478</u>	<u>127,340</u>	<u>178</u>	<u>2,554,571</u>	<u>2,144,920</u>	<u>8,751,487</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,179,081</u>	<u>\$ 127,340</u>	<u>\$ 681,897</u>	<u>\$ 2,624,263</u>	<u>\$ 2,220,679</u>	<u>\$ 11,833,260</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2013

Total fund balances		\$ 8,751,487
Capital assets are not financial resources and therefore, are not reported in the governmental funds.		
Cost	\$ 38,095,052	
Accumulated depreciation	<u>(10,574,257)</u>	27,520,795
Pension assets not included in fund financial statements		10,824,639
Certain delinquent property taxes not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.		285,285
Internal service funds		371,415
Inventory not consumed within sixty days is not included in the fund financial statements.		72,321
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
Bonds payable	(26,960,292)	
Early retirement obligation	(663,683)	
Other Post Employment Benefits liability	<u>(1,127,466)</u>	<u>(28,751,441)</u>
Total net position		<u><u>\$ 19,074,501</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, 2013

	General	Bond Projects	Federal Programs	Bond Debt Service	Nonmajor Governmental Funds	Total
Revenues						
Taxes	\$ 3,755,274	\$ -	\$ -	\$ 943,310	\$ -	\$ 4,698,584
Local sources	389,340	9,306	-	12,726	1,054,366	1,465,738
Intermediate sources	2,126	-	-	-	-	2,126
State sources	17,320,169	-	-	-	31,548	17,351,717
Federal sources	44,430	-	3,188,136	932,540	1,312,242	5,477,348
Total revenues	21,511,339	9,306	3,188,136	1,888,576	2,398,156	28,995,512
Expenditures						
Current						
Instruction						
Regular programs	9,160,801	-	205,141	-	6,507	9,372,450
Special programs	3,909,761	-	1,931,050	-	305,914	6,146,725
Summer school programs	-	-	24,029	-	-	24,029
Support services						
Students	569,310	-	269,445	-	3,668	842,422
Improvement of instruction	559,086	-	506,783	-	1,892	1,067,761
General administration	342,058	-	7,327	-	-	349,385
School administration	1,659,722	-	104,863	-	-	1,764,585
Business services	3,713,561	-	18,187	125	5,079	3,736,951
Central activities	1,037,928	-	86,286	-	1,753	1,125,968
Supplemental retirement program	201,783	-	-	-	-	201,783
Food services	-	-	639	-	1,425,896	1,426,535
Community services	-	-	22,576	-	-	22,576
Facilities acquisition and construction	88,570	4,678,815	-	-	-	4,767,385
Debt service						
Principal	-	-	-	-	170,967	170,967
Interest	-	-	-	1,033,027	508,105	1,541,132
Total expenditures	21,242,580	4,678,815	3,176,326	1,033,152	2,429,781	32,560,653
Excess of revenues over (under) expenditures	268,759	(4,669,509)	11,810	855,424	(31,625)	(3,565,141)
Sale of assets	44,560	-	-	-	300	44,860
Transfers in (out)	(804,772)	-	-	-	804,772	-
Total other financing sources (uses)	(760,212)	-	-	-	805,072	44,860
Net change in fund balances	(491,453)	(4,669,509)	11,810	855,424	773,447	(3,520,281)
Available fund balances, July 1, before restatement	4,214,282	4,796,849	(11,859)	1,699,147	1,371,473	12,069,892
Restatement - See Note 13	201,649	-	227	-	-	201,876
Available fund balances, July 1, after restatement	4,415,931	4,796,849	(11,632)	1,699,147	1,371,473	12,271,768
Available fund balances, June 30	\$ 3,924,478	\$ 127,340	\$ 178	\$ 2,554,571	\$ 2,144,920	\$ 8,751,487

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, 2013

Net change in fund balances		\$ (3,520,281)
-----------------------------	--	----------------

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	\$ 5,336,923	
Less current year depreciation	<u>(1,067,173)</u>	4,269,750

Investment earnings/(losses) on prepaid pension asset, not recorded in fund financial statements.		700,771
---	--	---------

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

Debt principal repaid	<u>170,967</u>	170,967
-----------------------	----------------	---------

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.		(105,011)
--	--	-----------

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.		(118,086)
---	--	-----------

Inventory not consumed within sixty days is not included in the fund financial statements.		(4,062)
--	--	---------

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	180,801	
Internal service fund expense	<u>(38,300)</u>	<u>142,501</u>

CHANGE IN NET POSITION		<u><u>\$ 1,536,549</u></u>
------------------------	--	----------------------------

PROPRIETARY FUND
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
STATEMENT OF NET POSITION
 Proprietary Funds
 June 30, 2013

	Internal Service Funds
<hr/>	
ASSETS	
Current assets	
Cash and investments	\$ 378,168
Total assets	<u>378,168</u>
DEFERRED OUTFLOWS	<u>-</u>
LIABILITIES	
Current liabilities	
Accounts payable	6,753
Total liabilities	<u>6,753</u>
DEFERRED INFLOWS	<u>-</u>
NET POSITION	
Unrestricted	371,415
Total net position	<u><u>\$ 371,415</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
 Proprietary Funds
 For the Year Ended
 June 30, 2013

	Governmental Activities <u>Internal Service Funds</u>
Operating revenue	
Charges for services	<u>\$ 179,091</u>
Total operating revenue	<u>179,091</u>
Operating expenses	
Employee benefits	<u>38,300</u>
Total operating expenses	<u>38,300</u>
Operating income	140,791
Nonoperating income	
Earnings on investments	<u>1,710</u>
Total nonoperating income	<u>1,710</u>
Change in net position	142,501
Total net position - beginning	<u>228,914</u>
Total net position- ending	<u><u>\$ 371,415</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
STATEMENT OF CASH FLOWS
 Proprietary Funds
 June 30, 2013

	Governmental Activities <u>Internal Service Funds</u>
Cash flows from operating activities	
Receipts from interfund services provided	\$ 179,091
Payments for employee benefits	<u>(31,547)</u>
Net cash provided(used) by operating activities	<u>147,544</u>
Cash flows from investing activities	
Interest received	<u>1,710</u>
Net cash provided(used) by investing activities	<u>1,710</u>
Net increase in cash and cash equivalents	149,254
Cash and cash equivalents - beginning	228,914
Cash and cash equivalents - ending	<u><u>\$ 378,168</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 140,791
Increase (decrease) in accounts payable	<u>6,753</u>
Net cash provided(used) by operating activities	<u><u>\$ 147,544</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, 2013

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

Unrestricted net position consist of net position that do not meet the definition of the two preceding categories. Unrestricted net position 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

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or others for tuition, fees, rentals, materials, supplies or services provided, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

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

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

The district reports the following major governmental funds:

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

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.

Proprietary Fund

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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

C. Measurement Focus and Basis of Accounting

Government-wide and 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 Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, 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.

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, 2013

noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position 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.

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

D. Budgets and Budgetary Accounting

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

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

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

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 received by the district before it has legal claim to them, as when grant monies are received

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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, 2013

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 Position.

L. Interfund Transfers

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

M. Deferred Outflows

Deferred outflows of resources in the Statement of Net Position represent consumption of net position that is applicable to a future reporting period. The district showed a prepaid pension contribution as a deferred outflows of resources as of June 30, 2013.

N. Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. In the Statement of Net Position, this includes resources that are received before the district has met its eligibility requirements related to time. In the governmental fund financial statements, deferred inflows of resources also include revenues that are measurable but not available.

O. Statement 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.

P. 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.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Q. Fund Balances

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

- *Nonspendable*—Includes items not immediately converted to cash, such as prepaid items, interfund receivables and inventory.
- *Restricted*—Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- *Committed*—Includes items committed by the district's board of directors, by formal board action.
- *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

R. Change in Accounting Principle

Ontario School District No. 8C adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position as of July 1, 2012. This standard impacted financial reporting by establishing accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

Ontario School District No. 8C adopted GASB Statement No. 65, Items Previously Recognized as Assets and Liabilities as of July 1, 2012. This standard impacted financial reporting by establishing accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

See Note 13 for the total impact on the beginning of the year net position.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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, 2013 were 15.16% and 13.16% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost – The district's contributions to PERS for the years ending June 30, 2011, 2012, and 2013 were \$2,270,856, \$3,101,326, and \$2,797,701 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 \$10,824,639, being held in a side account at PERS.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Note 3. Accounts Receivable

Accounts receivable are comprised of the following at June 30, 2013:

<u>Fund</u>	<u>Revenue Source</u>	<u>Amount</u>
General Fund	Property taxes	\$ 292,718
General Fund	Common school fund	121,621
General Fund	Miscellaneous	31,328
Federal Programs	Federal grants	681,897
Debt Service Fund	Property taxes	69,263
Nonmajor funds	Grants	28,655
Total accounts receivable		<u><u>\$ 1,225,482</u></u>

Note 4. Interfund Transfers

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

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Nonmajor fund	\$ 2,000	To pay for the district's share of SMILE expenses
General fund	Nonmajor fund	43,000	To fund future technological needs
General fund	Nonmajor fund	759,772	To fund future building improvements
Total		<u><u>\$ 804,772</u></u>	

Interfund loan receivables and payables consist of the following at June 30, 2013:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Federal Programs Fund	\$ 664,634
General Fund	Nonmajor fund	74,867
General Fund	Bond Projects Fund	10,594
Total		<u><u>\$ 750,095</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Note 5. Capital Assets

Capital assets activity for the year was as follows:

