

ONTARIO SCHOOL DISTRICT 8C

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

For the Year Ended June 30, 2009

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
June 30, 2009

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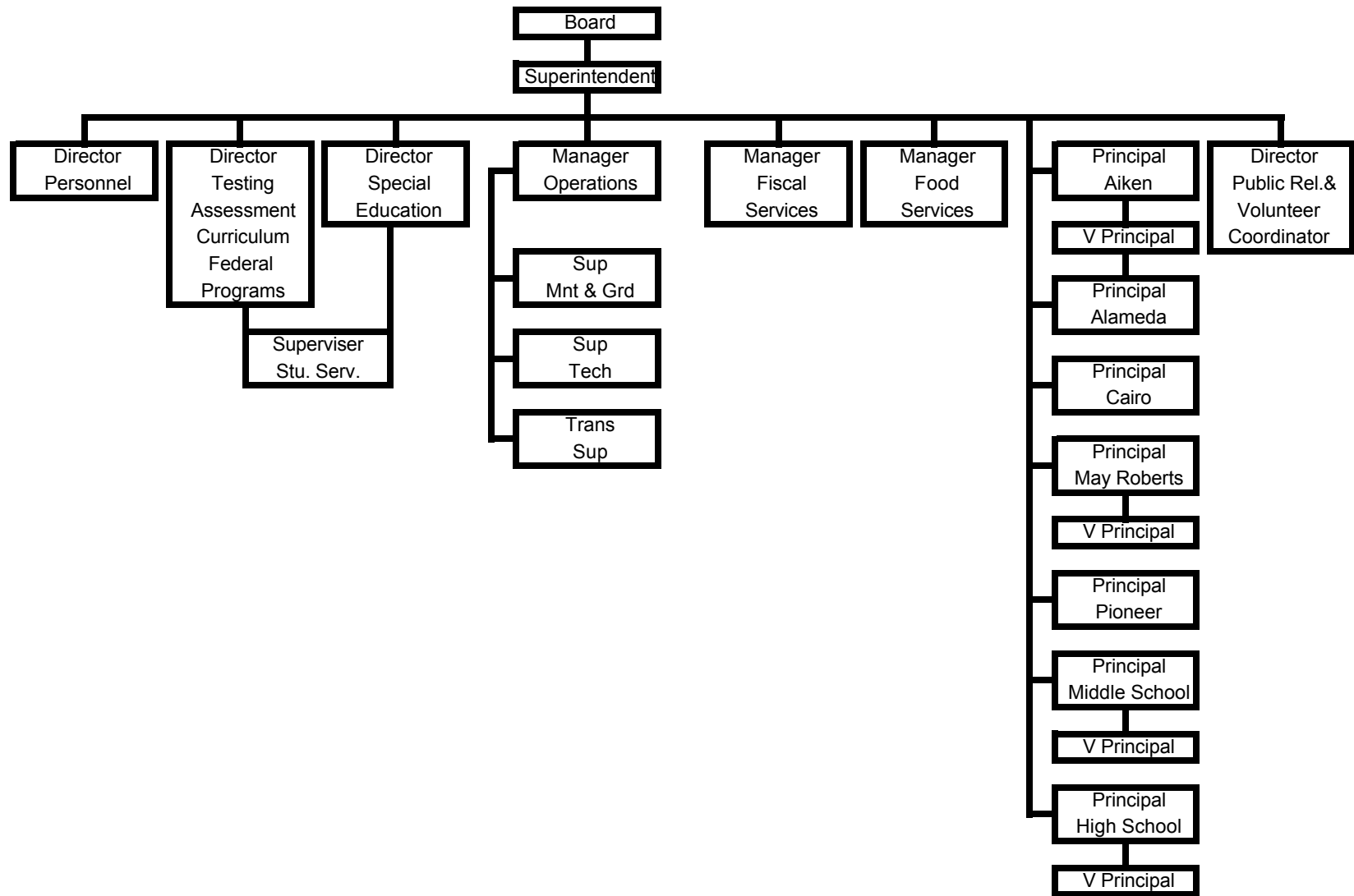
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INTRODUCTORY SECTION

Ontario School District Organizational Chart



ONTARIO SCHOOL DISTRICT 8C
Ontario, Malheur County, Oregon
BOARD OF DIRECTORS AND OFFICIALS
June 30, 2009

| <u>Name</u> | <u>Position</u> |
|--|------------------|
| Dr. Ann Easley-DeBisschop Ontario, OR | Chairperson |
| Kathie Collins Ontario, OR | Vice-Chairperson |
| Dr. David Cox Ontario, OR | Director |
| John H. Phillips, M.D. Ontario, OR | Director |
| Nancy Alvarado Ontario, OR | Director |

ADMINISTRATIVE STAFF

| | |
|----------------------|-------------------------|
| Dr. Dennis L. Carter | Superintendent |
| Cheri Siddoway | Fiscal Services Manager |

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the internal service fund, each major fund, and the aggregate remaining fund information of Ontario School District No. 8C as of and for the year ended June 30, 2009, which collectively comprise the district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ontario School District No. 8C's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the internal service fund, each major fund, and the aggregate remaining fund information of Ontario School District No. 8C, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009, on our consideration of the Ontario School District No. 8C's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13 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. We have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

No. 8C. Such information 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.

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

Oster Professional Group, CPA's, PC

By 

Burns, Oregon
December 11, 2009

ONTARIO SCHOOL DISTRICT 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

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, 2009. 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 \$28.3MM and liabilities of \$13.0MM. Of the \$15.3MM in net assets, \$10.1MM is invested in capital assets, \$4.9K is restricted for debt service and \$5.1MM is unrestricted and available to meet the District's ongoing obligations.
- The District's Net Assets decreased by \$6.3MM during the fiscal year.
- The District had \$28.5MM in expenses; \$4.5MM of these expenses were offset by program specific charges for services, grants or contributions. The remaining \$23.9MM is made up of General Fund revenues which consists primarily of taxes, state school support and earnings on investments.
- The District's governmental funds report combined ending fund balance of \$4.7MM. This is a \$4.3MM 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 assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of 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.

ONTARIO SCHOOL DISTRICT 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

Features of Government-Wide and Fund Financial Statements

| | Government-Wide Statements | Fund Statements-Governmental Funds |
|--|--|--|
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary |
| Required Financial Statements | Statement of Net Assets (page 13) Statement of Activities (page 14) | Balance Sheet (page 15) Statement of Revenues, Expenditures, and Changes in Fund Balances (page 17) |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| Type of Asset/Liability Information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due at year end, or soon thereafter, no capital assets included |
| Type of Inflow/Outflow Information | All revenues and expense during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter |

Information is included to support and explain the data in the basic financial statements. Schedules include: Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for all Major Funds (pages 38 – 41), Combining Balance Sheet – Nonmajor Governmental Funds, and Combining Statement of Revenues, Expenditures, and Changes in Fund Balance-Non Major Funds.

Modified Accrual Accounting vs. Full Accrual Accounting

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

| | Modified Accrual | Full Accrual |
|----------------|--|---|
| Revenue | 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 years liabilities | Earned and measurable. Earned is 'reasonably certain to be collected' |
| Expense | Recognize in the accounting period in which the fund liability is incurred, and measurable. Records expenditures. Outflow of cash, or promise to pay for goods and services that have been received. | Recognize in the accounting period in which the liability is incurred and measurable. Records expenses. Decreases in net assets resulting from the using up or outflows of assets in the course of operating a district and providing goods and services. |

ONTARIO SCHOOL DISTRICT 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

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

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

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 2008-09 were the General Fund, the Building Improvement Fund, and the Federal Programs 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 assets may serve over time as a useful indicator of a government's financial position. The district's assets exceeded liabilities by \$15.3MM at June 30, 2009, a decrease of \$6.3MM over the prior period. This decrease was attributed to a \$4.9MM decrease in the prepaid pension asset due to investment losses, a \$364K increase in retirement obligations due to implementing GASB 45 and 50, and a decline in revenue from the State School Fund.

The District's assets totaled \$28.3MM. Prepaid pension contribution assets of \$9.9MM represent 35% of total assets. Capital assets net of accumulated depreciation, which consist of the District's land, buildings, building improvements, vehicles, and equipment, total \$10.1MM and comprise 36% of total assets. The remaining assets consist mainly of investments, cash, and receivables.

ONTARIO SCHOOL DISTRICT 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

The District's total liabilities totaled \$13.0MM. The largest liability, \$8.9MM is for the repayment of the OPERS UAL bond. Current liabilities of \$3.5MM represent 27% of the district total liabilities. Current liabilities consist of payables on account, salaries and benefits, deferred revenue, and the current portion of long-term debt and early retirement obligations.

A large portion of the District's net assets (36%) reflects its investment in capital assets (e.g. land, buildings, vehicles and equipment). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

| ONTARIO SCHOOL DISTRICT NO. 8C NET ASSETS AS OF JUNE 30, 2009 | | | |
|--|---------------------------------------|----------------------|--|
| | <u>Governmental Activities</u> | | Increase (Decrease) from Fiscal |
| | <u>2009</u> | <u>2008</u> | <u>2008</u> |
| Current Assets | \$ 8,225,024 | \$ 11,441,562 | \$ (3,216,538) |
| Long-Term Assets | 9,964,317 | 14,843,859 | (4,879,542) |
| Capital Assets, net of accumulate depreciation | 10,149,640 | 6,981,704 | 3,167,936 |
| Total Assets | <u>28,338,981</u> | <u>33,267,125</u> | <u>(4,928,144)</u> |
| Current Liabilities | 3,473,115 | 2,282,246 | 1,190,869 |
| Long-Term Debt | 9,562,525 | 9,443,848 | 118,677 |
| Total Liabilities | <u>13,035,640</u> | <u>11,726,094</u> | <u>1,309,546</u> |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 10,149,640 | 6,981,704 | 3,167,936 |
| Restricted for debt service | 4,916 | 10,217 | (5,301) |
| Unrestricted | 5,148,785 | 14,549,110 | (9,400,325) |
| Total Net Assets | <u>\$ 15,303,341</u> | <u>\$ 21,541,031</u> | <u>\$ (6,237,690)</u> |

REVENUES AND EXPENSES

Key components of governmental revenues and expenses for the year ending June 30, 2009 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 \$17.0MM in 2008-09 compared to \$18.2MM in fiscal year 2007-08.
- Operating grants decreased by \$330K as a result of a decrease in federal grant awards in the Title programs.
- Expenditures for government activities increased by \$876K or 3.1% over the prior year, due in part to increased expenses related to the charter school, expenses related to the implementation of GASB 45 and 50, and increased salary and benefit expenditures based on negotiated agreements.

ONTARIO SCHOOL DISTRICT 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009

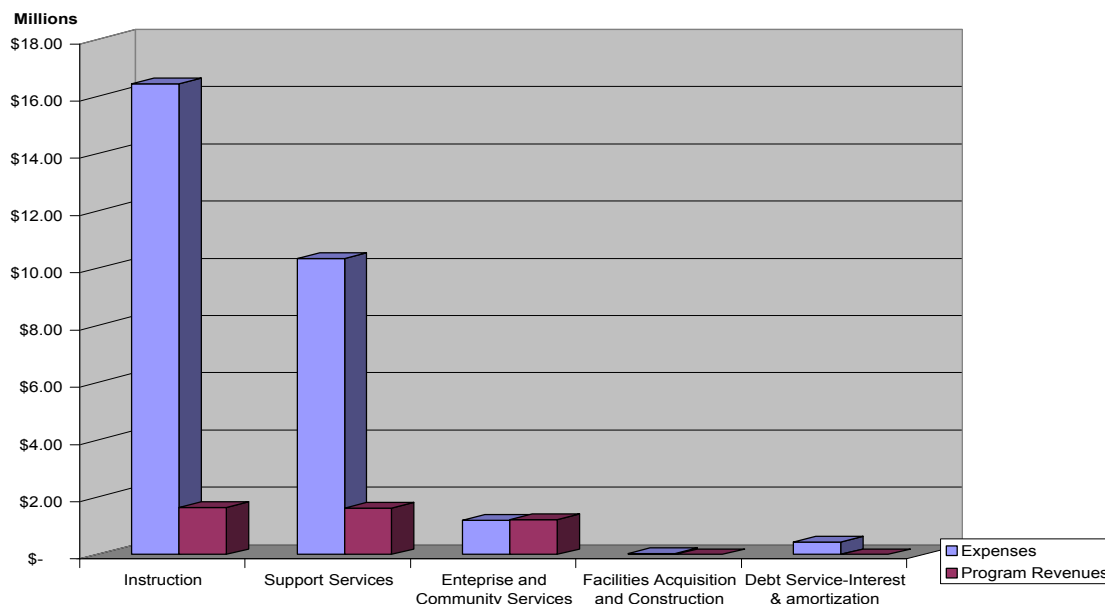
| Changes in Net Assets | | | |
|---|--------------------------------|----------------------|------------------------|
| | Governmental Activities | | Increase |
| | 2009 | 2008 | (Decrease) from |
| | | | Fiscal 2008 |
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for services | \$ 883,248 | \$ 805,071 | \$ 78,177 |
| Operating grants and contributions | 3,587,170 | 3,917,536 | (330,366) |
| Capital grants and contributions | 8,541 | 5,634 | 2,907 |
| General Revenues | | | |
| Property Taxes | 3,361,183 | 3,203,119 | 158,064 |
| State School Fund - General Support | 17,046,945 | 18,199,930 | (1,152,985) |
| State School Fund - School Improvement | 622,573 | 642,692 | (20,119) |
| Federal State Fiscal Stability Fund | 572,566 | - | 572,566 |
| Other state and local sources | 221,957 | 360,973 | (139,016) |
| Earnings on Investments | (4,422,702) | 2,175,605 | (6,598,307) |
| Other | 219,460 | 220,522 | (1,062) |
| Total Revenues | <u>22,100,940</u> | <u>29,531,082</u> | <u>(7,430,141)</u> |
| Expenses: | | | |
| Instruction (Regular, Special, Adult, Summer) | 16,448,087 | 16,115,739 | 332,348 |
| Support Services | 10,354,960 | 9,556,155 | 798,805 |
| Enterprise and community services | 1,204,115 | 1,228,851 | (24,736) |
| Facilities acquisition and construction | 28,153 | 272,267 | (244,114) |
| Interest on long-term debt | 436,598 | 423,014 | 13,584 |
| Total Expenses | <u>28,471,913</u> | <u>27,596,026</u> | <u>875,887</u> |
| Increase in net assets | (6,370,973) | 1,935,056 | (8,306,029) |
| Restatement for construction in progress | 133,285 | - | 133,285 |
| Net Assets - July 1 | 21,541,030 | 19,605,974 | 1,935,056 |
| Net Assets - June 30 | <u>\$ 15,303,342</u> | <u>\$ 21,541,030</u> | <u>\$ (6,237,688)</u> |