	Balance July 1, 2012	Restatements	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated					
Land	\$ 563,110	\$ -	\$ -	\$ -	\$ 563,110
Construction in progress	13,696,196	-	28,025	(13,696,196)	28,025
Total capital assets not being depreciated	14,259,306	-	28,025	(13,696,196)	591,135
Capital assets being depreciated					
Buildings and improvements	14,515,968	(86,529)	18,646,783	(68,085)	33,008,137
Equipment	1,902,547	29,262	164,913	(44,800)	2,051,922
Vehicles	2,392,382	92,410	237,641	(278,575)	2,443,858
Total capital assets being depreciated	18,810,897	35,143	19,049,337	(391,460)	37,503,917
Less accumulated depreciation	(9,910,652)	56,351	(1,067,173)	347,217	(10,574,257)
Total capital assets being depreciated, net	8,900,245	91,494	17,982,164	(44,243)	26,929,660
Total capital assets, net	\$ 23,159,551	\$ 91,494	\$ 18,010,189	\$ (13,740,439)	\$ 27,520,795

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

Central activities \$1,067,173

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, 2013:

Deposits with banks	\$ 4,249,266
Investments	5,985,215
Cash on hand	1,370
	<u>\$ 10,235,851</u>

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

Statement of Net Position

Cash and investments	\$ 7,553,511
Restricted cash	2,682,340
	<u>\$ 10,235,851</u>

As of June 30, 2013, the district held the following investments and maturities:

Investment Type	Fair Value	% of Investment Portfolio
Local Government Investment Pool	\$ 5,985,215	100%

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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, 2013. 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, 2013 the carrying amount of the district's deposits (cash and certificates of deposit) in various financial institutions was \$4,249,266 and the bank balances were \$5,119,503. 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, 2013 and for the year then ended, the district's deposits were in compliance with the requirements of ORS 295.018.

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, 2013, the district held \$5,985,215 of investments, which is all classified as cash and investments on the Statement of Net Position. The district has no policy for managing interest rate risk or credit risk.

The district has invested funds in the Oregon Short-term Fund Local Government Investment Pool (LGIP) during fiscal year 2013. 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.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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, 2013 and for the year then ended, the district was in compliance with the aforementioned Oregon statutes.

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.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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.

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, 2013, the obligation is as follows:

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

	June 30, 2013	June 30, 2012
Determination of Annual Required Contribution		
(1) Normal Cost at year end	\$ 33,593	\$ 30,126
(2) Amortization of UAAL	432,980	352,572
(3) Annual Required Contribution (ARC)	466,573	382,698
Determination of Net OPEB Obligation		
(4) Annual Required Contribution (ARC)	466,573	382,698
(5) Interest on prior year Net OPEB Obligation	22,321	25,343
(6) Adjustment to ARC	(335,712)	(335,921)
(7) Annual Pension Cost	153,182	72,120
Less		
(8) Expected Stipend Payments	127,254	67,931
(9) Increase in Net OPEB Obligation	25,928	4,189
(10) Net OPEB Obligation - beginning	637,755	633,566
(11) Net OPEB Obligation - ending	<u>\$ 663,683</u>	<u>\$ 637,755</u>

The following table shows the annual pension cost and net pension obligation for the prior three 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, 2011	\$ 139,805	62%	\$ 633,566
June 30, 2012	72,120	94%	637,755
June 30, 2013	153,182	83%	663,683

Health Care Benefits

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

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

The district's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the district, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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, 2013	June 30, 2012
Determination of Annual Required Contribution		
(1) Normal Cost at year end	\$ 167,683	\$ 268,427
(2) Amortization of UAAL	199,986	276,132
(3) Annual Required Contribution (ARC)	<u>367,669</u>	<u>544,559</u>
Determination of Net OPEB Obligation		
(4) Annual Required Contribution (ARC)	367,669	544,559
(5) Interest on prior year Net OPEB Obligation	36,693	31,904
(6) Adjustment to ARC	<u>(69,892)</u>	<u>(54,204)</u>
(7) Annual Pension Cost	<u>334,470</u>	<u>522,259</u>
Less		
(8) Explicit Benefit Payments	-	-
(9) Implied Benefit Payments	<u>255,387</u>	<u>271,481</u>
(9) Increase in Net OPEB Obligation	<u>79,083</u>	<u>250,778</u>
(10) Net OPEB Obligation - beginning	<u>1,048,383</u>	<u>797,605</u>
(11) Net OPEB Obligation - ending	<u><u>\$ 1,127,466</u></u>	<u><u>\$ 1,048,383</u></u>

The following table shows the annual pension cost and net pension obligation for the prior three 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, 2011	\$ 505,428	51%	\$ 797,605
June 30, 2012	522,259	52%	1,048,383
June 30, 2013	334,470	76%	1,127,466

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

Actuarial methods and assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical matter of

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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, 2013 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
Balance 7/1/12	\$ 438,136
Additions	427,498
Payments & deletions	<u>(201,951)</u>
Balance 6/30/13	<u><u>\$ 663,683</u></u>

<u>Amounts Payable in Fiscal Year:</u>	Early Retirement Obligations
2013-14	\$ 76,378
2014-15	85,851
2015-16	73,256
2016-17	59,261
2017-18	37,085
2019 and thereafter	<u>331,852</u>
Total	<u><u>\$ 663,683</u></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

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

interest rates that range from 2.06 to 6.10 percent. Interest payments are to be made semiannually on June 30 and December 30. Principal payments are to be made on June 30 of each year. Debt service is financed by a self-imposed pension expense based on a percentage of payroll costs.

	PERS UAL Bonds Payable
Balance 7/1/12	\$ 7,966,259
Additions	-
Payments & deletions	(170,967)
Balance 6/30/13	<u>\$ 7,795,292</u>
Current portion	\$ 178,035

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

Fiscal Year Ending June 30,	Principal	Interest	Interest Rate
2014	\$ 178,035	\$ 543,597	5.36%
2015	185,862	575,770	5.51%
2016	190,953	610,679	5.67%
2017	193,991	647,642	5.82%
2018	198,149	688,484	5.93%
2019-2023	1,933,302	2,570,554	5.49% to 6.10%
2024-2028	4,915,000	796,148	5.55%
Total	<u>\$ 7,795,292</u>	<u>\$ 6,432,874</u>	

Interest expense for the year ended June 30, 2013 was \$508,105.

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:

	PERS bond refinance
Balance 7/1/12	\$ 665,000
Additions	-
Payments & deletions	-
Balance 6/30/13	<u>\$ 665,000</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Fiscal Year Ending June 30,	Principal	Interest	Interest Rate
2014	\$ -	\$ 27,365	4.12%
2015	-	27,365	4.12%
2016	-	27,365	4.12%
2017	-	27,365	4.12%
2018	-	27,365	4.12%
2019-2021	665,000	82,094	4.12%
Total	<u>\$ 665,000</u>	<u>\$ 218,919</u>	

Note 10. Qualified School Construction Bond

	Qualified School Construction Bond
Balance 7/1/12	\$ 18,500,000
Additions	-
Payments & deletions	-
Balance 6/30/13	<u>\$ 18,500,000</u>

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, 2013 are as follows:

Fiscal Year Ending June 30,	Deposit Requirement	Interest	Federal Subsidy for Interest	Total
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
2018	1,065,000	1,033,040	(974,950)	1,123,090
2019-2023	5,750,000	5,165,200	(4,874,750)	6,040,450
2024-2027	5,165,000	4,132,160	(3,899,800)	5,397,360
Total	<u>\$ 15,945,000</u>	<u>\$ 14,462,560</u>	<u>\$ (13,649,300)</u>	<u>\$ 16,758,260</u>

Interest expense for the year ended June 30, 2013 was \$1,033,027.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

At June 30, 2013, the Local Government Investment Pool account dedicated for the deposit of the set aside requirements had a balance of \$2,645,061. The required balance to be reserved was \$2,555,000. There is also \$127,340 restricted for the bond projects.

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.

Note 12. Fund Balance Classifications

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Bond Projects</u>	<u>Federal Programs</u>	<u>Bond Debt Service</u>	<u>Non Major Funds</u>	<u>Total</u>
<u>Nonspendable</u>						
Interfund Receivables	\$ 750,095	\$ -	\$ -	\$ -	\$ -	\$ 750,095
	<u>750,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,095</u>
<u>Restricted</u>						
Education--Grants	-	-	178	-	52,220	52,398
Debt Service	-	-	-	2,554,571	-	2,554,571
Food services	-	-	-	-	951,109	951,109
Renovation and construction	-	127,340	-	-	-	127,340
	<u>-</u>	<u>127,340</u>	<u>178</u>	<u>2,554,571</u>	<u>1,003,329</u>	<u>3,685,418</u>
<u>Committed</u>						
Building repairs & maint.	-	-	-	-	901,261	901,261
Equipment replacement	-	-	-	-	87,749	87,749
Technological equipment	-	-	-	-	109,531	109,531
Student body use	-	-	-	-	116,039	116,039
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,214,580</u>	<u>1,214,580</u>
<u>Unassigned</u>	<u>3,174,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,989)</u>	<u>3,101,394</u>
TOTAL FUND BALANCES	<u>\$ 3,924,478</u>	<u>\$ 127,340</u>	<u>\$ 178</u>	<u>\$ 2,554,571</u>	<u>\$ 2,144,920</u>	<u>\$ 8,751,487</u>

GASB 54 implementation required board approved action to authorize commitments of fund balances. These commitments, outlined in the table above, were approved by the board of directors on June 20, 2013. 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 General Fund beginning fund balance was increased by \$201,649 to account for overstated PERS liability from prior year.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

The Federal Programs Fund beginning fund balance was increased by \$227 to account for the reversal of indirect expenses in excess of available grant funds in 2011-12.

Due to a reevaluation of capital assets, it was determined that the net position balance was understated in prior year. This results in an increase in beginning fund balance on the government wide statements of \$91,494.

The implementation of GASB 65 required a restatement of the beginning fund balance on the government wide statements to remove unamortized bond issuance costs that should have been expensed when paid. This results in a decrease in beginning net position on the government-wide statements of (\$252,039).

The above restatements are summarized in the following table:

Overstated PERS liability	\$ 201,649
Indirect expense reversal	227
Capital asset adjustment	91,494
GASB 65 implementation	<u>(252,039)</u>
TOTAL RESTATEMENT	<u>\$ 41,331</u>

Note 14. Governmental Fund Leases

The district leases certain property and equipment from others. Operating lease payments are recorded as expenditures when paid.

Operating leases include:

<u>Equipment leased</u>	<u>Length of lease</u>	<u>Payment</u>	<u>Date ending</u>
Kyocera 8000i	60 months	\$ 1,197	April, 2017
Pitney Bowes postage machine	60 months	709	December, 2016
6 Kyocera & 6 Xerox copiers	36 months	2,604	November, 2015

Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total Future Minimum Lease Payments</u>
2014	\$ 54,127
2015	54,127
2016	33,293
2017	<u>12,898</u>
Totals	<u>\$ 154,445</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Note 15. New Accounting Pronouncements and Accounting Standards

GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements.

This statement will improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. A SCA is an arrangement between a transferor (government) and an operator (governmental or nongovernmental), where the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The Statement applies only to those SCAs in which set criteria determine whether a transferor has control over the facility are met. This statement has been implemented by Ontario School District No. 8C for fiscal year ending June 30, 2013. Management has evaluated existing contracts, leases and other agreements to determine if they are in fact a SCA, and if the criteria outlined in the statement for a SCA have been met. The district does not have any agreements which require accounting and reporting under GASB No. 60. On an annual basis, management will evaluate new lease agreements and other arrangements in accordance with the criteria outlined in statement No. 60.

GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.

The objective of this statement is to improve financial reporting for a governmental financial reporting entity. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amended statements No. 14, The Financial Reporting Entity, and No. 34, Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments, to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. This statement has been implemented by Ontario School District No. 8C for fiscal year ending June 30, 2013. Management reviewed the financial reporting criteria outlined in GASB No. 61 to identify any potential component units. Management’s analysis did not identify any reportable component units that were material to include or disclose in the financial statements.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

The intent of this statement is to provide a single source for applicable guidance from FASB and the AICPA, rather than establishing new guidance on affected topics. Ontario School District No. 8C implemented this statement effective for fiscal year ending June 30, 2013.

This statement had minimal impact to the district’s financial statements or related accounting and financial reporting. The effect of implementing this standard was to remove footnote disclosure in the Summary of Significant Accounting Policies referencing private-sector standards issued prior to December 1, 1989. There were no other changes to the district’s financials as a result of implementing this standard.

GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

The objective of this statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. The statement provides reporting guidance for financial statement line items and the actual financial statements presentation and disclosure of these financial statement elements. Ontario School District No. 8C implemented this standard for fiscal year ending June 30, 2013.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Management has reviewed the requirements of this standard and has determined the impact to the district's financial reporting is to rename the Statement of Net Assets to the Statement of Net Position and change related references throughout the financial statements. In addition, the line item for "invested in capital assets, net of related debt" will change to "net investment in capital assets." There does not appear to be any other impact to the district's financial accounting and reporting.

GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities

This statement evaluates and reclassifies various financial statements items that have been previously reported as either assets or liabilities and evaluates them against the definitions provided for deferred outflows and deferred inflows of resources. This statement is effective for fiscal year ending June 30, 2014; however management has elected to early implement this standard for fiscal year ending June 30, 2013.

GASB Statement No. 66 – Technical Corrections

This statement clarified conflicting guidance that was created by GASB Statements No. 54 and No. 62 with existing guidance in statements No. 10, No. 13 and No. 48. More specifically, statement No. 66 addressed certain transactions related to risk financing activities, operating leases, purchased loans and gains or losses recognized when services fees related to a transferred loan is significantly difference than "normal" service fee rates. This statement is effective for fiscal year ending June 30, 2014; however management has elected to early implement this standard for fiscal year ending June 30, 2013.

The following pronouncements have been issued by the Governmental Accounting Standards Board (GASB) but not yet implemented by the district.

GASB Statement No. 67 – Financial Reporting for Pension Plans

The objective of this statement is to improve the financial reporting by state and local governmental pension plans. This statement replaces the requirements of statements No. 25 and will be effective for fiscal year ending June 30, 2014.

The district along with other local governments participate in a cost-sharing multiple employer defined benefit public employees' pension plan, PERS. This statement will not directly affect the district reporting for PERS, however changes implemented by PERS under No. 67 will affect the district's reporting and disclosures for No. 68.

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions

This statement was issued to improve accounting and financial reporting by state and local government for pensions. This statement replaces statement No. 27 as well as requirements of statement No. 50. This statement and statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pension and paying benefits to plan members as they come due. This statement will be effective for fiscal year ending June 30, 2015.

The district along with other local governments participate in a cost-sharing multiple employer defined benefit public employees' pension plan, PERS. The requirements of this standard appear to have a significant impact over financial accounting and reporting for the district's participation in the PERS plan. At this point management is researching all of the requirements outlined in this standard and will be working with other local governments and PERS to ensure proper financial reporting and disclosures are met.

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, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ 3,408,592	\$ 3,408,592	\$ 3,755,274	\$ 346,682
Local sources	279,310	279,310	389,340	110,030
Intermediate sources	-	-	2,126	2,126
State sources	16,755,785	17,515,557	17,320,169	(195,388)
Federal sources	-	-	44,430	44,430
Total revenues	20,443,687	21,203,459	21,511,339	307,880
Expenditures				
Instruction				
Regular programs	9,582,698	9,464,014	9,160,801	303,213
Special programs	3,988,188	4,106,872	3,909,761	197,111
Support services				
Students	615,318	614,918	569,310	45,608
Improvement of instruction	849,313	720,155	559,086	161,069
General administration	428,800	425,200	342,058	83,142
School administration	1,587,752	1,670,752	1,659,722	11,030
Business services	3,731,472	3,811,780	3,713,561	98,219
Central activities	1,154,932	1,108,782	1,037,928	70,854
Supplemental retirement program	176,441	202,441	201,783	658
Community services	1,000	1,000	-	1,000
Facilities acquisition and construction	150,000	150,000	88,570	61,430
Total expenditures	22,265,914	22,275,914	21,242,580	1,033,334
Excess of revenues over (under) expenditures	(1,822,227)	(1,072,455)	268,759	1,341,214
Other financing sources (uses)				
Sale of assets	1,000	11,000	44,560	33,560
Transfers in (out)	(49,600)	(809,372)	(804,772)	4,600
Total other financing sources (uses)	(48,600)	(798,372)	(760,212)	38,160
Net change in fund balance	(1,870,827)	(1,870,827)	(491,453)	1,379,374
Available fund balance, July 1, before restatement	4,800,000	4,800,000	4,214,282	(585,718)
Restatement - see note 13	-	-	201,649	201,649
Available fund balance, July 1, after restatement	4,800,000	4,800,000	4,415,931	(384,069)
Available fund balance, June 30	\$ 2,929,173	\$ 2,929,173	\$ 3,924,478	\$ 995,305

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, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Federal sources	\$ 3,982,400	\$ 3,982,400	\$ 3,188,136	\$ (794,264)
Total revenues	<u>3,982,400</u>	<u>3,982,400</u>	<u>3,188,136</u>	<u>(794,264)</u>
Expenditures				
Instruction				
Regular programs	401,455	401,455	205,141	196,314
Special programs	1,480,509	1,480,509	1,931,050	(450,541)
Adult and continuing education programs	11,150	11,150	-	11,150
Summer school programs	175,994	175,994	24,029	151,965
Support services				
Students	370,034	370,034	269,445	100,589
Improvement of instruction	1,203,053	1,203,053	506,783	696,270
School administration	97,982	97,982	104,863	(6,881)
Business services	25,963	25,963	18,187	7,776
Central activities	216,260	216,260	86,286	129,974
Food services	-	-	639	(639)
Total expenditures	<u>3,982,400</u>	<u>3,982,400</u>	<u>3,176,326</u>	<u>806,074</u>
Net change in fund balance	-	-	11,810	11,810
Available fund balance, July 1, before restatement	-	-	(11,859)	(11,859)
Restatement, see note 13	-	-	227	227
Available fund balance, July 1, after restatement	-	-	(11,632)	(11,632)
Available fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178</u>	<u>\$ 178</u>

ONTARIO SCHOOL DISTRICT No. 8C
Ontario, Malheur County, Oregon
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
June 30, 2013

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, 2013, we noted a procedural violation. In addition, there were also the following budget violations due to overexpenditures:

Debt Service Funds	
Debt service payments	\$27,425
Student Body Fund	
Instruction	\$104,139
Federal Programs	
Instruction	\$91,112
Enterprise & Community Services	639

OTHER SUPPLEMENTARY INFORMATION

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Debt	Special Revenue Funds		
	Service	Response	Lowe's Grant-	Lowe's Grant-
	Pension	to	OHS	Aiken Elementary
	Bond	Intervention		
	Debt Service			
ASSETS				
Cash	\$ 1,878	\$ 4,279	\$ -	\$ 4,921
Receivables				
Other	-	-	-	-
Total assets	<u>\$ 1,878</u>	<u>\$ 4,279</u>	<u>\$ -</u>	<u>\$ 4,921</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payable	74,867	-	-	-
Total liabilities	<u>74,867</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Spendable				
Restricted	-	4,279	-	4,921
Committed	-	-	-	-
Unassigned	(72,989)	-	-	-
Total fund balances	<u>(72,989)</u>	<u>4,279</u>	<u>-</u>	<u>4,921</u>
Total liabilities and fund balances	<u>\$ 1,878</u>	<u>\$ 4,279</u>	<u>\$ -</u>	<u>\$ 4,921</u>

See accompanying independent auditor's report.