ONTARIO SCHOOL DISTRICT 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities

| | | |
|-------------------------------------|---------------|------|
| Capital grants and contributions | \$ 8,541 | 0% |
| Charges for services | 883,248 | 4% |
| Earnings on Investments | (4,422,702) | -20% |
| Operating grants and contributions | 3,587,170 | 16% |
| Federal SFSF funds | 572,566 | 3% |
| Other | 219,460 | 1% |
| Other state and local sources | 221,957 | 1% |
| Property Taxes | 3,361,183 | 15% |
| State School Fund - General Support | 17,669,518 | 80% |
| | \$ 22,100,941 | |

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

ONTARIO SCHOOL DISTRICT 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

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

At June 30, 2009, the District's governmental funds reported combined ending fund balance of \$4.7MM, a decrease of \$4.3MM in comparison with the prior year. The decrease was in the General Fund and the Building Improvement Fund.

General Fund. The General Fund is the chief operating fund of the district. As of June 30, 2009, unreserved fund balance was \$3.5MM. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 15% of total General Fund expenditures, including transfers out and debt service. This fund balance percentage decreased from 19% in 2007-08 and 33% in 2006-07.

The fund balance decreased by \$1.2MM during the current fiscal year. This was due largely to unanticipated mid-year cuts to the State School Fund as the State of Oregon dealt with the economic forecast. The District's share of State School Funds *including* federal stimulus funds was \$587K less than projected in the 2008-09 Budget.

Building Improvement. In 2007-08, the Building Improvement Fund was large enough to be classified as a major fund. In 2008-09, the District spent \$3.3MM from this fund to complete the May Roberts addition and continue improvement projects at Ontario High School. The ending fund balance was \$600K; the majority of which will be used to complete the Ontario High School projects.

Federal Programs. In 2008-09, the Federal Programs Fund was classified as a major fund. The Federal Programs Fund is operated on a reimbursing basis. Revenues are considered earned when allowable expenditures are made. Any ending cash balance in this fund is considered deferred revenue. Any negative cash balances are considered an account receivable. For this reason, the Federal Programs Fund should never have ending fund balance. At June 30, 2009, the fund had accounts receivable of \$464K.

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 the Food Services Fund and Equipment Replacement Funds increased by \$63K and \$26K, respectively. The Technology Fund decreased by \$7K.

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 2008-09 fiscal year, the board adopted the following resolution that affected the general fund:

| FROM | TO | AMOUNT | DESCRIPTION |
|------------------|-------------|-----------|--|
| Contingency | Instruction | \$320,000 | Additional funds for Four Rivers Community School. |
| Support Services | Instruction | 23,000 | Purchase classroom supplies and furniture instead of professional development and student travel at Ontario Middle School. |

ONTARIO SCHOOL DISTRICT 8C

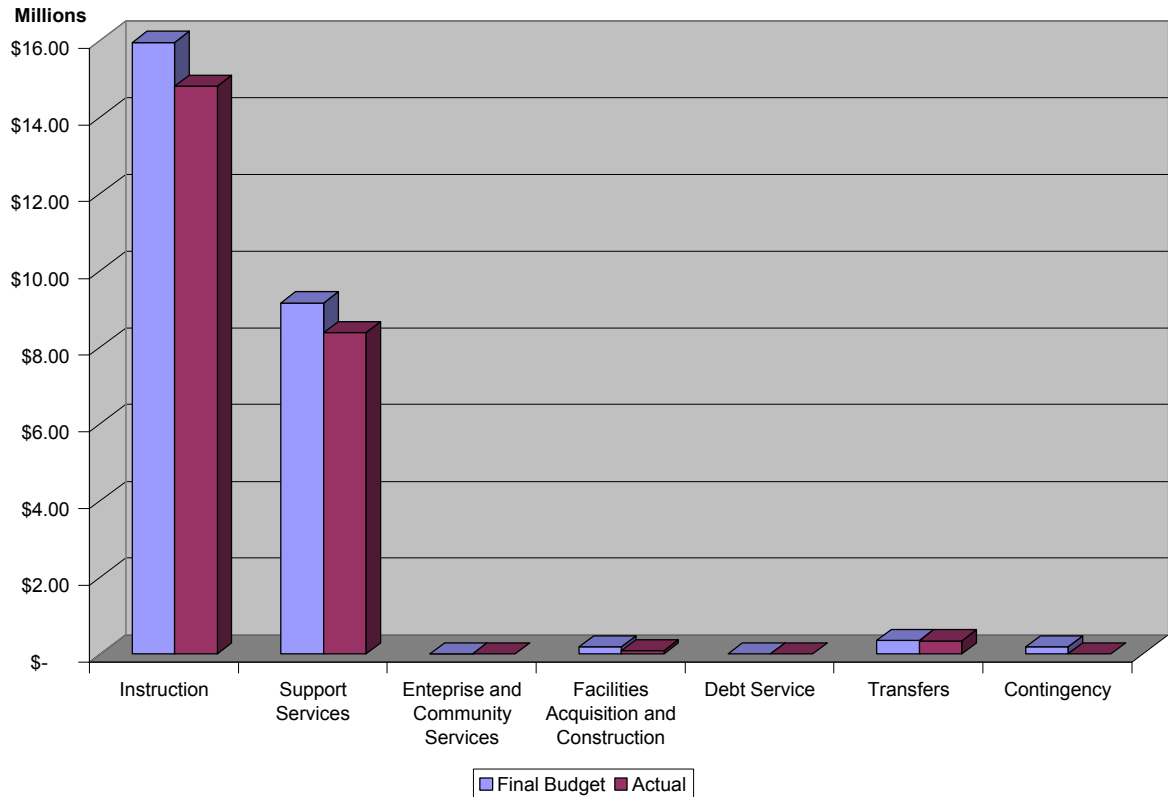
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2009

For the General Fund, the final budget revenue basis was \$22,678,640. The actual amount of revenue received was \$22,331,319.

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

Actual Expenditures vs. Final Budget - General Fund



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets includes land, buildings and improvement, and vehicles and equipment. As of June 30, 2009 the District had invested approximately \$10.1MM in capital assets, net of depreciation, as shown in the following table.

**ONTARIO SCHOOL DISTRICT 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009**

| ONTARIO SCHOOL DISTRICT NO. 8C | | | |
|---------------------------------------|--------------------------------|---------------------|---|
| Capital Assets | | | |
| (net of depreciation) | | | |
| | Governmental Activities | | Increase (Decrease) from Fiscal 2008 |
| | <u>2009</u> | <u>2008</u> | |
| Land | \$ 563,110 | \$ 563,110 | \$ - |
| Contruction in progress | 165,469 | 153,132 | 12,337 |
| Buildings & building improvements | 13,576,519 | 10,131,170 | 3,445,349 |
| Vehicles, furniture and equipment | 4,113,744 | 4,037,185 | 76,559 |
| Accumulated depreciation | <u>(8,269,202)</u> | <u>(7,902,893)</u> | <u>(366,309)</u> |
| TOTAL | \$ 10,149,640 | \$ 6,981,704 | \$ 3,167,936 |

Debt administration. At the end of the current fiscal year, the District had total bonded debt outstanding of \$9.0MM, consisting entirely of pension obligation bonds net of unamortized discount, issued in October of 2002 to pay the unfunded actuarial liability to the Oregon Public Employees Retirement System.

During the current fiscal year, the bonded debt decreased by \$125K. The decrease was consistent with timely principal payments and amortization of the discount.

CURRENT FINANCIAL ISSUES AND CONCERNS

The most significant economic factor for the District is the State of Oregon's State School fund. For the year ended June 30, 2009, the State School Fund – General Support, provided 77% of the District's program resources. During the 2009 legislative session, the Oregon Legislature adopted a \$6B K-12 budget that was dependent on the State meeting certain economic triggers. The revenue raising portion of this legislation was referred to the voters by referendum and will be voted on in January of 2010. There is an unusually high amount of uncertainty about the status of the State School Fund for the remainder of 2009-10 and 2010-11.

The State School Fund is allocated to districts based on Average Daily Membership (ADM). The District's ADM decreased by approximately 75 students from 2007-08 to 2008-09 and is projected to decrease by a similar amount in 2009-10. The District made significant cuts in the 2009-10 to address the impact of declining enrollment and will continue to do so to insure a stable financial future.

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.

**ONTARIO SCHOOL DISTRICT 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
STATEMENT OF NET ASSETS
For the Year Ended
June 30, 2009

| | Governmental Activities |
|---|-----------------------------|
| ASSETS | |
| Cash and investments | \$ 7,434,606 |
| Receivables | |
| Taxes | 265,204 |
| Accounts | 489,706 |
| Inventory | 35,508 |
| Prepaid pension contribution | 9,885,723 |
| Bond issuance costs | 78,594 |
| Capital assets | |
| Non-depreciable assets | |
| Land | 563,110 |
| Construction in progress | 165,469 |
| Depreciable assets | |
| Buildings & building improvements | 13,576,519 |
| Furniture and equipment | 4,113,744 |
| Accumulated depreciation | (8,269,202) |
| Total assets | <u>28,338,981</u> |
| LIABILITIES | |
| Accounts payable | 712,754 |
| Accrued liabilities | |
| Payroll, payroll taxes, insurance | 2,479,073 |
| Interest | - |
| Early retirement obligation - current portion | 143,174 |
| Early retirement obligation - due in more than one year | 384,685 |
| Other Post Employment Benefits liability | 275,585 |
| Bonds payable | |
| Due within one year | 138,113 |
| Due in more than one year | 8,911,468 |
| Unamortized original issue discount | (9,212) |
| Total liabilities | <u>13,035,640</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 10,149,640 |
| Restricted for debt service | 4,916 |
| Unrestricted (deficit) | 5,148,785 |
| Total net assets | <u><u>\$ 15,303,341</u></u> |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
STATEMENT OF ACTIVITIES
For the Year Ended
June 30, 2009

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) |
|---|---------------|----------------------|----------------------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Capital Grants and Contributions | Operating Grants and Contributions | Revenue and Change in Net Assets |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Regular programs | \$ 11,125,134 | \$ 15,310 | \$ - | \$ 32,816 | \$ (11,077,008) |
| Special programs | 5,191,733 | - | - | 1,454,619 | (3,737,114) |
| Adult/continuing education | - | - | - | - | - |
| Summer school programs | 131,220 | 9,125 | - | 125,635 | 3,540 |
| Students | 1,005,536 | - | - | 340,035 | (665,501) |
| Instructional staff | 1,306,231 | - | - | 447,030 | (859,201) |
| General administration | 458,499 | - | - | - | (458,499) |
| School administration | 1,921,134 | - | - | 6,022 | (1,915,113) |
| Business services | 4,014,976 | 78,350 | - | 27,431 | (3,909,195) |
| Central activities | 1,126,480 | 565,574 | - | 152,564 | (408,342) |
| Supplemental retirement program | 522,105 | - | - | - | (522,105) |
| Enterprise & community services | 1,204,115 | 214,888 | 8,541 | 1,001,018 | 20,332 |
| Facilities acquisition & construction | 28,153 | - | - | - | (28,153) |
| Debt service-interest & amortization | 436,598 | - | - | - | (436,598) |
| Total governmental activities | \$ 28,471,914 | \$ 883,247 | \$ 8,541 | \$ 3,587,170 | (23,992,955) |
| GENERAL REVENUE | | | | | |
| Property taxes for general purposes | | | | | 3,361,183 |
| State school fund-general support | | | | | 17,033,369 |
| State school fund-restricted | | | | | 622,573 |
| State school fund-unrestricted | | | | | 13,576 |
| Federal SFSF funds | | | | | 572,566 |
| County school fund | | | | | 2,156 |
| Common school fund | | | | | 219,801 |
| Gain (loss) on sale of capital assets | | | | | 28,063 |
| Earnings on investments | | | | | (4,422,702) |
| Miscellaneous | | | | | 191,397 |
| Total general revenues | | | | | 17,621,982 |
| Change in net assets | | | | | (6,370,974) |
| Net assets - June 30, 2008 before restatement | | | | | 21,541,030 |
| Restatement - see note 12 | | | | | 133,285 |
| Net assets - June 30, 2008 after restatement | | | | | 21,674,315 |
| Total net assets - June 30, 2009 | | | | | \$ 15,303,341 |

See notes to the basic financial statements.