Special Revenue Funds

Smile Grant	ASPIRE Grant	SB 622 School Technology
\$ 1,128	\$ 772	\$ 37,612
2,781	-	-
<u>\$ 3,909</u>	<u>\$ 772</u>	<u>\$ 37,612</u>
\$ -	\$ -	\$ -
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
3,909	772	37,612
-	-	-
-	-	-
<u>3,909</u>	<u>772</u>	<u>37,612</u>
<u>\$ 3,909</u>	<u>\$ 772</u>	<u>\$ 37,612</u>

Special Revenue Funds		
Challenge Day	Goldman Sachs Philanthropic	Student Body
\$ 22	\$ 705	\$ 116,039
-	-	-
<u>\$ 22</u>	<u>\$ 705</u>	<u>\$ 116,039</u>
\$ -	\$ -	\$ -
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
22	705	-
-	-	116,039
-	-	-
<u>22</u>	<u>705</u>	<u>116,039</u>
<u>\$ 22</u>	<u>\$ 705</u>	<u>\$ 116,039</u>

Special Revenue Fund	Capital Projects Funds				
Food Services	Equipment Replacement	Technology	Building Improvement	Totals June 30, 2013	
\$ 926,127	\$ 87,749	\$ 109,531	\$ 901,261	\$ 2,192,024	
25,874	-	-	-	28,655	
<u>\$ 952,001</u>	<u>\$ 87,749</u>	<u>\$ 109,531</u>	<u>\$ 901,261</u>	<u>\$ 2,220,679</u>	
\$ 892	\$ -	\$ -	\$ -	\$ 892	
-	-	-	-	74,867	
<u>892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,759</u>	
951,109	-	-	-	1,003,329	
-	87,749	109,531	901,261	1,214,580	
-	-	-	-	(72,989)	
<u>951,109</u>	<u>87,749</u>	<u>109,531</u>	<u>901,261</u>	<u>2,144,920</u>	
<u>\$ 952,001</u>	<u>\$ 87,749</u>	<u>\$ 109,531</u>	<u>\$ 901,261</u>	<u>\$ 2,220,679</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, 2013

	Debt Service		Special Revenue Funds	
	Pension	Response		
	Bond	to	Lowe's Grant-	Lowe's Grant-
	Debt Service	Intervention	OHS	Aiken Elementary
Revenues				
Local sources	\$ 543,320	\$ 600	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	543,320	600	-	-
Expenditures				
Current				
Instruction				
Regular programs	-	-	-	-
Special programs	-	-	-	-
Support services				
Students	-	-	-	-
Improvement of instruction	-	1,892	-	-
Business services	-	-	5,000	79
Central activities	121	-	-	-
Food services	-	-	-	-
Debt service				
Principal	170,967	-	-	-
Interest	508,105	-	-	-
Total expenditures	679,193	1,892	5,000	79
Excess of revenues over (under) expenditures	(135,873)	(1,292)	(5,000)	(79)
Other financing sources (uses)				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(135,873)	(1,292)	(5,000)	(79)
Available fund balances, July 1	62,884	5,571	5,000	5,000
Available fund balance, June 30	\$ (72,989)	\$ 4,279	\$ -	\$ 4,921

See accompanying independent auditor's report.

Special Revenue Funds		
Smile Grant	ASPIRE Grant	SB 622 School Technology
\$ -	\$ -	\$ -
6,467	3,000	-
-	-	-
6,467	3,000	-
-	2,560	-
6,873	-	-
-	3,668	-
-	-	-
-	-	-
-	-	163
-	-	-
-	-	-
-	-	-
6,873	6,228	163
(406)	(3,228)	(163)
2,000	-	-
2,000	-	-
1,594	(3,228)	(163)
2,315	4,000	37,775
\$ 3,909	\$ 772	\$ 37,612

Special Revenue Funds		
Challenge Day	Goldman Sachs Philanthropic	Student Body
\$ 2,574	\$ 2,100	\$ 319,369
-	-	-
-	-	-
2,574	2,100	319,369
2,552	1,395	-
-	-	299,041
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
2,552	1,395	299,041
22	705	20,328
-	-	-
-	-	-
22	705	20,328
-	-	95,711
\$ 22	\$ 705	\$ 116,039

Special Revenue Fund	Capital Projects Funds			Totals June 30, 2013
Food Service	Equipment Replacement	Technology	Building Improvement	
\$ 184,363	\$ -	\$ -	\$ 2,040	\$ 1,054,366
22,081	-	-	-	31,548
1,312,242	-	-	-	1,312,242
1,518,686	-	-	2,040	2,398,156
-	-	-	-	6,507
-	-	-	-	305,914
-	-	-	-	3,668
-	-	-	-	1,892
-	-	-	-	5,079
-	-	1,469	-	1,753
1,425,896	-	-	-	1,425,896
-	-	-	-	170,967
-	-	-	-	508,105
1,425,896	-	1,469	-	2,429,781
92,790	-	(1,469)	2,040	(31,625)
-	-	43,000	759,772	804,772
300	-	43,000	759,772	805,072
93,090	-	41,531	761,812	773,447
858,019	87,749	68,000	139,449	1,371,473
\$ 951,109	\$ 87,749	\$ 109,531	\$ 901,261	\$ 2,144,920

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, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 653,209	\$ 653,209	\$ 543,320	\$ (109,889)
Total revenues	<u>653,209</u>	<u>653,209</u>	<u>543,320</u>	<u>(109,889)</u>
Expenditures				
Support services				
Central activities	125	125	121	4
Debt service				
Principal	161,304	161,304	170,967	(9,663)
Interest	<u>490,330</u>	<u>490,330</u>	<u>508,105</u>	<u>(17,775)</u>
Total expenditures	<u>651,759</u>	<u>651,759</u>	<u>679,193</u>	<u>(27,434)</u>
Net change in fund balance	1,450	1,450	(135,873)	(137,323)
Available fund balance, July 1	<u>-</u>	<u>-</u>	<u>62,884</u>	<u>62,884</u>
Available fund balance, June 30	<u>\$ 1,450</u>	<u>\$ 1,450</u>	<u>\$ (72,989)</u>	<u>\$ (74,439)</u>

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended

June 30, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ 600	\$ 600
Total revenues	-	-	600	600
Expenditures				
Support services				
Improvement of instruction	1,500	1,500	1,892	(392)
Total expenditures	1,500	1,500	1,892	(392)
Net change in fund balance	(1,500)	(1,500)	(1,292)	208
Available fund balance, July 1	1,500	1,500	5,571	4,071
Available fund balance, June 30	\$ -	\$ -	\$ 4,279	\$ 4,279

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, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Support services				
Business services	3,750	3,750	5,000	(1,250)
Total expenditures	3,750	3,750	5,000	(1,250)
Net change in fund balance	(3,750)	(3,750)	(5,000)	(1,250)
Available fund balance, July 1	3,750	3,750	5,000	1,250
Available fund balance, June 30	\$ -	\$ -	\$ -	\$ -

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended

June 30, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Support services				
Business services	3,750	3,750	79	3,671
Total expenditures	3,750	3,750	79	3,671
Net change in fund balance	(3,750)	(3,750)	(79)	3,671
Available fund balance, July 1	3,750	3,750	5,000	1,250
Available fund balance, June 30	\$ -	\$ -	\$ 4,921	\$ 4,921

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SMILE GRANT (BUDGET BASIS)
For the Year Ended
June 30, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
State sources	\$ 8,000	\$ 8,000	\$ 6,467	\$ (1,533)
Total revenues	8,000	8,000	6,467	(1,533)
Expenditures				
Instruction				
Special programs	14,600	14,600	6,873	7,727
Total expenditures	14,600	14,600	6,873	7,727
Excess of revenues over (under) expenditures	(6,600)	(6,600)	(406)	6,194
Other financing sources (uses)				
Transfers in (out)	6,600	6,600	2,000	(4,600)
Total other financing sources (uses)	6,600	6,600	2,000	(4,600)
Net change in fund balance	-	-	1,594	1,594
Available fund balance, July 1	-	-	2,315	2,315
Available fund balance, June 30	\$ -	\$ -	\$ 3,909	\$ 3,909

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, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
State sources	\$ -	\$ -	\$ 3,000	\$ 3,000
Total revenues	-	-	3,000	3,000
Expenditures				
Instruction				
Regular programs	-	-	2,560	(2,560)
Support services				
Students	-	-	3,668	(3,668)
Total expenditures	-	-	6,228	(6,228)
Net change in fund balance	-	-	(3,228)	(3,228)
Available fund balance, July 1	-	-	4,000	4,000
Available fund balance, June 30	\$ -	\$ -	\$ 772	\$ 772

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, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Support services				
Central activities	35,500	35,500	163	35,337
Total expenditures	35,500	35,500	163	35,337
Net change in fund balance	(35,500)	(35,500)	(163)	35,337
Available fund balance, July 1	35,500	35,500	37,775	2,275
Available fund balance, June 30	\$ -	\$ -	\$ 37,612	\$ 37,612

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHALLENGE DAY (BUDGET BASIS)
 For the Year Ended
 June 30, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ 2,574	\$ 2,574
Total revenues	-	-	2,574	2,574
Expenditures				
Instruction				
Regular programs	-	-	2,552	(2,552)
Total expenditures	-	-	2,552	(2,552)
Net change in fund balance	-	-	22	22
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ 22	\$ 22

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended

June 30, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ 2,100	\$ 2,100
Total revenues	-	-	2,100	2,100
Expenditures				
Instruction				
Regular programs	-	-	1,395	(1,395)
Total expenditures	-	-	1,395	(1,395)
Net change in fund balance	-	-	705	705
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ 705	\$ 705