GOVERNMENTAL FUND
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

| | General | Building Improvement | Federal Programs | Other Governmental Funds | Total |
|-------------------------------------|---------------------|-------------------------|---------------------|--------------------------------|---------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 5,970,438 | \$ 613,052 | \$ - | \$ 778,981 | \$ 7,362,471 |
| Receivables | | | | | |
| Property tax | 265,204 | - | - | - | 265,204 |
| Grants | - | - | 464,320 | 870 | 465,190 |
| Other | 24,516 | - | - | - | 24,516 |
| Interfund loan receivable | 411,842 | - | - | - | 411,842 |
| Inventory | 35,508 | - | - | - | 35,508 |
| Total assets | <u>\$ 6,707,508</u> | <u>\$ 613,052</u> | <u>\$ 464,320</u> | <u>\$ 779,851</u> | <u>\$ 8,564,731</u> |
| LIABILITIES AND FUND BALANCE | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 493,756 | \$ 12,720 | \$ 53,348 | \$ 152,929 | \$ 712,753 |
| Accrued liabilities | 2,479,074 | - | - | - | 2,479,074 |
| Interfund loan payable | - | - | 410,972 | 870 | 411,842 |
| Deferred revenues | 228,215 | - | - | - | 228,215 |
| Total liabilities | <u>3,201,045</u> | <u>12,720</u> | <u>464,320</u> | <u>153,799</u> | <u>3,831,884</u> |
| Fund balances | | | | | |
| Fund balances | | | | | |
| Reserved for debt service | - | - | - | 4,916 | 4,916 |
| Unreserved in: | | | | | |
| General fund | 3,506,463 | - | - | - | 3,506,463 |
| Special revenue funds | - | - | - | 621,136 | 621,136 |
| Capital projects | - | 600,332 | - | - | 600,332 |
| Total fund balances | <u>3,506,463</u> | <u>600,332</u> | <u>-</u> | <u>626,052</u> | <u>4,732,847</u> |
| Total liabilities and fund balance | <u>\$ 6,707,508</u> | <u>\$ 613,052</u> | <u>\$ 464,320</u> | <u>\$ 779,851</u> | <u>\$ 8,564,731</u> |

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

For the Year Ended
 June 30, 2009

| | | |
|--|--------------------|----------------------|
| Total fund balances | | \$ 4,732,847 |
| Capital assets are not financial resources and therefore, are not reported in the governmental funds. | | |
| Cost | \$ 18,418,842 | |
| Accumulated depreciation | <u>(8,269,202)</u> | 10,149,640 |
| Pension assets not included in fund financial statements | | 9,885,723 |
| Certain delinquent property taxes not collected for several months after year end is not considered available revenue and is deferred in the governmental funds | | |
| | | 228,215 |
| The unamortized portion of issuance costs is not available to pay for current period expenditures and therefore, is not reported in the governmental funds. | | |
| | | 78,594 |
| The original issue discount on the bonds issued are not recorded on the fund financial statements, but are amortized over the life of the bond in the statement of net assets. | | |
| | | 9,212 |
| Internal service funds | | 72,134 |
| 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 | (9,049,581) | |
| Early retirement obligation | (527,859) | |
| Other Post Employment Benefits liability | <u>(275,585)</u> | <u>(9,853,025)</u> |
| Total net assets | | <u>\$ 15,303,341</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, 2009

| | General | Building Improvement | Federal Programs | Other Governmental Funds | Total |
|--|-------------------|-------------------------|---------------------|--------------------------------|-------------------|
| Revenues | | | | | |
| Taxes | \$ 3,302,118 | \$ - | \$ - | \$ - | \$ 3,302,118 |
| Local sources | 539,573 | 86,533 | - | 810,570 | 1,436,676 |
| Intermediate sources | 2,156 | - | - | - | 2,156 |
| State sources | 17,875,285 | - | - | 43,826 | 17,919,111 |
| Federal sources | 572,566 | - | 2,555,432 | 1,001,018 | 4,129,015 |
| Other sources | 39,623 | - | - | - | 39,623 |
| Total revenues | 22,331,319 | 86,533 | 2,555,432 | 1,855,414 | 26,828,698 |
| Expenditures | | | | | |
| Instruction | | | | | |
| Regular programs | 11,062,135 | - | 29,387 | 83,068 | 11,174,589 |
| Special programs | 3,728,955 | - | 1,447,236 | 15,542 | 5,191,733 |
| Summer school programs | 5,585 | - | 125,635 | - | 131,220 |
| Supporting services | | | | | |
| Students | 665,501 | - | 340,035 | - | 1,005,536 |
| Improvement of instruction | 852,587 | - | 427,122 | 26,522 | 1,306,231 |
| General administration | 458,499 | - | - | - | 458,499 |
| School administration | 1,901,416 | - | 6,022 | 13,697 | 1,921,134 |
| Business services | 3,571,839 | - | 27,431 | - | 3,599,270 |
| Central activities | 799,161 | - | 152,564 | 236,303 | 1,188,028 |
| Supplemental retirement program | 122,617 | - | - | - | 122,617 |
| Food services | | - | - | 1,203,204 | 1,203,204 |
| Community services | 910 | - | - | - | 910 |
| Facilities acquisition and construction | 84,483 | 3,275,565 | - | - | 3,360,048 |
| Total expenditures | 23,253,688 | 3,275,565 | 2,555,432 | 1,578,336 | 30,663,021 |
| Excess of revenues over (under) expenditures | (922,369) | (3,189,032) | - | 277,078 | (3,834,323) |
| Other financing sources (uses) | | | | | |
| Debt service | - | - | - | (556,633) | (556,633) |
| Grant indirect charges | 78,512 | - | - | - | 78,512 |
| Sale of assets | - | - | - | - | - |
| Transfers in (out) | (347,852) | - | - | 347,852 | - |
| Total other financing sources (uses) | (269,340) | - | - | (208,781) | (478,120) |
| Excess of revenues and other financing sources over (under) expenditures and other financing (uses) | (1,191,708) | (3,189,032) | - | 68,297 | (4,312,445) |
| Available fund balance, July 1 | 4,698,171 | 3,789,365 | - | 557,755 | 9,045,291 |
| Available fund balance, June 30 | \$ 3,506,463 | \$ 600,332 | \$ - | \$ 626,052 | \$ 4,732,847 |

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

For the Year Ended
June 30, 2009

| | | |
|----------------------------|--|----------------|
| Net change in fund balance | | \$ (4,312,445) |
|----------------------------|--|----------------|

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 | \$ 3,685,975 | |
| Less loss on dispositions | (11,560) | |
| Less current year depreciation | <u>(639,763)</u> | 3,034,651 |

| | | |
|---|--|----------|
| The fund financial statements report early retirement obligations as expended, however the statement of activities expenses only the net change in early retirement obligation. | | (34,771) |
|---|--|----------|

| | | |
|---|--|-------------|
| Investment earnings/(losses) on prepaid pension asset, not recorded in fund financial statements. | | (4,875,476) |
|---|--|-------------|

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

| | | |
|-----------------------|----------------|---------|
| Debt issued | - | |
| Debt principal repaid | <u>124,577</u> | 124,577 |

| | | |
|--|--|-----------|
| 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. | | (364,716) |
|--|--|-----------|

Governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences.

| | | |
|---|----------------|---------|
| Amortization of original issue discount | (476) | |
| Amortization of issuance costs on bonds issued. | <u>(4,065)</u> | (4,542) |

| | | |
|---|--|--------|
| 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. | | 59,065 |
|---|--|--------|

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 | 21,701 | |
| Internal service fund expense | <u>(19,019)</u> | <u>2,683</u> |

| | | |
|----------------------|--|------------------------------|
| CHANGE IN NET ASSETS | | <u><u>\$ (6,370,974)</u></u> |
|----------------------|--|------------------------------|

PROPRIETARY FUND
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2009

| | Governmental Activities |
|------------------------|------------------------------|
| | Internal Service Funds |
| ASSETS | |
| Cash and investments | \$ 72,135 |
| Receivables | |
| Taxes | - |
| Accounts | - |
| Total assets | <u>72,135</u> |
| LIABILITIES | |
| Accounts payable | <u>-</u> |
| Total liabilities | <u>-</u> |
| NET ASSETS | |
| Unrestricted (deficit) | 72,135 |
| Total net assets | <u><u>\$ 72,135</u></u> |

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
 Proprietary Funds
 For the year ended June 30, 2009

| | Governmental Activities |
|--------------------------------|----------------------------|
| | Internal Service Funds |
| Operating Revenue | |
| Charges for services | \$ 18,667 |
| Operating expenses | |
| Employee benefits | 19,019 |
| Total operating expenses | 19,019 |
| Operating income | (352) |
| Nonoperating income | |
| Earnings on investments | 3,035 |
| Total nonoperating income | 3,035 |
| Income (loss) before transfers | 2,683 |
| Transfer In | - |
| Change in net assets | 2,683 |
| Total net assets - beginning | 69,452 |
| Total net assets - ending | \$ 72,135 |

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
STATEMENT OF CASH FLOWS
 Proprietary Funds
 For the year ended June 30, 2009

| | Governmental Activities <u>Internal Service Funds</u> |
|--|---|
| Cash flows from operating activities | |
| Receipts from interfund services provided | \$ 18,667 |
| Payments for employee benefits | (19,019) |
| | <u>(352)</u> |
| Net cash provided/(used) by operating activities | |
| Cash flows from noncapital financing activities | |
| Transfer in to pay employee benefits | - |
| Cash flows from investing activities | |
| Interest received | 3,035 |
| | <u>2,683</u> |
| Net increase in cash and cash equivalents | |
| Cash and cash equivalents - beginning | 69,452 |
| Cash and cash equivalents - ending | <u>\$ 72,135</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ (352) |
| Net cash provided/(used) by operating activities | <u>\$ (352)</u> |

FIDUCIARY FUND
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
STATEMENT OF FIDUCIARY NET ASSETS
 Fiduciary Funds
 June 30, 2009

| | Agency Funds |
|------------------------|--------------------|
| ASSETS | |
| Cash and investments | \$ 128,873 |
| Total assets | <u>128,873</u> |
| LIABILITIES | |
| Due to student groups | <u>128,873</u> |
| Total liabilities | <u>128,873</u> |
| NET ASSETS | |
| Unrestricted (deficit) | - |
| Total net assets | <u><u>\$ -</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, 2009

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 fiscal services manager.

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

A. Reporting Entity

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

B. Basis of Presentation

Government-Wide Financial Statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or other for tuition, fees, rentals, material, 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, internal service funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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 fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The district reports the following major governmental funds:

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

Building Improvement Fund - The Building Improvement Fund accounts for the acquisition of fixed assets or construction of major capital projects. Principal revenue sources are interest earnings and transfers from the general fund.

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.

Additionally, the district reports the following fund types:

Debt Service Funds - The debt service funds account for the payment of principal and interest on the district's bonds used for major construction projects, and financing of unfunded actuarial liability pension debt. The principal sources of revenue are property taxes and 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).

Proprietary 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 expenditures are reimbursement of unemployment claims to the Oregon Employment Department.

Trust and Agency Funds - Agency funds are used to account for assets held by the district as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The student body funds are the only agency funds in the district. Trust funds are used to account for assets held by the district in a trustee capacity. This type of fund is generally governed by a legal trust document. The district is currently not administering any trust funds.

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

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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 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.

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, supporting 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.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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 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. Fixed 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 three years. 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

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

based on the amount of excess cash each fund has deposited.

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

I. Encumbrances

The district does not use encumbrance accounting.

J. Inventory

Inventories are valued at cost. The costs of inventories in governmental fund types are recorded as expenditures when purchased; therefore, the inventory asset amount is not available for appropriation. No physical inventory of supplies was taken during the year.

K. Interfund Receivables and Payables

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

L. Interfund Transfers

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

M. Statements of Cash Flows

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

N. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Actual results could differ from those estimates.

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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, and to inactive employees who return to employment following a six-month or greater break in service. 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, 2009 were 9.65% and 11.92% 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 contribution to PERS for the years ending June 30, 2007, 2008, and 2009 were \$2,366,935, \$2,680,404 and \$2,744,539 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, 2007 was \$9,885,723, being held in a side account at PERS.