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STUDENT BODY (BUDGET BASIS)
 For the Year Ended
 June 30, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 223,525	\$ 223,525	\$ 319,369	\$ 95,844
Total revenues	<u>223,525</u>	<u>223,525</u>	<u>319,369</u>	<u>95,844</u>
Expenditures				
Instruction				
Special programs	194,902	194,902	299,041	(104,139)
Total expenditures	<u>194,902</u>	<u>194,902</u>	<u>299,041</u>	<u>(104,139)</u>
Net change in fund balance	28,623	28,623	20,328	(8,295)
Available fund balance, July 1	<u>109,169</u>	<u>109,169</u>	<u>95,711</u>	<u>(13,458)</u>
Available fund balance, June 30	<u>\$ 137,792</u>	<u>\$ 137,792</u>	<u>\$ 116,039</u>	<u>\$ (21,753)</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FOOD SERVICES (BUDGET BASIS)
For the Year Ended
June 30, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 210,000	\$ 210,000	\$ 184,363	\$ (25,637)
State sources	16,950	16,950	22,081	5,131
Federal sources	<u>1,375,000</u>	<u>1,375,000</u>	<u>1,312,242</u>	<u>(62,758)</u>
Total revenues	<u>1,601,950</u>	<u>1,601,950</u>	<u>1,518,686</u>	<u>(83,264)</u>
Expenditures				
Food services	<u>1,510,829</u>	<u>1,510,829</u>	<u>1,425,896</u>	<u>84,933</u>
Total expenditures	<u>1,510,829</u>	<u>1,510,829</u>	<u>1,425,896</u>	<u>84,933</u>
Net change in fund balance	91,121	91,121	93,090	1,969
Available fund balance, July 1	<u>1,114,372</u>	<u>1,114,372</u>	<u>858,019</u>	<u>(256,353)</u>
Available fund balance, June 30	<u><u>\$ 1,205,493</u></u>	<u><u>\$ 1,205,493</u></u>	<u><u>\$ 951,109</u></u>	<u><u>\$ (254,384)</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended

June 30, 2013

	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 (BUDGET BASIS)
For the Year Ended
June 30, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Supporting services				
Central activities	111,000	111,000	1,469	109,531
Total expenditures	111,000	111,000	1,469	109,531
Excess of revenues over (under) expenditures	(111,000)	(111,000)	(1,469)	109,531
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	(68,000)	(68,000)	41,531	109,531
Available fund balance, July 1	68,000	68,000	68,000	-
Available fund balance, June 30	\$ -	\$ -	\$ 109,531	\$ 109,531

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, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 250	\$ 250	\$ 2,040	\$ 1,790
Total revenues	250	250	2,040	1,790
Expenditures				
Facilities acquisition and construction	188,128	188,128	-	188,128
Total expenditures	188,128	188,128	-	188,128
Net change in fund balance	(187,878)	(187,878)	761,812	949,690
Available fund balance, July 1	187,878	187,878	139,449	(48,429)
Available fund balance, June 30	\$ -	\$ -	\$ 901,261	\$ 901,261

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, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 7,500	\$ 7,500	\$ 9,306	\$ 1,806
Total revenues	<u>7,500</u>	<u>7,500</u>	<u>9,306</u>	<u>1,806</u>
Expenditures				
Facilities acquisition and construction	<u>10,330,802</u>	<u>10,330,802</u>	<u>4,678,815</u>	<u>5,651,987</u>
Total expenditures	<u>10,330,802</u>	<u>10,330,802</u>	<u>4,678,815</u>	<u>5,651,987</u>
Net change in fund balance	(10,323,302)	(10,323,302)	(4,669,509)	5,653,793
Available fund balance, July 1	<u>10,323,302</u>	<u>10,323,302</u>	<u>4,796,849</u>	<u>(5,526,453)</u>
Available fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,340</u>	<u>\$ 127,340</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, 2013

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ 888,500	\$ 888,500	\$ 943,310	\$ 54,810
Local sources	5,500	5,500	12,726	7,226
Federal sources	974,950	974,950	932,540	(42,410)
Total revenues	<u>1,868,950</u>	<u>1,868,950</u>	<u>1,888,576</u>	<u>19,626</u>
Expenditures				
Support services				
Business services	135	135	125	10
Debt service				
Interest	<u>1,033,040</u>	<u>1,033,040</u>	<u>1,033,027</u>	<u>13</u>
Total expenditures	<u>1,033,175</u>	<u>1,033,175</u>	<u>1,033,152</u>	<u>23</u>
Net change in fund balance	835,775	835,775	855,424	19,649
Available fund balance, July 1	<u>1,707,743</u>	<u>1,707,743</u>	<u>1,699,147</u>	<u>(8,596)</u>
Available fund balance, June 30	<u><u>\$ 2,543,518</u></u>	<u><u>\$ 2,543,518</u></u>	<u><u>\$ 2,554,571</u></u>	<u><u>\$ 11,053</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, 2013

	All Funds	Total
Cash and cash items		
Sterling Savings Bank		
Demand accounts	\$ 640,126	
Total Sterling Savings Bank		\$ 640,126
Bank of the West		
Demand accounts	2,000	
Total Bank of the West		2,000
Bank of America		
Demand accounts	19,664	
Total Bank of America		19,664
JP Morgan Chase Bank		
Demand accounts	4,347	
Total JP Morgan Chase Bank		4,347
Intermountain Community Bank		
Demand accounts	3,580,724	
Total Intermountain Community Bank		3,580,724
U.S. Bank, N.A.		
Demand accounts	2,405	
Total U.S. Bank, N.A.		2,405
Total cash with banks		4,249,266
Cash-on-hand		1,370
Total cash and cash items		4,250,636
Investments		
Oregon State Treasury Local Government Investment Pool***		5,985,215
Total net investments		10,235,851
Restricted for bond projects		(127,340)
Restricted for debt service		(2,555,000)
Total cash, cash items and investments		\$ 7,553,511

(Continued on next page)

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF CASH, CASH ITEMS, INVESTMENTS, AND COLLATERAL SECURITY
June 30, 2013

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, 2013

GENERAL FUND

Tax Year	Uncollected Taxes June 30, 2012	Current Assessment	(Abatement) and Adjustments	Rebates Allowed	Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes June 30, 2013
2012-13		\$ 3,692,218	\$ -	\$ (89,982)	\$ 3,855	\$ 3,471,537	\$ 3,475,392	\$ 130,699
2011-12	\$ 197,847	-	(141)	-	6,169	115,472	121,641	82,234
2010-11	96,956	-	(1,105)	-	5,601	42,633	48,234	53,218
2009-10	56,352	-	(1,596)	-	6,813	33,008	39,821	21,748
2008-09	22,373	-	(589)	-	4,711	19,106	23,817	2,678
2007-08	1,422	-	(47)	-	85	255	340	1,120
2006-07	707	-	(46)	-	79	201	280	460
2005-06	271	-	-	-	114	-	114	271
2004-05	170	-	-	-	-	-	-	170
2003-04	103	-	-	-	-	-	-	103
2002-03	101	-	-	-	40	84	124	17
	<u>\$ 376,302</u>	<u>\$ 3,692,218</u>	<u>\$ (3,524)</u>	<u>\$ (89,982)</u>	<u>\$ 27,467</u>	<u>\$ 3,682,296</u>	<u>\$ 3,709,763</u>	<u>\$ 292,718</u>

BOND DEBT SERVICE FUND

Tax Year	Uncollected Taxes June 30, 2012	Current Assessment	(Abatement) and Adjustments	Rebates Allowed	Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes June 30, 2013
2012-13		\$ 942,700	\$ -	\$ (22,975)	\$ 19	\$ 886,355	\$ 886,374	\$ 33,370
2011-12	\$ 52,821	-	(38)	-	19	30,829	30,848	21,954
2010-11	25,395	-	(290)	-	1,467	11,166	12,633	13,939
	<u>\$ 78,216</u>	<u>\$ 942,700</u>	<u>\$ (328)</u>	<u>\$ (22,975)</u>	<u>\$ 1,505</u>	<u>\$ 928,350</u>	<u>\$ 929,855</u>	<u>\$ 69,263</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, 2013

	Migrant Title IC	Migrant Summer School	Migrant Preschool Program
Revenues			
Federal sources	\$ 355,639	\$ 20,556	\$ 7,374
Total revenues	<u>355,639</u>	<u>20,556</u>	<u>7,374</u>
Expenditures			
<i>Current</i>			
Instruction			
Regular programs	206	-	6,816
Special programs	140,082	-	558
Summer school programs	10,470	2,689	-
Support services			
Students	168,909	-	-
Improvement of instruction	-	1,710	-
General administration	-	-	-
School administration	17,266	-	-
Business services	-	16,157	-
Central activities	1,342	-	-
Food services	639	-	-
Community services	16,725	-	-
Total expenditures	<u>355,639</u>	<u>20,556</u>	<u>7,374</u>
Net change in fund balances	-	-	-
Available fund balances, July 1, before restatement	-	-	-
Restatement, see note 13	-	-	-
Available fund balances, July 1, after restatement	-	-	-
Available fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Title IA Grant	School Improvement Grants	Title II D
\$ 1,291,416	\$ 788,150	\$ 24,780
1,291,416	788,150	24,780

60	165,957	23,720
1,176,618	41,436	-
1,144	9,726	-
77,315	19,763	-
11,881	377,692	1,060
-	7,327	-
-	87,597	-
(160)	2,190	-
18,297	65,062	-
-	-	-
5,851	-	-
1,291,006	776,750	24,780

410	11,400	-
(410)	(11,400)	-
-	-	-
(410)	(11,400)	-
\$ -	\$ -	\$ -

Title III		IDEA	Effective Behavioral & Instructional Support Systems
\$	30,005	\$ 450,910	\$ 7,373
	30,005	450,910	7,373
	4,048	4,334	-
	18,221	426,664	-
	-	-	-
	-	3,458	-
	7,736	16,454	7,373
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	30,005	450,910	7,373
	-	-	-
	-	(227)	-
	-	227	-
	-	-	-
\$	-	\$ -	\$ -

Title VI (B) Innovative Rural Ed	Title II A	Kindergarten Readiness	Title II Data Project Sustainability	Totals
\$ 47,016	\$ 159,838	\$ 829	\$ 4,250	\$ 3,188,136
47,016	159,838	829	4,250	3,188,136
-	-	-	-	205,141
47,016	80,455	-	-	1,931,050
-	-	-	-	24,029
-	-	-	-	269,445
-	77,798	829	4,250	506,783
-	-	-	-	7,327
-	-	-	-	104,863
-	-	-	-	18,187
-	1,585	-	-	86,286
-	-	-	-	639
-	-	-	-	22,576
47,016	159,838	829	4,250	3,176,326
-	-	-	-	11,810
178	-	-	-	(11,859)
-	-	-	-	227
178	-	-	-	(11,632)
\$ 178	\$ -	\$ -	\$ -	\$ 178

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
For the Year Ended
June 30, 2013

2012-13 Assessed valuation of taxable property **\$ 989,037,219**

Tax rate (dollars per \$1,000 assessed value) **3.93%**

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

	Principal	Interest	Total Bonded Debt Services	General Fund Expenditures and Transfers	Ratio of Debt Service to General Fund Expenditures and transfers
2012-13	\$ 170,967	\$ 1,541,132	\$ 1,712,099	\$ 22,047,352	7.77%

Ratio of net bonded debt to assessed value:

	Assessed Valuation	Net Bonded Debt (1)	Ratio of Net Bonded Debt to Assessed Value
2012-2013	\$ 989,037,219	\$ 24,478,710	2.48%

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

Principal taxpayers in Ontario School District 8C

	Assessed Valuation	Percent of Total County Value
Private enterprises		
Heinz, H J Company LP	\$ 89,259,354	9.02%
Ontario Asset Hoildings, LLC	23,561,881	2.38%
Oregon Warehouse Partners	11,969,180	1.21%
Walmart Real Est Busuness Trs	9,986,210	1.01%
Murakami Farms Inc	8,974,232	0.91%
Ontario Capital, LLC	6,936,278	0.70%
TQ Tenth Street Hotel, LLC	6,102,223	0.62%
Home Depot USA, Inc	5,944,506	0.60%
Public utilities		
Idaho Power Co.	\$ 37,979,990	4.11%
Union Pacific Railroad Co.	5,315,004	0.57%
All other taxpayers	783,008,361	79.17%
Total assessed value	\$ 989,037,219	100.00%

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
 For the year Ended
 June 30, 2013

Summary of General Fund state revenue

	State Sources	State Sources as % of Total Revenues	Total Revenues
2012-2013	\$ 14,206,287	46.13%	\$ 30,799,275

Computation of Legal Debt Margin:

Real market value	\$ 2,921,575,560
Allowable proportion	0.0795
Debt limit: 7.95% of real market value (1)	<u>232,265,257</u>

Amount of debt applicable to debt limit:

Bonded debt	\$ 26,960,292
Less: amount available in debt service funds	<u>(2,481,582)</u>
Amount of debt applicable to debt limit	<u>24,478,710</u>

Legal debt margin	<u><u>\$ 207,786,547</u></u>
-------------------	------------------------------

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

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

Allowable percentage of real market value:

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

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
DISTRICT AUDIT REVENUE SUMMARY
For the Year Ended
June 30, 2013

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 600
Revenue from Local Sources					
1110 Ad Valorem Taxes	\$ 3,754,989	\$ -	\$ 943,237	\$ -	\$ -
1120 Local Option Taxes	-	-	-	-	-
1190 Penalties and Interest	285	-	73	-	-
1200 Revenue from Local Government Other Than District	76,155	-	-	-	-
1310 Regular Tuition	3,477	-	-	-	-
1320 Adult/Continuing Ed Tuition	-	-	-	-	-
1330 Summer School Tuition	-	-	-	-	-
1400 Transportation Fees	4,068	-	-	-	-
1500 Earnings on Investments	43,934	-	14,528	11,346	1,710
1600 Food Services	-	184,108	-	-	-
1700 Extracurricular Activities	60,962	319,369	-	-	-
1800 Community Services Activities	-	-	-	-	-
1910 Rentals	3,183	-	-	-	-
1920 Contributions and Donations	-	2,100	-	-	-
1930 Rental or Lease Payments from Private Contractors	-	-	-	-	-
1940 Services Provided Other LEAs	7,176	2,574	-	-	-
1950 Textbook Sales and Rentals	-	-	-	-	-
1960 Recovery of Prior Years' Expenditures	-	-	-	-	-
1970 Services Provided Other Funds	8,772	-	541,518	-	179,091
1980 Fees Charged to Grants	146,851	-	-	-	-
1990 Miscellaneous	34,762	855	-	-	-
Total Revenue from Local Sources	4,144,614	509,006	1,499,356	11,346	180,801
Revenue from Intermediate Sources					
2101 County School Funds	715	-	-	-	-
2102 ESD Apportionment	-	-	-	-	-
2105 Natural Gas, Oil and Mineral Receipts	-	-	-	-	-
2199 Other Intermediate Sources	-	-	-	-	-
2200 Restricted Revenue Intermediate Sources	1,411	-	-	-	-
2800 Revenue in Lieu of Taxes	-	-	-	-	-
2900 Revenue for/on Behalf of District	-	-	-	-	-
Total Revenue from Intermediate Sources	2,126	-	-	-	-
Revenue from State Sources					
3101 State School Fund - General Support	16,317,155	-	-	-	-
3102 State School Fund - Lunch Match	-	13,500	-	-	-
3103 Common School Fund	243,243	-	-	-	-
3104 State Managed Timber	-	-	-	-	-
3199 Other Unrestricted Grants - State	-	-	-	-	-
3204 Driver Education	-	-	-	-	-
3222 SSSF Transportation	-	-	-	-	-
3299 Other Restricted Grants - State	759,771	18,048	-	-	-
3800 State Revenue in Lieu of Taxes	-	-	-	-	-
3900 State Revenue for/on Behalf of District	-	-	-	-	-
Total Revenue from State Sources	17,320,169	31,548	-	-	-
Revenue from Federal Sources					
4300 Restricted Revenue Direct from Federal Government	-	-	-	-	-
4500 Restricted Revenue from Federal Government Through the State	44,430	4,444,811	932,540	-	-
4900 Revenue for/on Behalf of the District	-	55,567	-	-	-
Total Revenue from Federal Sources	44,430	4,500,378	932,540	-	-
Revenue from Other Sources					
5100 Long-term Debt Financing	-	-	-	-	-
5200 Interfund Transfers	-	2,000	-	802,772	-
5300 Sale of or Compensation for Loss of Fixed Assets	44,560	300	-	-	-
5400 Beginning Fund Balance	4,415,931	1,001,759	1,762,031	5,092,047	228,914
Total Revenue from Other Sources	4,460,491	1,004,058	1,762,031	5,894,819	228,914
Grand Totals	\$ 25,971,830	\$ 6,044,990	\$ 4,193,927	\$ 5,906,165	\$ 409,715

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
GENERAL FUND
For the Year Ended
June 30, 2013