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Note 3. Capital Assets

Capital assets activity for the year was as follows:

| | Balance July 1, 2008 | Restatements | Increases | Decreases | Balance June 30, 2009 |
|---|----------------------------|-------------------|---------------------|------------------|-----------------------------|
| Capital assets not being depreciated | | | | | |
| Land | \$ 563,110 | \$ - | \$ - | \$ - | \$ 563,110 |
| Construction in progress | 153,132 | 133,285 | 165,469 | 286,417 | 165,469 |
| Total capital assets not being depreciated | <u>716,242</u> | <u>133,285</u> | <u>165,469</u> | <u>-</u> | <u>728,579</u> |
| Capital assets being depreciated | | | | | |
| Buildings and improvements | 10,131,170 | - | 3,445,349 | - | 13,576,519 |
| Equipment | 1,575,177 | - | 159,324 | 79,176 | 1,655,325 |
| Vehicles | <u>2,462,008</u> | <u>-</u> | <u>202,249</u> | <u>205,838</u> | <u>2,458,419</u> |
| Total capital assets being depreciated | <u>14,168,355</u> | <u>-</u> | <u>3,806,922</u> | <u>285,014</u> | <u>17,690,263</u> |
| Less accumulated depreciation | (7,902,893) | - | (639,763) | (273,454) | (8,269,202) |
| Total capital assets being depreciated, net | <u>6,265,462</u> | <u>-</u> | <u>3,167,159</u> | <u>11,560</u> | <u>9,421,061</u> |
| Total capital assets, net | <u>\$ 6,981,704</u> | <u>\$ 133,285</u> | <u>\$ 3,332,628</u> | <u>\$ 11,560</u> | <u>\$ 10,149,640</u> |

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

Central activities \$639,763

Note 4. 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.

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Cash and investments are comprised of the following at June 30, 2009:

| | |
|---------------------|---------------------|
| Deposits with banks | \$ 4,327,088 |
| Investments | 3,235,071 |
| Cash on hand | <u>1,320</u> |
| | <u>\$ 7,563,479</u> |

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

| | |
|-----------------------------------|---------------------|
| Statement of Net Assets | |
| Cash and investments | \$ 7,434,606 |
| Statement of Fiduciary Net Assets | |
| Cash and investments | <u>128,873</u> |
| | <u>\$ 7,563,479</u> |

As of June 30, 2009, the district held the following investments and maturities:

| Investment Type | Fair Value | % of Investment Portfolio |
|----------------------------------|--------------|---------------------------------|
| Local Government Investment Pool | \$ 3,235,071 | 100% |

Deposits

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial risk assumed by the district at June 30, 2009. 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, 2009 the carrying amount of the district's deposits (cash and certificates of deposit) in various financial institutions was \$4,327,088 and the bank balances were \$4,439,404. 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 295.015 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, 2009 and for the year then ended, the district's deposits were in compliance with the requirements of ORS 295.015.

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

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June 30, 2009

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, 2009, the district held \$3,235,071 of investments, which is all classified as cash and investments on the Statement of Net Assets. The district has no policy for managing interest rate risk or credit risk.

The district has invested funds in the Oregon Short-term Fund Local Government Investment Pool (LGIP) during fiscal year 2009. The Local Government Investment Pool (LGIP) 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 (LGIP) 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.

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 295.015. Investments are stated at cost, which approximated fair value.

A separate financial report for the Oregon Short-term Fund Local Government Investment Pool (LGIP) 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, 2009 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 (LGIP), among others. The district has no formal investment policy that further restricts its investment choices.

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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 5. Other Post Employment Benefits (OPEB)

Early Retirement Incentive Plan

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

Eligibility:

Retirees must meet the following criteria:

- Retiring as an administrator employee with at least seven consecutive years of continuous, full-time service with the district.
- Retiring as a certified employee having completed at least twenty years of teaching, of which twelve years of service must be with the district.
- 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.

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, 2009, the obligation is as follows:

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 Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2009

| | June 30, 2009 |
|--|------------------|
| Determination of Annual Required Contribution | |
| (1) Normal Cost at year end | \$ 30,451 |
| (2) Amortization of UAAL | 400,036 |
| (3) Annual Required Contribution (ARC) | 430,487 |
| Determination of Net OPEB Obligation | |
| (4) Annual Required Contribution (ARC) | 430,487 |
| (5) Interest on prior year Net OPEB Obligation | 16,158 |
| (6) Adjustment to ARC | 214,181 |
| (7) Annual Pension Cost | 232,464 |
| Less | |
| (8) Expected Stipend Payments | 108,562 |
| (9) Increase in Net OPEB Obligation | 123,902 |
| (11) Net OPEB Obligation - June 30, 2008 | 403,957 |
| (12) Net OPEB Obligation - June 30, 2009 | \$ 527,859 |

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

| Fiscal Year Ending | Annual Pension Cost | Percentage of Pension Cost Contributed | Net Pension Obligation |
|-----------------------|---------------------------|--|---------------------------|
| June 30, 2007 | N/A* | N/A* | N/A* |
| June 30, 2008 | N/A* | N/A* | N/A* |
| June 30, 2009 | \$ 232,464 | 47% | \$ 527,859 |

* Fiscal year ending June 30, 2009 is the year of implementation for GASB 50 which requires this disclosure. Three years of data will be included as it becomes available.

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.

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

| | June 30, 2009 |
|--|-------------------|
| Determination of Annual Required Contribution | |
| (1) Normal Cost at year end | \$ 241,767 |
| (2) Amortization of UAAL | 255,279 |
| (3) Annual Required Contribution (ARC) | <u>497,046</u> |
| Determination of Net OPEB Obligation | |
| (4) Annual Required Contribution (ARC) | 497,046 |
| (5) Interest on prior year Net OPEB Obligation | - |
| (6) Adjustment to ARC | - |
| (7) Annual OPEB Cost | <u>497,046</u> |
| Less | |
| (8) Explicit Benefit Payments | - |
| (9) Implicit Benefit Payments | 221,461 |
| (10) Increase in Net OPEB Obligation | <u>275,585</u> |
| (11) Net OPEB Obligation - June 30, 2008 | - |
| (12) Net OPEB Obligation - June 30, 2009 | <u>\$ 275,585</u> |

The district's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2009 were as follows:

| Fiscal Year Ending | Annual Pension Cost | Percentage of Pension Cost Contributed | Net Pension Obligation |
|-----------------------|---------------------------|--|---------------------------|
| June 30, 2007 | N/A* | N/A* | N/A* |
| June 30, 2008 | N/A* | N/A* | N/A* |
| June 30, 2009 | \$ 497,046 | 45% | \$ 275,585 |

* Fiscal year ending June 30, 2009 is the year of implementation for GASB 45 which requires this disclosure. Three years of data will be included as it becomes available.

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

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the June 30, 2009 actuarial valuation “the projected unit credit actuarial cost method” was used. The actuarial assumption was a 4.0% investment rate of return (net of administrative expenses). Medical and prescription drugs premium increase of 9.6% in the first year, 8.4% in the second year, 7.3% in the third year, 6.2% in the fourth year, then grading down from 5.9% to 5.0% over the 28 years, and then 5.0% thereafter. The annual healthcare cost trend rate of 5.0% 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 6. 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 7/1/08 | \$ 403,957 |
| Additions | 251,467 |
| Payments & deletions | (127,565) |
| Balance 6/30/09 | <u>\$ 527,859</u> |

| | Early Retirement Obligations |
|---------------------------------|---------------------------------|
| Amounts Payable in Fiscal Year: | |
| 2009-10 | \$143,174 |
| 2010-11 | 100,814 |
| 2011-12 | 73,794 |
| 2012-13 | 51,995 |
| 2013-14 | 32,995 |
| 2014-15 | 23,199 |
| 2015 and thereafter | 101,888 |
| Total | <u>\$ 527,859</u> |

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June 30, 2009

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 7. Leases

The government's future minimum rental commitments for the copier machines at the high school, accounted for as operating leases at June 30, 2009, are as follows:

| Year Ending June 30 | Minimum Lease Payments |
|------------------------|---------------------------|
| 2010 | \$ 9,424 |
| Total | <u>\$ 9,424</u> |

Note 8. PERS UAL Bonds Payable

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

| | PERS UAL Bonds Payable |
|-----------------|---------------------------|
| Balance 7/1/08 | \$ 9,174,157 |
| Additions | - |
| Payments | (124,576) |
| Balance 6/30/09 | <u>\$ 9,049,581</u> |

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

| Fiscal Year | Principal | Interest |
|-------------|---------------------|---------------------|
| 2010 | \$ 138,113 | \$ 448,520 |
| 2011 | 148,905 | 467,728 |
| 2012 | 161,304 | 490,329 |
| 2013 | 170,967 | 515,665 |
| 2014 | 178,035 | 543,598 |
| 2015-2019 | 969,899 | 3,253,263 |
| 2020-2024 | 3,277,358 | 2,112,649 |
| 2025-2028 | 4,005,000 | 523,415 |
| Total | <u>\$ 9,049,581</u> | <u>\$ 8,355,167</u> |

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2009

Note 9. Interfund Transfers

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

| From | To | Amount | Reason |
|--------------|----------|-------------------|--|
| General Fund | Fund 284 | \$ 6,132 | To pay for the district's share of SMILE expense |
| General Fund | Fund 292 | 131,719 | To fund Equipment Replacement Fund |
| General Fund | Fund 294 | 210,000 | To fund Technology Fund |
| Total | | <u>\$ 347,852</u> | |

Note 10. Accounts Receivable

Accounts receivable are comprised of the following at June 30, 2009:

| Fund | Revenue Source | Amount |
|-------------------|---------------------------|-------------------|
| General Fund | Property Taxes | \$ 265,204 |
| General Fund | Miscellaneous | 24,516 |
| Federal Programs | Federal Grants | 464,320 |
| PE Expansion Fund | State Grants | 870 |
| | Total Accounts Receivable | <u>\$ 754,910</u> |

Note 11. Risk Management

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

Note 12. Restatement

Ontario School District No. 8C continues to assess the valuation of fixed assets and, as such restated prior years values as follows:

Governmental Activities – Net capital asset values changed \$ 133,285

REQUIRED SUPPLEMENTARY
INFORMATION

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (BUDGET BASIS)
For the Year Ended
June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| Revenues | | | | |
| Taxes | \$ 3,274,235 | \$ 3,274,235 | \$ 3,302,118 | \$ 27,883 |
| Local sources | 362,500 | 362,500 | 539,573 | 177,073 |
| Intermediate sources | 2,500 | 2,500 | 2,156 | (344) |
| State sources | 19,034,405 | 19,034,405 | 17,875,285 | (1,159,120) |
| Federal sources | - | - | 572,566 | 572,566 |
| Other sources | 5,000 | 5,000 | 39,623 | 34,623 |
| Total revenues | <u>22,678,640</u> | <u>22,678,640</u> | <u>22,331,319</u> | <u>(347,320)</u> |
| Expenditures | | | | |
| Instruction | | | | |
| Regular programs | 11,838,813 | 11,861,813 | 11,062,135 | 799,678 |
| Special programs | 3,734,981 | 4,054,981 | 3,728,955 | 326,026 |
| Summer school programs | 20,000 | 20,000 | 5,585 | 14,415 |
| Supporting services | | | | |
| Students | 703,254 | 702,354 | 665,501 | 36,854 |
| Improvement of instruction | 1,165,480 | 1,153,430 | 852,587 | 300,843 |
| General administration | 435,545 | 435,545 | 458,499 | (22,954) |
| School administration | 2,041,076 | 2,037,476 | 1,901,416 | 136,060 |
| Business services | 3,849,631 | 3,843,181 | 3,571,839 | 271,342 |
| Central activities | 841,153 | 841,153 | 799,161 | 41,992 |
| Supplemental retirement program | 140,865 | 140,865 | 122,617 | 18,248 |
| Food services | - | - | - | - |
| Community services | 10,000 | 10,000 | 910 | 9,090 |
| Facilities acquisition and construction | 188,562 | 188,562 | 84,483 | 104,079 |
| Total expenditures | <u>24,969,360</u> | <u>25,289,360</u> | <u>23,253,688</u> | <u>2,035,672</u> |
| Excess of revenues over (under) expenditures | <u>(2,290,720)</u> | <u>(2,610,720)</u> | <u>(922,369)</u> | <u>1,688,351</u> |
| Other financing sources (uses) | | | | |
| Debt service | (500) | (500) | - | (500) |
| Grant indirect charges | 70,000 | 70,000 | 78,512 | (8,512) |
| Transfers in (out) | <u>(354,000)</u> | <u>(354,000)</u> | <u>(347,852)</u> | <u>(6,148)</u> |
| Total other financing sources (uses) | <u>(284,500)</u> | <u>(284,500)</u> | <u>(269,340)</u> | <u>(15,160)</u> |
| Net change in fund balance | <u>(2,575,220)</u> | <u>(2,895,220)</u> | <u>(1,191,708)</u> | <u>1,703,512</u> |
| Available fund balance, July 1 | <u>4,575,220</u> | <u>4,575,220</u> | <u>4,698,171</u> | <u>122,951</u> |
| Available fund balance, June 30 | <u>\$ 2,000,000</u> | <u>\$ 1,680,000</u> | <u>\$ 3,506,463</u> | <u>\$ 1,826,463</u> |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUILDING IMPROVEMENT (BUDGET BASIS)

For the Year Ended
June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Final Budget Positive (Negative) |
|--|--------------------|-----------------|-------------|--|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Local sources | 50,000 | 50,000 | 86,533 | 36,533 |
| Intermediate sources | - | - | - | - |
| State sources | - | - | - | - |
| Federal sources | - | - | - | - |
| Other sources | - | - | - | - |
| Total revenues | 50,000 | 50,000 | 86,533 | 36,533 |
| Expenditures | | | | |
| Instruction | | | | |
| Regular programs | - | - | - | - |
| Special programs | - | - | - | - |
| Summer school programs | - | - | - | - |
| Supporting services | | | | |
| Students | - | - | - | - |
| Improvement of instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Business services | - | - | - | - |
| Central activities | - | - | - | - |
| Supplemental retirement program | - | - | - | - |
| Food services | - | - | - | - |
| Community services | - | - | - | - |
| Facilities acquisition and construction | 4,120,000 | 4,120,000 | 3,275,565 | 844,435 |
| Total expenditures | 4,120,000 | 4,120,000 | 3,275,565 | 844,435 |
| Excess of revenues over (under) expenditures | (4,070,000) | (4,070,000) | (3,189,032) | 880,968 |
| Other financing sources (uses) | | | | |
| Debt service | - | - | - | - |
| Grant indirect charges | - | - | - | - |
| Sale of assets | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | (4,070,000) | (4,070,000) | (3,189,032) | 880,968 |
| Available fund balance, July 1 | 4,070,000 | 4,070,000 | 3,789,365 | (280,635) |
| Available fund balance, June 30 | \$ - | \$ - | \$ 600,332 | \$ 600,332 |

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended

June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Final Budget Positive (Negative) |
|--|--------------------|------------------|------------------|--|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Local sources | - | - | - | - |
| Intermediate sources | - | - | - | - |
| State sources | - | - | - | - |
| Federal sources | 3,212,609 | 3,216,609 | 2,555,432 | (661,177) |
| Other sources | - | - | - | - |
| Total revenues | <u>3,212,609</u> | <u>3,216,609</u> | <u>2,555,432</u> | <u>(661,177)</u> |
| Expenditures | | | | |
| Instruction | | | | |
| Regular programs | 231,541 | 231,541 | 29,387 | 202,154 |
| Special programs | 1,684,053 | 1,684,053 | 1,447,236 | 236,817 |
| Summer school programs | 157,025 | 157,025 | 125,635 | 31,390 |
| Supporting services | | | | - |
| Students | 375,253 | 375,253 | 340,035 | 35,218 |
| Improvement of instruction | 519,760 | 523,760 | 427,122 | 96,638 |
| General administration | - | - | - | - |
| School administration | 4,000 | 4,000 | 6,022 | (2,022) |
| Business services | 23,475 | 23,475 | 27,431 | (3,956) |
| Central activities | 217,502 | 217,502 | 152,564 | 64,938 |
| Supplemental retirement program | - | - | - | - |
| Food services | - | - | - | - |
| Community services | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - |
| Total expenditures | <u>3,212,609</u> | <u>3,216,609</u> | <u>2,555,432</u> | <u>661,177</u> |
| Excess of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources (uses) | | | | |
| Debt service | - | - | - | - |
| Grant indirect charges | - | - | - | - |
| Sale of assets | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | - | - | - | - |
| Available fund balance, July 1 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Available fund balance, June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

ONTARIO SCHOOL DISTRICT No. 8C
Ontario, Malheur County, Oregon
June 30, 2009

Notes to Required Supplementary Information – Budgetary Reporting

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

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

During the year ended June 30, 2009, there were no budget violations.

OTHER INFORMATION

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
June 30, 2009

| | Debt Service Pension | PE Expansion | Response to Intervention | MESD Capacity Grant |
|-------------------------------------|-------------------------|-----------------|--------------------------------|---------------------------|
| ASSETS | | | | |
| Cash | \$ 4,916 | \$ - | \$ 1,302 | \$ - |
| Receivables | | | | |
| Other | - | 870 | - | - |
| Total assets | <u>\$ 4,916</u> | <u>\$ 870</u> | <u>\$ 1,302</u> | <u>\$ -</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ 1 | \$ - |
| Interfund payable | - | 870 | - | - |
| Total liabilities | <u>-</u> | <u>870</u> | <u>1</u> | <u>-</u> |
| Fund balance | | | | |
| Fund balance | | | | |
| Undesignated | 4,916 | - | 1,301 | - |
| Total fund balance | <u>4,916</u> | <u>-</u> | <u>1,301</u> | <u>-</u> |
| Total liabilities and fund balance | <u>\$ 4,916</u> | <u>\$ 870</u> | <u>\$ 1,302</u> | <u>\$ -</u> |

| Ford Family Foundation | Smile Grant | SB 622 |
|------------------------------|-----------------|------------------|
| \$ - | \$ 2,240 | \$ 50,029 |
| - | - | - |
| <u>\$ -</u> | <u>\$ 2,240</u> | <u>\$ 50,029</u> |
| | | |
| \$ - | \$ - | \$ - |
| - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> |
| | | |
| - | 2,240 | 50,029 |
| - | 2,240 | 50,029 |
| <u>\$ -</u> | <u>\$ 2,240</u> | <u>\$ 50,029</u> |

| <u>Equipment Replacement</u> | <u>Technology</u> | <u>Food Services</u> | <u>Totals June 30, 2009</u> |
|----------------------------------|-------------------|--------------------------|---------------------------------|
| \$ 145,370 | \$ 142,954 | \$ 432,169 | \$ 778,981 |
| - | - | - | 870 |
| <u>\$ 145,370</u> | <u>\$ 142,954</u> | <u>\$ 432,169</u> | <u>\$ 779,851</u> |
| | | | |
| \$ 4,070 | \$ 142,954 | \$ 5,903 | \$ 152,929 |
| - | - | - | 870 |
| <u>4,070</u> | <u>142,954</u> | <u>5,903</u> | <u>153,799</u> |
| | | | |
| 141,300 | - | 426,266 | 626,052 |
| 141,300 | - | 426,266 | 626,052 |
| <u>\$ 145,370</u> | <u>\$ 142,954</u> | <u>\$ 432,169</u> | <u>\$ 779,851</u> |

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NON MAJOR FUNDS

For the Year Ended

June 30, 2009

| | Debt Service Pension | PE Expansion | Response to Intervention | MESD Capacity Grant |
|--|----------------------------|-----------------|--------------------------------|---------------------------|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Local sources | 551,453 | - | 6,100 | - |
| Intermediate sources | - | - | - | - |
| State sources | - | 19,908 | - | - |
| Federal sources | - | - | - | - |
| Other sources | - | - | - | - |
| Total revenues | 551,453 | 19,908 | 6,100 | - |
| Expenditures | | | | |
| Instruction | | | | |
| Regular programs | - | - | - | 4,500 |
| Special programs | - | - | - | - |
| Summer school programs | - | - | - | - |
| Supporting services | | | | |
| Students | - | - | - | - |
| Improvement of instruction | - | 19,908 | 6,614 | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Business services | - | - | - | - |
| Central activities | 121 | - | - | - |
| Supplemental retirement program | - | - | - | - |
| Food services | - | - | - | - |
| Community services | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - |
| Total expenditures | 121 | 19,908 | 6,614 | 4,500 |
| Excess of revenues over (under) expenditures | 551,332 | - | (514) | (4,500) |
| Other financing sources (uses) | | | | |
| Debt service | (556,633) | - | - | - |
| Grant indirect charges | - | - | - | - |
| Sale of assets | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Total other financing sources (uses) | (556,633) | - | - | - |
| Net change in fund balance | (5,300) | - | (514) | (4,500) |
| Available fund balance, July 1 | 10,217 | - | 1,815 | 4,500 |
| Available fund balance, June 30 | \$ 4,916 | \$ - | \$ 1,301 | \$ - |

| Ford Family Foundation | Smile Grant | SB 622 |
|--|---|--|
| \$ - (2,500) | \$ - - - 9,883 - - | \$ - - - - - - |
| (2,500) | 9,883 | - |
| - - - - - - - - - - | - 15,542 - - - - - - - - | - - - - - - 1,376 - - - |
| - | 15,542 | 1,376 |
| (2,500) | (5,659) | (1,376) |
| - - - - | - - - 6,132 | - - - - |
| - | 6,132 | - |
| (2,500) | 474 | (1,376) |
| 2,500 | 1,766 | 51,405 |
| \$ - | \$ 2,240 | \$ 50,029 |

| Equipment Replacement | Technology | Food Services | Totals June 30, 2009 |
|--------------------------|------------|------------------|----------------------------|
| \$ - | \$ - | \$ - | \$ - |
| 4,541 | - | 250,976 | 810,570 |
| - | - | - | - |
| - | - | 14,034 | 43,826 |
| - | - | 1,001,018 | 1,001,018 |
| - | - | - | - |
| 4,541 | - | 1,266,028 | 1,855,414 |
| 78,568 | - | - | 83,068 |
| - | - | - | 15,542 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | 26,522 |
| - | - | - | - |
| 13,697 | - | - | 13,697 |
| - | - | - | - |
| 17,977 | 216,829 | - | 236,303 |
| - | - | - | - |
| - | - | 1,203,204 | 1,203,204 |
| - | - | - | - |
| - | - | - | - |
| 110,242 | 216,829 | 1,203,204 | 1,578,336 |
| (105,700) | (216,829) | 62,824 | 277,078 |
| - | - | - | (556,633) |
| - | - | - | - |
| - | - | - | - |
| 131,719 | 210,000 | - | 347,852 |
| 131,719 | 210,000 | - | (208,781) |
| 26,019 | (6,829) | 62,824 | 68,297 |
| 115,281 | 6,829 | 363,442 | 557,755 |
| \$ 141,300 | \$ - | \$ 426,266 | \$ 626,052 |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PENSION BOND DEBT (BUDGET BASIS)
For the Year Ended
June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Final Budget Positive (Negative) |
|--|--------------------|-----------------|-----------|--|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Local sources | 549,758 | 549,758 | 551,453 | 1,695 |
| Intermediate sources | - | - | - | - |
| State sources | - | - | - | - |
| Federal sources | - | - | - | - |
| Other sources | - | - | - | - |
| Total revenues | 549,758 | 549,758 | 551,453 | 1,695 |
| Expenditures | | | | |
| Instruction | | | | - |
| Regular programs | - | - | - | - |
| Special programs | - | - | - | - |
| Summer school programs | - | - | - | - |
| Supporting services | | | | - |
| Students | - | - | - | - |
| Improvement of instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Business services | - | - | - | - |
| Central activities | 125 | 125 | 121 | 4 |
| Supplemental retirement program | - | - | - | - |
| Food services | - | - | - | - |
| Community services | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - |
| Total expenditures | 125 | 125 | 121 | 4 |
| Excess of revenues over (under) expenditures | 549,633 | 549,633 | 551,332 | 1,699 |
| Other financing sources (uses) | | | | |
| Debt service | (556,633) | (556,633) | (556,633) | - |
| Grant indirect charges | - | - | - | - |
| Sale of assets | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Total other financing sources (uses) | (556,633) | (556,633) | (556,633) | - |
| Net change in fund balance | (7,000) | (7,000) | (5,300) | 1,700 |
| Available fund balance, July 1 | 7,000 | 7,000 | 10,217 | 3,217 |
| Available fund balance, June 30 | \$ - | \$ - | \$ 4,916 | \$ 4,916 |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PE EXPANSION (BUDGET BASIS)
For the Year Ended
June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Final Budget Positive (Negative) |
|--|--------------------|-----------------|--------|--|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Local sources | - | - | - | - |
| Intermediate sources | - | - | - | - |
| State sources | - | - | 19,908 | 19,908 |
| Federal sources | 64,000 | 64,000 | - | (64,000) |
| Other sources | - | - | - | - |
| Total revenues | 64,000 | 64,000 | 19,908 | (44,092) |
| Expenditures | | | | |
| Instruction | | | | - |
| Regular programs | - | - | - | - |
| Special programs | - | - | - | - |
| Summer school programs | - | - | - | - |
| Supporting services | | | | - |
| Students | - | - | - | - |
| Improvement of instruction | 64,000 | 64,000 | 19,908 | 44,092 |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Business services | - | - | - | - |
| Central activities | - | - | - | - |
| Supplemental retirement program | - | - | - | - |
| Food services | - | - | - | - |
| Community services | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - |
| Total expenditures | 64,000 | 64,000 | 19,908 | 44,092 |
| Excess of revenues over (under) expenditures | - | - | - | - |
| Other financing sources (uses) | | | | |
| Debt service | - | - | - | - |
| Grant indirect charges | - | - | - | - |
| Sale of assets | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | - | - | - | - |
| Available fund balance, July 1 | - | - | - | - |
| Available fund balance, June 30 | \$ - | \$ - | \$ - | \$ - |

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended

June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Final Budget Positive (Negative) |
|--|--------------------|-----------------|----------|--|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Local sources | - | 6,100 | 6,100 | - |
| Intermediate sources | - | - | - | - |
| State sources | - | - | - | - |
| Federal sources | - | - | - | - |
| Other sources | - | - | - | - |
| Total revenues | - | 6,100 | 6,100 | - |
| Expenditures | | | | |
| Instruction | | | | |
| Regular programs | - | - | - | - |
| Special programs | - | - | - | - |
| Summer school programs | - | - | - | - |
| Supporting services | | | | |
| Students | - | - | - | - |
| Improvement of instruction | 4,000 | 7,915 | 6,614 | 1,301 |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Business services | - | - | - | - |
| Central activities | - | - | - | - |
| Supplemental retirement program | - | - | - | - |
| Food services | - | - | - | - |
| Community services | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - |
| Total expenditures | 4,000 | 7,915 | 6,614 | 1,301 |
| Excess of revenues over (under) expenditures | (4,000) | (1,815) | (514) | (1,301) |
| Other financing sources (uses) | | | | |
| Debt service | - | - | - | - |
| Grant indirect charges | - | - | - | - |
| Sale of assets | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | (4,000) | (1,815) | (514) | 1,301 |
| Available fund balance, July 1 | 4,000 | 1,815 | 1,815 | - |
| Available fund balance, June 30 | \$ - | \$ - | \$ 1,301 | \$ 1,301 |