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	\$ 2,878,873	\$ 1,509,844	\$ 35,539	\$ 188,702	\$ -	\$ -	\$ -	\$ 4,612,958
1113 Elementary extracurricular	-	-	-	-	-	-	-	-
1121 Middle and junior high programs	945,064	484,616	11,019	67,133	-	-	-	1,507,832
1122 Middle and junior high school extracurricular	57,014	17,020	5,228	3,549	-	-	-	82,811
1131 High school programs	1,622,117	851,764	53,257	93,609	-	2,012	-	2,622,759
1132 High school extracurricular	176,497	59,635	66,517	20,995	-	10,797	-	334,441
1210 Programs for talented and gifted	6,251	2,625	100	278	-	-	-	9,254
1226 Home instruction	161	54	-	-	-	-	-	215
1233 Other designated programs	-	-	-	-	-	-	-	-
1250 Resource rooms	986,030	576,482	15,408	4,613	-	-	-	1,582,533
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title 1A/D	-	-	-	-	-	-	-	-
1283 District alternative programs	28,888	15,186	-	-	-	-	-	44,074
1288 Charter School	-	-	1,798,849	-	-	-	-	1,798,849
1291 English second language programs	298,130	168,202	12	8,492	-	-	-	474,836
1292 Teen parent programs	-	-	-	-	-	-	-	-
1299 Other programs	-	-	-	-	-	-	-	-
1430 High school summer school programs	-	-	-	-	-	-	-	-
Total 1000 instruction	6,999,025	3,685,428	1,985,929	387,371	-	12,809	-	13,070,562
2000 Support services								
2110 Attendance and social work services	-	-	-	-	-	-	-	-
2115 Student safety	2,656	30	125,854	-	-	-	-	128,540
2117 Identification and recruitment of migrant children	-	-	-	-	-	-	-	-
2122 Counseling services	192,440	107,986	1,720	4,390	-	-	-	306,536
2134 Nurse services	-	-	38,624	-	-	-	-	38,624
2139 Other health services	-	-	-	896	-	-	-	896
2190 Student direction support	62,226	29,658	2,474	356	-	-	-	94,714
2213 Curriculum development	36,973	15,361	12,164	1,587	-	-	-	66,085
2219 Other improvement of instruction services	812	232	-	-	-	-	-	1,044
2222 Library media center	102,269	74,311	717	14,638	-	-	-	191,935
2223 Multimedia services	-	-	100	-	-	-	-	100
2230 Assessment and testing	134,998	60,227	1,379	852	-	-	-	197,456
2240 Instructional staff development	54,590	13,556	31,604	2,716	-	-	-	102,466
2310 Board of education	-	-	43,643	5,468	-	50,532	-	99,643
2321 Office of the superintendent services	160,303	75,991	3,933	1,463	-	725	-	242,415
2410 Office of the principal	1,015,447	508,350	25,538	22,394	-	7,735	-	1,579,464
2490 Other support services-school administration	53,114	27,144	-	-	-	-	-	80,258
2521 Fiscal services	100,724	54,206	54,881	9,129	-	2,639	-	221,579
2524 Payroll services	45,008	25,719	-	-	-	-	-	70,727
2525 Financial accounting services	25,345	17,088	-	-	-	-	-	42,433
2541 Operation and maintenance of plant services	67,684	39,659	-	-	-	-	-	107,343
2542 Care and upkeep of building services	613,772	373,341	628,991	394,691	2,255	96,766	-	2,109,816
2543 Care and upkeep of grounds	40,586	15,064	5,092	21,532	-	858	-	83,132
2551 Student transportation services	85,871	48,122	-	-	-	-	-	133,993
2552 Vehicle operation services	322,938	168,755	10,766	161,918	204,257	28,567	-	897,201
2559 Other student transportation services	-	-	13,438	-	-	-	-	13,438
2573 Warehouse and distribution	20,752	13,147	-	-	-	-	-	33,899
2620 Planning, research, development services	-	-	-	-	-	-	-	-
2626 Grant writing	-	-	-	-	-	-	-	-
2630 Information services	30,326	20,922	-	-	-	-	-	51,248
2633 Public information services	-	-	-	-	-	-	-	-
2640 Staff services	-	-	1,031	-	-	-	-	1,031
2641 Staff services-service area direction	90,113	47,355	14,157	1,705	-	1,941	-	155,271
2660 Technology services	318,418	178,551	33,638	179,267	120,204	300	-	830,378
2700 Supplemental retirement program	190,100	11,683	-	-	-	-	-	201,783
Total 2000 support services	3,767,465	1,926,458	1,049,744	823,002	326,716	190,063	-	8,083,448
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	-	-	50,564	1,037	36,969	-	-	88,570
Total 4000 facilities acquisition and construction	-	-	50,564	1,037	36,969	-	-	88,570
5000 Other uses								
5110 Long-term debt service	-	-	-	-	-	-	-	-
5120 Short-term debt retirement	-	-	-	-	-	-	-	-
5200 Transfer of funds	-	-	-	-	-	-	804,772	804,772
Total 5000 other uses	-	-	-	-	-	-	804,772	804,772
6000 Contingencies								
6110 Operating contingency	-	-	-	-	-	-	-	-
Total 6000 contingencies	-	-	-	-	-	-	-	-
Total expenditures	\$ 10,766,490	\$ 5,611,886	\$ 3,086,237	\$ 1,211,410	\$ 363,685	\$ 202,872	\$ 804,772	\$ 22,047,352

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
SPECIAL REVENUE FUNDS
For the Year Ended
June 30, 2013

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	\$ 2,059	\$ 683	\$ 421	\$ 4,685	\$ -	\$ 594	\$ -	\$ 8,442
1113 Elementary extracurricular	-	-	-	-	-	-	-	-
1121 Middle and junior high programs	212	69	-	23,440	-	-	-	23,721
1122 Middle and junior high school extracurricular	-	-	-	-	-	-	-	-
1131 High school programs	17,725	5,426	24,037	86,670	-	38,605	-	172,463
1132 High school extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten programs	-	-	-	7,022	-	-	-	7,022
1210 Programs for talented and gifted	-	-	-	-	-	-	-	-
1226 Home instruction	-	-	-	-	-	-	-	-
1233 Other designated programs	-	-	-	-	-	-	-	-
1250 Resource rooms	232,488	159,463	1,482	12,102	-	20,759	-	426,294
1271 Remedial programs	33,200	8,251	-	1,467	11,642	-	-	54,560
1272 Title I	709,527	366,473	3,393	67,231	-	60,324	-	1,206,948
1283 District alternative programs	-	-	-	-	-	-	-	-
1288 Charter school	-	-	84,387	-	-	-	-	84,387
1291 English second language programs	10,412	3,348	1,000	2,506	-	954	-	18,220
1292 Teen parent programs	-	-	-	-	-	-	-	-
1293 Migrant	38,817	13,081	41,143	30,479	-	17,121	-	140,641
1299 Other programs	5,000	1,610	3,619	295,685	-	-	-	305,914
1300 Adult Education	-	-	-	-	-	-	-	-
1400 Summer school	-	-	-	2,555	-	134	-	2,689
1420 Middle school	-	-	-	-	-	-	-	-
1430 High school	6,572	2,122	-	1,032	-	-	-	9,726
1440 Primary, K-3 program	7,636	2,495	-	1,483	-	-	-	11,614
Total 1000 instruction	1,063,648	563,021	159,482	538,912	11,642	138,491	-	2,475,330
2000 Support services								
2110 Social services	6,221	3,423	-	774	-	-	-	10,418
2117 Identification and recruitment	68,290	39,280	5,480	-	-	-	-	113,050
2119 Other attendance and social work services	162	15	-	-	-	-	-	177
2122 Counseling services	17,702	5,432	323	3,772	-	-	-	27,229
2132 Medical services	-	-	-	862	-	-	-	862
2139 Other health services	-	-	13	-	-	-	-	13
2190 Student direction support	79,837	39,504	824	1,199	-	-	-	121,364
2213 Curriculum development	117,344	51,901	3,029	1,824	-	7,353	-	181,451
2219 Improvement of instruction services	55,009	23,070	794	1,003	-	1	-	79,877
2222 Library media center	-	-	1,710	-	-	-	-	1,710
2230 Assessment and testing	727	102	-	-	-	-	-	829
2240 Instructional staff development	128,739	51,140	47,940	15,830	-	1,158	-	244,807
2410 Office of the principal	45,761	20,297	15,460	6,079	-	-	-	87,597
2490 Other support services - school administration	10,574	6,475	-	217	-	-	-	17,266
2541 Service area direction	-	-	-	-	-	-	-	-
2542 Care and upkeep of building services	746	248	4,300	5,077	-	-	-	10,371
2551 Service area direction	539	179	-	-	-	-	-	718
2552 Vehicle operation services	164	77	11,936	-	-	-	-	12,177
2626 Grant writing	-	-	-	-	-	-	-	-
2630 Parent center coordinator	38,034	14,250	2,247	2,480	-	-	-	57,011
2640 Staff services	-	-	1,586	-	-	-	-	1,586
2660 Technology services	-	-	-	27,689	163	-	-	27,852
Total 2000 support services	569,851	255,394	95,642	66,806	163	8,512	-	996,365
3000 Enterprise and community services								
3110 Food services director	83,190	47,760	2,004	-	-	116	-	133,070
3120 Food preparation	286,742	168,285	26,783	680,724	95,131	-	-	1,257,665
3130 Food delivery	21,666	13,156	978	-	-	-	-	35,800
Total 3000 enterprise and community	391,598	229,201	29,765	680,724	95,131	116	-	1,426,535
Total expenditures	\$ 2,025,097	\$ 1,047,616	\$ 284,889	\$ 1,286,443	\$ 106,936	\$ 147,119	\$ -	\$ 4,898,230

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
DEBT SERVICE FUNDS
For the Year Ended
June 30, 2013

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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125	\$ -	\$ 125
2649 Other staff services	-	-	121	-	-	-	-	121
Total 2000 support services	-	-	121	-	-	125	-	246
5000 Other uses								
5110 Long-term debt service	-	-	-	-	-	1,712,099	-	1,712,099
Total 5000 other uses	-	-	-	-	-	1,712,099	-	1,712,099
Total expenditures	\$ -	\$ -	\$ 121	\$ -	\$ -	\$ 1,712,224	\$ -	\$ 1,712,345

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
CAPITAL PROJECTS FUNDS
For the Year Ended
June 30, 2013

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total
2000 Support services							
2660 Technology services	\$ -	\$ -	\$ -	\$ -	\$ 1,469	\$ -	\$ 1,469
Total 2000 support services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,469</u>	<u>-</u>	<u>1,469</u>
4000 Facilities acquisition and construction							
4150 Building acquisition, construction and improvement services	-	-	151,835	-	4,517,184	9,796	4,678,815
Total 4000 facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>151,835</u>	<u>-</u>	<u>4,517,184</u>	<u>9,796</u>	<u>4,678,815</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,835</u>	<u>\$ -</u>	<u>\$ 4,518,653</u>	<u>\$ 9,796</u>	<u>\$ 4,680,284</u>

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
INTERNAL SERVICE FUND
 For the Year Ended
 June 30, 2013

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	\$ -	\$ 38,300	\$ -	\$ -	\$ -	\$ -	\$ 38,300
Total 2000 support services	<u>-</u>	<u>38,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,300</u>
Total expenditures	<u>\$ -</u>	<u>\$ 38,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,300</u>

Ontario School District No. 8C
 Ontario, Malheur County, Oregon
OREGON DEPARTMENT OF EDUCATION REQUIRED INFORMATION
FORM 581-3211 – SUPPLEMENTAL INFORMATION
 For the Year Ended
 June 30, 2013

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

	Objects 325 & 326
Function 2540	\$ 408,303
Function 2550	6,167

- 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

\$	57,111
----	--------

REPORTS REQUIRED BY OREGON
STATE REGULATIONS

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise the Ontario School District No. 8C's basic financial statements and have issued our report thereon dated December 23, 2013.