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MALHEUR ESD CAPACITY GRANT (BUDGET BASIS)**

For the Year Ended

June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Final Budget Positive (Negative) |
|--|--------------------|-----------------|---------|--|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Local sources | - | - | - | - |
| Intermediate sources | - | - | - | - |
| State sources | - | - | - | - |
| Federal sources | - | - | - | - |
| Other sources | - | - | - | - |
| Total revenues | - | - | - | - |
| Expenditures | | | | |
| Instruction | | | | - |
| Regular programs | 4,500 | 4,500 | 4,500 | - |
| Special programs | - | - | - | - |
| Summer school programs | - | - | - | - |
| Supporting services | | | | - |
| Students | - | - | - | - |
| Improvement of instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Business services | - | - | - | - |
| Central activities | - | - | - | - |
| Supplemental retirement program | - | - | - | - |
| Food services | - | - | - | - |
| Community services | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - |
| Total expenditures | 4,500 | 4,500 | 4,500 | - |
| Excess of revenues over (under) expenditures | (4,500) | (4,500) | (4,500) | - |
| Other financing sources (uses) | | | | |
| Debt service | - | - | - | - |
| Grant indirect charges | - | - | - | - |
| Sale of assets | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | (4,500) | (4,500) | (4,500) | - |
| Available fund balance, July 1 | 4,500 | 4,500 | 4,500 | - |
| 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 - FORD FAMILY FOUNDATION PROJECT (BUDGET BASIS)**

For the Year Ended

June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Final Budget Positive (Negative) |
|--|--------------------|-----------------|---------|--|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Local sources | - | - | (2,500) | (2,500) |
| Intermediate sources | - | - | - | - |
| State sources | - | - | - | - |
| Federal sources | - | - | - | - |
| Other sources | - | - | - | - |
| Total revenues | - | - | (2,500) | (2,500) |
| Expenditures | | | | |
| Instruction | | | | - |
| Regular programs | - | - | - | - |
| Special programs | - | - | - | - |
| Summer school programs | - | - | - | - |
| Supporting services | | | | - |
| Students | - | - | - | - |
| Improvement of instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Business services | - | - | - | - |
| Central activities | - | - | - | - |
| Supplemental retirement program | - | - | - | - |
| Food services | - | - | - | - |
| Community services | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess of revenues over (under) expenditures | - | - | (2,500) | (2,500) |
| Other financing sources (uses) | | | | |
| Debt service | - | - | - | - |
| Grant indirect charges | - | - | - | - |
| Sale of assets | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | - | - | (2,500) | (2,500) |
| Available fund balance, July 1 | - | - | 2,500 | 2,500 |
| Available fund balance, June 30 | \$ - | \$ - | \$ - | \$ - |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SMILE GRANT FUND (BUDGET BASIS)
For the Year Ended
June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Final Budget Positive (Negative) |
|--|--------------------|-----------------|----------|--|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Local sources | - | - | - | - |
| Intermediate sources | - | - | - | - |
| State sources | 11,377 | 11,377 | 9,883 | (1,494) |
| Federal sources | - | - | - | - |
| Other sources | - | - | - | - |
| Total revenues | 11,377 | 11,377 | 9,883 | (1,494) |
| Expenditures | | | | |
| Instruction | | | | - |
| Regular programs | - | - | - | - |
| Special programs | 17,877 | 17,877 | 15,542 | 2,335 |
| Summer school programs | - | - | - | - |
| Supporting services | | | | - |
| Students | - | - | - | - |
| Improvement of instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Business services | - | - | - | - |
| Central activities | - | - | - | - |
| Supplemental retirement program | - | - | - | - |
| Food services | - | - | - | - |
| Community services | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - |
| Total expenditures | 17,877 | 17,877 | 15,542 | 2,335 |
| Excess of revenues over (under) expenditures | (6,500) | (6,500) | (5,659) | 841 |
| Other financing sources (uses) | | | | |
| Debt service | - | - | - | - |
| Grant indirect charges | - | - | - | - |
| Sale of assets | - | - | - | - |
| Transfers in (out) | 6,500 | 6,500 | 6,132 | 368 |
| Total other financing sources (uses) | 6,500 | 6,500 | 6,132 | 368 |
| Net change in fund balance | - | - | 474 | 474 |
| Available fund balance, July 1 | - | - | 1,766 | 1,766 |
| Available fund balance, June 30 | \$ - | \$ - | \$ 2,240 | \$ 2,240 |

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, 2009

| | Original Budget | Final Budget | Actual | Variance Final Budget Positive (Negative) |
|--|--------------------|-----------------|-----------|--|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Local sources | - | - | - | - |
| Intermediate sources | - | - | - | - |
| State sources | - | - | - | - |
| Federal sources | - | - | - | - |
| Other sources | - | - | - | - |
| Total revenues | - | - | - | - |
| Expenditures | | | | |
| Instruction | | | | - |
| Regular programs | - | - | - | - |
| Special programs | - | - | - | - |
| Summer school programs | - | - | - | - |
| Supporting services | | | | - |
| Students | - | - | - | - |
| Improvement of instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Business services | - | - | - | - |
| Central activities | 51,405 | 51,405 | 1,376 | 50,029 |
| Supplemental retirement program | - | - | - | - |
| Food services | - | - | - | - |
| Community services | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - |
| Total expenditures | 51,405 | 51,405 | 1,376 | 50,029 |
| Excess of revenues over (under) expenditures | (51,405) | (51,405) | (1,376) | 50,029 |
| Other financing sources (uses) | | | | |
| Debt service | - | - | - | - |
| Grant indirect charges | - | - | - | - |
| Sale of assets | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | (51,405) | (51,405) | (1,376) | 50,029 |
| Available fund balance, July 1 | 51,405 | 51,405 | 51,405 | - |
| Available fund balance, June 30 | \$ - | \$ - | \$ 50,029 | \$ 50,029 |

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended

June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Final Budget Positive (Negative) |
|--|--------------------|-----------------|------------|--|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Local sources | - | - | 4,541 | 4,541 |
| Intermediate sources | - | - | - | - |
| State sources | - | - | - | - |
| Federal sources | - | - | - | - |
| Other sources | - | - | - | - |
| Total revenues | - | - | 4,541 | 4,541 |
| Expenditures | | | | |
| Instruction | | | | - |
| Regular programs | 97,600 | 97,600 | 78,568 | 19,032 |
| Special programs | - | - | - | - |
| Summer school programs | - | - | - | - |
| Supporting services | | | | - |
| Students | - | - | - | - |
| Improvement of instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | 23,300 | 23,300 | 13,697 | 9,603 |
| Business services | 101,500 | 101,500 | - | 101,500 |
| Central activities | 24,600 | 24,600 | 17,977 | 6,623 |
| Supplemental retirement program | - | - | - | - |
| Food services | - | - | - | - |
| Community services | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - |
| Total expenditures | 247,000 | 247,000 | 110,242 | 136,758 |
| Excess of revenues over (under) expenditures | (247,000) | (247,000) | (105,700) | 141,300 |
| Other financing sources (uses) | | | | |
| Debt service | - | - | - | - |
| Grant indirect charges | - | - | - | - |
| Sale of assets | - | - | - | - |
| Transfers in (out) | 138,000 | 138,000 | 131,719 | 6,281 |
| Total other financing sources (uses) | 138,000 | 138,000 | 131,719 | 6,281 |
| Net change in fund balance | (109,000) | (109,000) | 26,019 | 135,019 |
| Available fund balance, July 1 | 109,000 | 109,000 | 115,281 | 6,281 |
| Available fund balance, June 30 | \$ - | \$ - | \$ 141,300 | \$ 141,300 |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TECHNOLOGY FUND (BUDGET BASIS)
For the Year Ended
June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Final Budget Positive (Negative) |
|--|--------------------|-----------------|-----------|--|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Local sources | - | - | - | - |
| Intermediate sources | - | - | - | - |
| State sources | - | - | - | - |
| Federal sources | - | - | - | - |
| Other sources | - | - | - | - |
| Total revenues | - | - | - | - |
| Expenditures | | | | |
| Instruction | | | | - |
| Regular programs | - | - | - | - |
| Special programs | - | - | - | - |
| Summer school programs | - | - | - | - |
| Supporting services | | | | - |
| Students | - | - | - | - |
| Improvement of instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Business services | - | - | - | - |
| Central activities | 230,000 | 230,000 | 216,829 | 13,171 |
| Supplemental retirement program | - | - | - | - |
| Food services | - | - | - | - |
| Community services | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - |
| Total expenditures | 230,000 | 230,000 | 216,829 | 13,171 |
| Excess of revenues over (under) expenditures | (230,000) | (230,000) | (216,829) | 13,171 |
| Other financing sources (uses) | | | | |
| Debt service | - | - | - | - |
| Grant indirect charges | - | - | - | - |
| Sale of assets | - | - | - | - |
| Transfers in (out) | 210,000 | 210,000 | 210,000 | - |
| Total other financing sources (uses) | 210,000 | 210,000 | 210,000 | - |
| Net change in fund balance | (20,000) | (20,000) | (6,829) | 13,171 |
| Available fund balance, July 1 | 20,000 | 20,000 | 6,829 | (13,171) |
| 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 - FOOD SERVICE FUND (BUDGET BASIS)
For the Year Ended
June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Final Budget Positive (Negative) |
|--|--------------------|-----------------|------------|--|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Local sources | 200,000 | 200,000 | 250,976 | 50,976 |
| Intermediate sources | - | - | - | - |
| State sources | 14,000 | 14,000 | 14,034 | 34 |
| Federal sources | 966,000 | 966,000 | 1,001,018 | 35,018 |
| Other sources | - | - | - | - |
| Total revenues | 1,180,000 | 1,180,000 | 1,266,028 | 86,028 |
| Expenditures | | | | |
| Instruction | | | | - |
| Regular programs | - | - | - | - |
| Special programs | - | - | - | - |
| Summer school programs | - | - | - | - |
| Supporting services | | | | - |
| Students | - | - | - | - |
| Improvement of instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Business services | - | - | - | - |
| Central activities | - | - | - | - |
| Supplemental retirement program | - | - | - | - |
| Food services | 1,355,000 | 1,355,000 | 1,203,204 | 151,796 |
| Community services | - | - | - | - |
| Facilities acquisition and construction | - | - | - | - |
| Total expenditures | 1,355,000 | 1,355,000 | 1,203,204 | 151,796 |
| Excess of revenues over (under) expenditures | (175,000) | (175,000) | 62,824 | 237,824 |
| Other financing sources (uses) | | | | |
| Debt service | - | - | - | - |
| Grant indirect charges | - | - | - | - |
| Sale of assets | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | (175,000) | (175,000) | 62,824 | 237,824 |
| Available fund balance, July 1 | 175,000 | 175,000 | 363,442 | 188,442 |
| Available fund balance, June 30 | \$ - | \$ - | \$ 426,266 | \$ 426,266 |