Compliance

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

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

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

We noted that the district was not in substantial compliance with Oregon Local Budget Law for the execution of the 2012-2013 budget, due to material over expenditures of appropriations as listed on page 47.

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

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

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

Purpose of this Report

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

Oster Professional Group, CPA's, PC

By 

Burns, Oregon
December 23, 2013

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON
June 30, 2013

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 23, 2013.

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 2012-13 and 2013-14 budgets indicate that the district has substantially complied with the local budget law in preparation and adoption of the 2012-13 budget and the preparation and adoption of the 2013-14 budget. However, the district did not substantially comply with the execution of the 2012-13 budget since there were the following budget over expenditures for the year ended June 30, 2013:

Debt Service Funds	
Debt service payments	\$27,425
Student Body Fund	
Instruction	\$104,139
Federal Programs	
Instruction	\$91,112
Enterprise & Community Services	639

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON
June 30, 2013

Insurance and Fidelity Bond Coverage

We have examined the policies relating to insurance and fidelity bond coverage 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, 2013 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, 2013, 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, 2013, 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.

ONTARIO SCHOOL DISTRICT NO. 8C

SINGLE AUDIT

For the Year Ended June 30, 2013

ONTARIO SCHOOL DISTRICT NO. 8C
SINGLE AUDIT
June 30, 2013

CONTENTS

	<u>Page</u>
Schedule of Expenditures of Federal Awards	83
Notes to the Schedule of Expenditures of Federal Awards	84
Schedule of Findings and Questioned Costs	85-86
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	87-88
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	89-90

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended
June 30, 2013

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Subgrant Number	Receipts				Expenditures
			Reverse PY Accrual / Deferral	CY Collections	CY Accrual / Deferral	Net	
<u>U.S. Department of Agriculture</u>							
Passed through Oregon Department of Education							
<i>Child Nutrition Cluster</i>							
Child Nutrition Programs-Commodity Distribution	10.555	N/A	\$ -	\$ 55,567	\$ -	\$ 55,567	\$ 55,567
National School Lunch Program, School Breakfast	10.553	N/A	-	337,608	6,778	344,386	344,386
National School Lunch Program, Sec 4 and 11	10.555	N/A	-	816,936	16,750	833,686	833,686
Summer Food Service Program	10.559	N/A	(39,722)	39,722	-	-	-
<i>Total Child Nutrition Cluster</i>			(39,722)	1,249,833	23,528	1,233,639	1,233,639
Fresh Fruit and Vegetable Program	10.582	N/A	(11,374)	89,977	-	78,603	78,603
Total Department of Agriculture			(51,096)	1,339,810	23,528	1,312,242	1,312,242
<u>U.S. Department of Education</u>							
<i>Special Education Cluster</i>							
Passed through Oregon Department of Education							
Special Education - Grants to States	84.027	26763	-	-	168,338	168,338	168,338
Special Education - Grants to States	84.027	23662	(41,575)	265,622	28,855	252,902	252,902
Special Education - Grants to States	84.027	20343	(64,736)	84,379	-	19,643	19,643
Special Education - Grants to States	84.027	25847	(395)	2,910	-	2,515	2,515
Special Education - Grants to States	84.027	26541	(2,186)	2,691	545	1,050	1,050
Special Education - Grants to States	84.027	24995	-	900	-	900	900
Special Education - Preschool Grants	84.173	22023	-	4,334	-	4,334	4,334
Passed through Malheur County Education Service District							
Special Education - Grants to States	84.027	N/A	-	1,228	-	1,228	1,228
<i>Total Special Education Cluster</i>			(108,892)	362,064	197,738	450,910	450,910
Passed through Oregon Department of Education							
Title I Grants to Local Education Agencies	* 84.010	16611	-	-	-	-	(411)
Title I Grants to Local Education Agencies	* 84.010	21650	(4,124)	4,124	-	-	-
Title I Grants to Local Education Agencies	* 84.010	22679	(327,236)	502,928	1,144	176,835	176,835
Title I Grants to Local Education Agencies	* 84.010	25657	-	5,000	-	5,000	5,000
Title I Grants to Local Education Agencies	* 84.010	25312	-	975,097	121,874	1,096,971	1,096,971
Title I Grants to Local Education Agencies	* 84.010	24383	(17,651)	30,260	-	12,609	12,609
<i>Total Title I</i>			(349,011)	1,517,409	123,018	1,291,415	1,291,004
Migrant Education - State Grant Program	84.011	27290	-	-	2,689	2,689	2,689
Migrant Education - State Grant Program	84.011	25385	-	227,772	3,551	231,323	231,323
Migrant Education - State Grant Program	84.011	22189	(21,884)	146,030	170	124,316	124,316
Migrant Education - State Grant Program	84.011	19281	(35,306)	35,306	-	-	-
Migrant Education - State Grant Program	84.011	24755	(128,341)	146,209	-	17,868	17,868
Migrant Education - State Grant Program	84.011	22208	(1,068)	7,883	-	6,815	6,815
Migrant Education - State Grant Program	84.011	25404	-	7,171	(6,613)	558	558
<i>Total Migrant Education</i>			(186,599)	570,371	(203)	383,569	383,569
Special Education - State Personnel Development Grant	84.323	23458	(820)	820	-	-	-
Special Education - State Personnel Development Grant	84.323	25938	-	1,373	-	1,373	1,373
Special Education - State Personnel Development Grant	84.323	25086	-	1,874	4,126	6,000	6,000
<i>Total State Personnel Development Grant</i>			(820)	4,067	4,126	7,373	7,373
Rural Education	84.358	26113	-	26,248	20,768	47,016	47,016
English Language Acquisition Grant	84.365	20197	(17,099)	17,100	-	-	-
English Language Acquisition Grant	84.365	22999	(2,626)	13,260	1,562	12,196	12,196
English Language Acquisition Grant	84.365	25151	-	17,809	-	17,809	17,809
<i>Total English Language Acquisition Grant</i>			(19,725)	48,169	1,562	30,005	30,005
Improving Teacher Quality State Grants	84.367	22868	(41,163)	43,425	-	2,262	2,262
Improving Teacher Quality State Grants	84.367	25540	-	87,259	70,317	157,576	157,576
<i>Total Improving Teacher Quality State Grants</i>			(41,163)	130,684	70,317	159,838	159,838
Statewide Data Systems	84.372	25057	-	4,250	-	4,250	4,250
<i>School Improvement Grants Cluster</i>							
School Improvement Grants	* 84.377	248000	-	29,750	-	29,750	29,750
School Improvement Grants, Recovery Act	* 84.388	22262	-	95,454	-	95,454	95,454
School Improvement Grants, Recovery Act	* 84.388	22262	-	411,478	251,469	662,947	651,547
<i>Total School Improvements Grants Cluster</i>			-	536,682	251,469	788,151	776,751
Educational Technology State Grants, Recovery Act	84.386	18359	-	24,780	-	24,780	24,780
Education Jobs Fund (ARRA)	84.410	20848	(321,413)	365,843	-	44,430	44,430
Total Department of Education			(1,027,623)	3,590,567	668,795	3,231,737	3,219,926
<u>U.S. Department of Health and Human Services</u>							
Passed through Oregon Department of Education							
Strengthening Emergency Care Delivery in the United States Healthcare System through Health Information and Promotion	93.078		-	-	829	829	829
Total Department of Health and Human Services			-	-	829	829	829
Total federal assistance			\$ (1,078,719)	\$ 4,930,377	\$ 693,152	\$ 4,544,808	\$ 4,532,997

* 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, 2013

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, 2013 is \$932,540.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Our audit of the financial statements did not identify any material weaknesses in internal control.

Our audit of the financial statements did not identify any significant deficiencies not considered to be material weaknesses.

Our audit of the financial statements did not disclose any noncompliance which is material to the financial statements.

Federal Awards

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

Internal control over major program compliance:

Our audit of the financial statements did not identify any material weaknesses in internal control over major federal programs.

Our audit of the financial statements did not identify any significant deficiencies not considered to be material weaknesses in internal control over major federal programs.

Our audit of the financial statements did not disclose any audit findings that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, Non-Profit Organizations*, Section.510(a).

Identification of Major Programs

U.S. Department of Education		
Title I Grants to Local Education Agencies	84.010	\$1,291,004
U.S. Department of Education		
School Improvement Grants Cluster	84.377, 84.388	776,751

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, 2013

Risk Classification of Auditee

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

FINANCIAL STATEMENT FINDINGS

Current Year Findings

Our audit did not disclose any findings required to be reported in accordance with *Government Auditing Standards*.

Prior Year Findings

The audit for the year ended June 30, 2012 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, 2013.

Prior Year Findings

The audit for the year ended June 30, 2012 did not report any findings and questioned costs.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the internal service fund, each major fund, and the aggregate remaining fund information of Ontario School District No. 8C as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Ontario School District No. 8C's basic financial statements and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the district's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

Oster Professional Group, CPA's, PC

By 

Burns, Oregon
December 23, 2013

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

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

Compliance

We have audited the compliance of Ontario School District No. 8C with the types of compliance requirements described in the U.S. *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Ontario School District No. 8C's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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.

Auditor's Responsibility

Our responsibility is to express an opinion on Ontario School District No. 8C's compliance based on our compliance audit.

We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. Those standards and OMB Circular A-133 require that we plan and perform the compliance audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. A compliance 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 compliance 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.

Opinion

In our opinion, Ontario School District No. 8C complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Internal Control over Compliance

The 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 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. 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 as a basis for designing our 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the district's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the district's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

Oster Professional Group, CPA's, PC

By 

Burns, Oregon
December 23, 2013