OTHER FINANCIAL SCHEDULES

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
STUDENT BODY FUNDS**
June 30, 2009

| | Balance July 1, 2008 | Receipts | Disbursements | Balance June 30, 2009 |
|--------------------------------------|-------------------------|------------|---------------|--------------------------|
| Ontario High School | | | | |
| Assets | | | | |
| Cash | \$ 70,071 | \$ 237,173 | \$ 245,010 | \$ 62,234 |
| Liabilities | | | | |
| Due to student groups | \$ 70,071 | \$ 237,173 | \$ 245,010 | \$ 62,234 |
| Middle School | | | | |
| Assets | | | | |
| Cash | \$ 107,443 | \$ 40,841 | \$ 108,969 | \$ 39,315 |
| Liabilities | | | | |
| Due to student groups | \$ 107,443 | \$ 40,841 | \$ 108,969 | \$ 39,315 |
| Aiken Elementary School | | | | |
| Assets | | | | |
| Cash | \$ 528 | \$ 5,620 | \$ 5,464 | \$ 683 |
| Liabilities | | | | |
| Due to student groups | \$ 528 | \$ 5,620 | \$ 5,464 | \$ 683 |
| Alameda Elementary School | | | | |
| Assets | | | | |
| Cash | \$ 1,838 | \$ 8,887 | \$ 9,115 | \$ 1,609 |
| Liabilities | | | | |
| Due to student groups | \$ 1,838 | \$ 8,887 | \$ 9,115 | \$ 1,609 |
| Cairo Elementary School | | | | |
| Assets | | | | |
| Cash | \$ 1,889 | \$ 2,179 | \$ 2,384 | \$ 1,684 |
| Liabilities | | | | |
| Due to student groups | \$ 1,889 | \$ 2,179 | \$ 2,384 | \$ 1,684 |
| May Roberts Elementary School | | | | |
| Assets | | | | |
| Cash | \$ 18,270 | \$ 17,815 | \$ 19,459 | \$ 16,627 |
| Liabilities | | | | |
| Due to student groups | \$ 18,270 | \$ 17,815 | \$ 19,459 | \$ 16,627 |
| Pioneer Elementary School | | | | |
| Assets | | | | |
| Cash | \$ 5,023 | \$ 14,311 | \$ 12,614 | \$ 6,721 |
| Liabilities | | | | |
| Due to student groups | \$ 5,023 | \$ 14,311 | \$ 12,614 | \$ 6,721 |
| Totals | | | | |
| Assets | | | | |
| Cash | \$ 205,062 | \$ 326,826 | \$ 403,015 | \$ 128,873 |
| Liabilities | | | | |
| Due to student groups | \$ 205,062 | \$ 326,826 | \$ 403,015 | \$ 128,873 |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF CASH, CASH ITEMS, INVESTMENTS, AND COLLATERAL SECURITY
June 30, 2009

| | All Funds | Total |
|--|--------------|--------------|
| Cash and cash items | | |
| Sterling Savings Bank | | |
| Demand accounts | \$ 4,265,170 | |
| Total Sterling Savings Bank | | \$ 4,265,170 |
| Bank of the West | | |
| Demand accounts | 2,000 | |
| Total Bank of the West | | 2,000 |
| Bank of America | | |
| Demand accounts | 39,315 | |
| Total Bank of America | | 39,315 |
| JP Morgan Chase Bank | | |
| Demand accounts | 16,627 | |
| Total JP Morgan Chase Bank | | 16,627 |
| Wells Fargo Bank | | |
| Demand accounts | 1,609 | |
| Total Wells Fargo Bank | | 1,609 |
| U.S. Bank, N.A. | | |
| Demand accounts | 2,367 | |
| Total U.S. Bank, N.A. | | 2,367 |
| Total cash with banks | | 4,327,088 |
| Cash-on-hand | | 1,320 |
| Total cash and cash items | | 4,328,408 |
| Investments | | |
| Oregon State Treasury Local Government Investment Pool | | 3,235,071 |
| Malheur County Treasurer | | - |
| Total net investments | | 7,563,479 |
| Less trust funds not included in statement of net assets | | (128,873) |
| Total cash, cash items and investments | | \$ 7,434,606 |

(Continued on next page)

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF CASH, CASH ITEMS, INVESTMENTS, AND COLLATERAL SECURITY
June 30, 2009

| | |
|-------------------------------|---------------------|
| Collateral security | |
| Sterling Savings Bank - FDIC | ** \$ 250,000 |
| Bank of the West - FDIC | 250,000 |
| Bank of America - FDIC | 250,000 |
| Washington Mutual 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.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF PROPERTY TAX TRANSACTIONS
For the Year Ended
June 30, 2009

GENERAL FUND

| Tax Year | Uncollected Taxes June 30, 2008 | Current Assessment | (Abatement) and Adjustments | Rebates Allowed | Interest Collected | Taxes Collected | Total Amount Collected | Uncollected Taxes June 30, 2009 |
|----------|---------------------------------------|-----------------------|-----------------------------------|--------------------|-----------------------|---------------------|------------------------------|---------------------------------------|
| 2008-09 | | \$ 3,415,544 | \$ - | \$ (85,011) | \$ 998 | \$ 3,184,381 | \$ 3,185,379 | \$ 146,152 |
| 2007-08 | \$ 118,805 | - | (633) | 14 | 2,000 | 49,051 | 51,051 | 69,134 |
| 2006-07 | 53,613 | - | (358) | 1 | 1,896 | 18,578 | 20,474 | 34,678 |
| 2005-06 | 29,323 | - | (149) | - | 2,552 | 15,493 | 18,046 | 13,682 |
| 2004-05 | 13,528 | - | (78) | - | 2,570 | 12,738 | 15,308 | 712 |
| 2003-04 | 736 | - | (77) | - | 99 | 341 | 440 | 319 |
| 2002-03 | 264 | - | (74) | - | 11 | 32 | 43 | 158 |
| 2001-02 | 107 | - | - | - | - | - | - | 107 |
| 2000-01 | 174 | - | - | - | - | - | - | 174 |
| 1999-00 | - | - | - | - | - | - | - | - |
| 1989-90 | 146 | - | - | - | 24 | 57 | 82 | 89 |
| | <u>\$ 216,696</u> | <u>\$ 3,415,544</u> | <u>\$ (1,368)</u> | <u>\$ (84,997)</u> | <u>\$ 10,151</u> | <u>\$ 3,280,672</u> | <u>\$ 3,290,823</u> | <u>\$ 265,204</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, 2009

| | 210-211 | 212-213 | 220-222 | 224-225 |
|---|---------------------|-----------------------------|-------------------|---------------|
| | Migrant Title IC | Migrant Summer School | Title IA Grant | Reading First |
| Revenues | | | | |
| Federal sources | \$ 348,903 | \$ 84,683 | \$ 1,127,231 | \$ 19,135 |
| Total revenues | 348,903 | 84,683 | 1,127,231 | 19,135 |
| Expenditures | | | | |
| 1000 Instruction | | | | |
| 100 Salaries | 100,424 | 19,952 | 451,020 | - |
| 200 Associated payroll costs | 40,595 | 98 | 219,571 | - |
| 300 Purchased services | 12,622 | 4,625 | 88,188 | - |
| 400 Supplies and materials | 175 | 2,969 | 99,141 | 17,217 |
| 600 Dues and fees | 9,575 | | 49,743 | - |
| Total instruction | 163,391 | 27,644 | 907,662 | 17,217 |
| 2000 Support services | | | | |
| 100 Salaries | 116,725 | 28,824 | 156,494 | - |
| 200 Associated payroll costs | 56,397 | 7,505 | 57,754 | - |
| 300 Purchased services | 11,212 | 18,950 | 3,701 | 1,919 |
| 400 Supplies and materials | 1,178 | 1,760 | 1,621 | - |
| 500 Capital outlay | - | - | - | - |
| 600 Dues and fees | - | - | - | - |
| Total support services | 185,513 | 57,039 | 219,569 | 1,919 |
| 4000 Facilities acquisition and construction | | | | |
| 500 Capital outlay | - | - | - | - |
| Total facilities acquisition and construction | - | - | - | - |
| Total expenditures | 348,903 | 84,683 | 1,127,231 | 19,135 |
| Net change in fund balance | - | - | - | - |
| Available fund balance, July 1 | - | - | - | - |
| Available fund balance, June 30 | \$ - | \$ - | \$ - | \$ - |

226

230-232

229

| K-3 Literacy Outreach | Title II D | Special Ed Recruit and Retain |
|--------------------------|------------|----------------------------------|
| \$ 4,000 | \$ 8,150 | \$ 2,316 |
| 4,000 | 8,150 | 2,316 |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 3,470 | 4,120 | - |
| 530 | 849 | - |
| - | 2,578 | 2,316 |
| - | 336 | - |
| - | - | - |
| - | 266 | - |
| 4,000 | 8,150 | 2,316 |
| - | - | - |
| - | - | - |
| 4,000 | 8,150 | 2,316 |
| - | - | - |
| - | - | - |
| \$ - | \$ - | \$ - |

| | | |
|-----------|--------------------------|----------------------------|
| 236-237 | 238-240 | 214 241-243 245, 247 |
| Title III | Title V Innovative Ed | IDEA |
| \$ 43,610 | \$ - | \$ 436,368 |
| 43,610 | - | 436,368 |
| 9,688 | - | 200,353 |
| 2,783 | - | 129,324 |
| - | - | 13,359 |
| 1,290 | - | 49,333 |
| - | - | 1,500 |
| 13,762 | - | 393,870 |
| 12,768 | - | 30,451 |
| 2,662 | - | 8,516 |
| 12,585 | - | 3,482 |
| 1,508 | - | 50 |
| - | - | - |
| 326 | - | - |
| 29,849 | - | 42,498 |
| - | - | - |
| - | - | - |
| 43,610 | - | 436,368 |
| - | - | - |
| - | - | - |
| \$ - | \$ - | \$ - |

| 246 Effective Behavioral & Instructional Support Systems | 248-250 Title VI (B) Innovative Rural Ed | 253-255 Title II A | 257-258 Alcohol Abuse Reduction | 260-262 Drug and Alcohol Grant | Totals |
|---|---|---------------------------|---|---|--------------|
| \$ 13,597 | \$ 69,504 | \$ 234,078 | \$ 146,214 | \$ 17,641 | \$ 2,555,432 |
| 13,597 | 69,504 | 234,078 | 146,214 | 17,641 | 2,555,432 |
| - | - | - | 45,890 | - | 827,327 |
| - | - | (700) | 11,990 | - | 403,661 |
| - | - | - | 1,316 | - | 120,110 |
| - | - | - | 5,518 | - | 175,643 |
| - | - | 8,309 | 6,390 | - | 75,517 |
| - | - | 7,609 | 71,104 | - | 1,602,258 |
| 6,102 | 45,848 | 115,016 | 47,095 | 6,643 | 573,555 |
| 1,030 | 23,656 | 52,719 | 13,514 | 1,265 | 226,398 |
| 5,454 | - | 55,357 | 10,903 | 5,526 | 133,984 |
| 1,009 | - | 1,914 | 3,598 | 4,137 | 17,112 |
| - | - | - | - | - | - |
| - | - | 1,462 | - | 70 | 2,125 |
| 13,597 | 69,504 | 226,469 | 75,110 | 17,641 | 953,173 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 13,597 | 69,504 | 234,078 | 146,214 | 17,641 | 2,555,432 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT

For the year Ended
June 30, 2009

2008-2009 Assessed valuation of taxable property \$ 892,196,952

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 |
|-----------|-----------|------------|-------------------------------|---|---|
| 2002-2003 | \$ - | \$ 261,088 | \$ 261,088 | \$ 16,254,095 | 1.61% |
| 2003-2004 | 32,791 | 392,472 | 425,263 | 17,307,959 | 2.46% |
| 2004-2005 | 46,537 | 395,096 | 441,633 | 18,704,801 | 2.36% |
| 2005-2006 | 71,466 | 400,166 | 471,632 | 19,021,205 | 2.48% |
| 2006-2007 | 89,303 | 407,330 | 496,633 | 20,895,168 | 2.38% |
| 2007-2008 | 108,161 | 418,472 | 526,633 | 25,287,294 | 2.08% |
| 2008-2009 | 124,577 | 432,056 | 556,633 | 23,601,540 | 2.36% |

Ratio of net bonded debt to assessed value:

| | Assessed Valuation | Net Bonded Debt (1) | Ratio of Net Bonded Debt to Assessed Value |
|-----------|-----------------------|------------------------|--|
| 2002-2003 | \$ 728,173,390 | \$ 9,499,705 | 1.30% |
| 2003-2004 | 764,210,515 | 9,487,934 | 1.24% |
| 2004-2005 | 764,319,918 | 9,043,825 | 1.18% |
| 2005-2006 | 808,661,368 | 9,363,089 | 1.16% |
| 2006-2007 | 820,425,311 | 9,270,644 | 1.13% |
| 2007-2008 | 853,227,114 | 9,174,157 | 1.08% |
| 2008-2009 | 892,196,952 | 9,044,664 | 1.01% |

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

Principal taxpayers in Ontario School District 8C

| Private enterprises | Assessed Valuation | Percent of Total County Value |
|------------------------------------|-----------------------|-------------------------------------|
| H J Heinz Company, LP | \$ 86,257,301 | 5.78% |
| Wal-Mart Real Estate Business Trs. | 10,656,266 | 0.71% |
| Oregon Warehouse Partners | 10,981,740 | 0.74% |
| Ontario Mall, LLC | 8,232,696 | 0.55% |
| Murakami Farms, Inc | 8,045,538 | 0.54% |
| Home Depot USA Inc | 8,003,580 | 0.54% |
| Larson Land Company, LLC | 6,812,055 | 0.46% |
| Dominican Sisters of Ontario, Inc. | 4,319,911 | 0.29% |

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
 For the year Ended
 June 30, 2009

Public utilities

| | | | |
|----------------------------|----|------------|-------|
| Idaho Power Co. | \$ | 26,199,045 | 1.75% |
| Malheur Home Telephone Co. | | 9,005,797 | 0.60% |
| Cascade Natural Gas Corp | | 4,577,000 | 0.31% |
| Union Pacific Railroad Co. | | 4,512,005 | 0.30% |
| Northwest Pipeline Corp | | 2,417,677 | 0.16% |

| | | | |
|----------------------------|--|-------------|--------|
| <u>All other taxpayers</u> | | 702,176,341 | 87.27% |
|----------------------------|--|-------------|--------|

| | | | |
|----------------------|----|--------------------|---------|
| Total assessed value | \$ | <u>892,196,952</u> | 100.00% |
|----------------------|----|--------------------|---------|

Summary of General Fund Oregon State Revenue:

| | State Sources | State Sources as % of Total Revenues | Total Revenues |
|-----------|------------------|--|-------------------|
| 2002-2003 | \$ 14,206,287 | 46.13% | \$ 30,799,275 |
| 2003-2004 | 16,503,849 | 67.80% | 24,341,444 |
| 2004-2005 | 15,466,218 | 64.52% | 23,971,275 |
| 2005-2006 | 16,676,502 | 65.10% | 25,616,751 |
| 2006-2007 | 17,711,801 | 66.44% | 26,659,580 |
| 2007-2008 | 19,098,457 | 68.61% | 27,835,888 |
| 2008-2009 | 17,923,941 | 66.56% | 26,928,911 |

Computation of legal debt margin:

| | Debt Limit | Net Bonded Debt | Legal Debt Margin |
|-----------|---------------|--------------------|----------------------|
| 2002-2003 | \$ 72,393,242 | \$ 9,499,705 | \$ 62,893,537 |
| 2003-2004 | 76,306,712 | 9,487,934 | 66,818,778 |
| 2004-2005 | 76,300,508 | 9,043,825 | 67,256,683 |
| 2005-2006 | 79,803,590 | 9,363,089 | 70,440,501 |
| 2006-2007 | 95,446,003 | 9,270,644 | 86,175,359 |
| 2007-2008 | 169,258,994 | 9,174,157 | 160,084,837 |
| 2008-2009 | 185,521,901 | 9,044,664 | 176,477,237 |

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

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

Allowable percentage of real market value:

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

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
DISTRICT AUDIT REVENUE SUMMARY
For the Year Ended
June 30, 2009

| | Fund 100 | Fund 200 | Fund 300 | Fund 400 | Fund 600 |
|---|----------------------|---------------------|-------------------|---------------------|------------------|
| Revenue from Local Sources | | | | | |
| 1110 Ad Valorem Taxes | \$ 3,300,526 | \$ - | \$ - | \$ - | \$ - |
| 1120 Local Option Taxes | - | - | - | - | - |
| 1190 Penalties and Interest | 1,592 | - | - | - | - |
| 1200 Revenue from Local Government Other Than District | 70,020 | - | - | - | - |
| 1310 Regular Tuition | 10,480 | - | - | - | - |
| 1320 Adult/Continuing Ed Tuition | - | - | - | - | - |
| 1330 Summer School Tuition | 9,125 | - | - | - | - |
| 1400 Transportation Fees | 8,330 | - | - | - | - |
| 1500 Earnings on Investments | 369,110 | - | 4,545 | 76,083 | 3,035 |
| 1600 Food Services | - | 214,889 | - | - | - |
| 1700 Extracurricular Activities | 49,778 | - | - | - | - |
| 1800 Community Services Activities | - | - | - | - | - |
| 1910 Rentals | 600 | - | - | - | - |
| 1920 Contributions and Donations | 3,429 | 1,041 | - | 5,000 | - |
| 1930 Rental or Lease Payments from Private Contactors | - | - | - | - | - |
| 1940 Services Provided Other LEAs | - | - | - | - | - |
| 1950 Textbook Sales and Rentals | - | - | - | - | - |
| 1960 Recovery of Prior Years' Expenditures | - | - | - | - | - |
| 1970 Services Provided Other Funds | - | - | 546,907 | - | 18,667 |
| 1980 Fees Charged to Grants | 78,512 | - | - | - | - |
| 1990 Miscellaneous | 13,871 | 43,187 | - | 5,449 | - |
| Total Revenue from Local Sources | 3,915,373 | 259,117 | 551,453 | 86,533 | 21,701 |
| Revenue from Intermediate Sources | | | | | |
| 2101 County School Funds | 2,156 | - | - | - | - |
| 2102 ESD Apportionment | - | - | - | - | - |
| 2105 Natural Gas, Oil and Mineral Receipts | - | - | - | - | - |
| 2199 Other Intermediate Sources | - | - | - | - | - |
| 2200 Restricted Revenue Intermediate Sources | - | - | - | - | - |
| 2800 Revenue in Lieu of Taxes | - | - | - | - | - |
| 2900 Revenue for/on Behalf of District | - | - | - | - | - |
| Total Revenue from Intermediate Sources | 2,156 | - | - | - | - |
| Revenue from State Sources | | | | | |
| 3101 State School Fund - General Support | 17,033,369 | - | - | - | - |
| 3102 State School Fund - Lunch Match | - | 13,576 | - | - | - |
| 3103 Common School Fund | 219,801 | - | - | - | - |
| 3104 State Managed Timber | - | - | - | - | - |
| 3199 Other Unrestricted Grants - State | - | - | - | - | - |
| 3204 Driver Education | 4,830 | - | - | - | - |
| 3222 SSSF Transportation | - | - | - | - | - |
| 3299 Other Restricted Grants - State | 622,115 | 30,250 | - | - | - |
| 3800 State Revenue in Lieu of Taxes | - | - | - | - | - |
| 3900 State Revenue for/on Behalf of District | - | - | - | - | - |
| Total Revenue from State Sources | 17,880,115 | 43,826 | - | - | - |
| Revenue from Federal Sources | | | | | |
| 4300 Restricted Revenue Direct from Federal Government | - | 146,214 | - | - | - |
| 4500 Restricted Revenue from Federal Government Through the State | 572,566 | 3,352,180 | - | - | - |
| 4900 Revenue for/on Behalf of the District | - | 58,056 | - | - | - |
| Total Revenue from Federal Sources | 572,566 | 3,556,450 | - | - | - |
| Revenue from Other Sources | | | | | |
| 5100 Long-term Debt Financing | - | - | - | - | - |
| 5200 Interfund Transfers | - | 347,852 | - | - | - |
| 5300 Sale of or Compensation for Loss of Fixed Assets | 39,623 | - | - | - | - |
| 5400 Beginning Fund Balance | 4,698,171 | 547,538 | 10,217 | 3,789,365 | 69,452 |
| Total Revenue from Other Sources | 4,737,794 | 895,390 | 10,217 | 3,789,365 | 69,452 |
| Grand Totals | \$ 27,108,003 | \$ 4,754,783 | \$ 561,669 | \$ 3,875,897 | \$ 91,153 |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
GENERAL FUND
For the Year Ended
June 30, 2009

| 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 Primary, K-3 | \$ 1,931,456 | \$ 993,491 | \$ 13,589 | \$ 103,601 | \$ 5,791 | \$ - | \$ - | \$ 3,047,927 |
| 1112 Intermediate programs | 897,730 | 440,934 | 13,603 | 85,698 | 5,791 | - | - | 1,443,756 |
| 1113 Elementary extracurricular | 541 | 158 | - | - | - | - | - | 699 |
| 1121 Middle and junior high programs | 1,853,316 | 900,769 | 17,865 | 107,517 | 15,182 | - | - | 2,894,649 |
| 1122 Middle and junior high school extracurricular | 68,466 | 17,708 | 3,424 | 3,569 | - | - | - | 93,167 |
| 1131 High school programs | 2,015,109 | 973,012 | 30,325 | 82,824 | 10,519 | 642 | - | 3,112,431 |
| 1132 High school extracurricular | 254,240 | 70,117 | 94,107 | 31,463 | 9,072 | 10,506 | - | 469,504 |
| 1210 Programs for talented and gifted | 107,169 | 51,362 | 5,724 | 788 | - | - | - | 165,043 |
| 1226 Home instruction | 5,005 | 1,365 | - | - | - | - | - | 6,370 |
| 1233 Other designated programs | - | - | - | - | - | - | - | - |
| 1250 Resource rooms | 921,444 | 481,167 | 2,109 | 8,664 | - | - | - | 1,413,385 |
| 1283 District alternative programs | 170,535 | 81,856 | - | 1,442 | - | - | - | 253,834 |
| 1288 Charter School | - | - | 1,292,465 | - | - | - | - | 1,292,465 |
| 1291 English second language programs | 402,512 | 185,232 | - | 10,115 | - | - | - | 597,859 |
| 1292 Teen parent programs | - | - | - | - | - | - | - | - |
| 1299 Other programs | - | - | - | - | - | - | - | - |
| 1430 High school summer school programs | 4,348 | 1,237 | - | - | - | - | - | 5,585 |
| Total 1000 instruction | 8,631,871 | 4,198,409 | 1,473,211 | 435,681 | 46,355 | 11,148 | - | 14,796,675 |
| 2000 Support services | | | | | | | | |
| 2115 Student safety | - | - | 95,632 | - | - | - | - | 95,632 |
| 2122 Counseling services | 303,184 | 159,519 | 1,607 | 3,698 | - | - | - | 468,008 |
| 2134 Nurse services | - | - | - | - | - | - | - | - |
| 2139 Other health services | - | - | 37,575 | 809 | - | - | - | 38,384 |
| 2190 Student direction support | 37,385 | 15,405 | 9,529 | 593 | - | 565 | - | 63,477 |
| 2213 Curriculum development | 132,349 | 55,934 | 1,912 | 4,139 | - | - | - | 194,334 |
| 2219 Other improvement of instruction services | 1,232 | 378 | - | - | - | - | - | 1,610 |
| 2222 Library media center | 254,999 | 136,074 | 1,941 | 35,798 | - | - | - | 428,811 |
| 2223 Multimedia services | - | - | 121 | 683 | - | - | - | 804 |
| 2230 Assessment and testing | 96,887 | 39,876 | 7,644 | 2,526 | - | 65 | - | 146,998 |
| 2240 Instructional staff development | 51,053 | 9,451 | 16,443 | 3,084 | - | - | - | 80,030 |
| 2310 Board of education | - | - | 84,839 | 7,646 | - | 51,997 | - | 144,482 |
| 2321 Office of the superintendent services | 193,809 | 111,902 | 6,551 | 1,215 | - | 540 | - | 314,017 |
| 2410 Office of the principal | 1,258,670 | 569,523 | 40,429 | 21,755 | - | 11,039 | - | 1,901,416 |
| 2521 Fiscal services | 74,355 | 31,827 | 43,743 | 8,215 | - | 2,625 | - | 160,764 |
| 2524 Payroll services | 42,849 | 23,756 | - | - | - | - | - | 66,605 |
| 2525 Financial accounting services | 24,100 | 15,963 | - | - | - | - | - | 40,064 |
| 2541 Operation and maintenance of plant services | 79,892 | 40,423 | - | - | - | - | - | 120,315 |
| 2542 Care and upkeep of building services | 667,404 | 369,141 | 642,471 | 218,019 | 19,926 | 62,021 | - | 1,978,982 |
| 2543 Care and upkeep of grounds | 68,473 | 25,989 | 94 | 18,099 | 14,381 | 58 | - | 127,094 |
| 2551 Student transportation services | 91,340 | 42,368 | - | - | - | - | - | 133,707 |
| 2552 Vehicle operation services | 337,156 | 171,527 | (54,853) | 174,090 | 189,750 | 25,667 | - | 843,337 |
| 2559 Other student transportation services | - | - | 70,505 | - | - | - | - | 70,505 |
| 2573 Warehouse and distribution | 19,035 | 11,431 | - | - | - | - | - | 30,466 |
| 2620 Planning, research, development services | - | - | - | - | - | - | - | - |
| 2626 Grant writing | - | - | - | - | - | - | - | - |
| 2633 Public information services | 33,821 | 21,064 | 2,299 | 2,240 | - | - | - | 59,424 |
| 2640 Staff services | - | - | 350 | 1,226 | - | - | - | 1,576 |
| 2641 Staff Services-service area direction | 89,168 | 40,504 | 7,310 | 4,141 | - | 3,331 | - | 144,455 |
| 2660 Technology services | 304,708 | 147,183 | 24,263 | 102,552 | 14,500 | 500 | - | 593,707 |
| 2700 Supplemental retirement program | 118,500 | 4,117 | - | - | - | - | - | 122,617 |
| Total 2000 support services | 4,280,370 | 2,043,355 | 1,040,404 | 610,527 | 238,557 | 158,407 | - | 8,371,620 |
| 3000 Enterprise and community services | | | | | | | | |
| 3300 Community services | - | - | 910 | - | - | - | - | 910 |
| Total 3000 enterprise and community | - | - | 910 | - | - | - | - | 910 |
| 4000 Facilities acquisition and construction | | | | | | | | |
| 4150 Building acquisition, construction and improvement services | - | - | 15,618 | 5,047 | 63,819 | - | - | 84,483 |
| Total 4000 facilities acquisition and construction | - | - | 15,618 | 5,047 | 63,819 | - | - | 84,483 |
| 5000 Other uses | | | | | | | | |
| 5110 Long-term debt service | - | - | - | - | - | - | - | - |
| 5120 Short-term debt retirement | - | - | - | - | - | - | - | - |
| 5200 Transfer of Funds | - | - | - | - | - | - | 347,852 | 347,852 |
| Total 5000 other uses | - | - | - | - | - | - | 347,852 | 347,852 |
| 6000 Contingencies | | | | | | | | |
| 6110 Operating contingency | - | - | - | - | - | - | - | - |
| Total 6000 contingencies | - | - | - | - | - | - | - | - |
| Total expenditures | \$ 12,912,241 | \$ 6,241,764 | \$ 2,530,143 | \$ 1,051,254 | \$ 348,731 | \$ 169,555 | \$ 347,852 | \$ 23,601,540 |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
SPECIAL REVENUE FUND
For the Year Ended
June 30, 2009

| 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 Primary, K-3 | \$ - | \$ (700) | \$ - | \$ 31,951 | \$ - | \$ 8,309 | \$ - | \$ 39,560 |
| 1112 Intermediate programs | - | - | - | 9,029 | - | - | - | 9,029 |
| 1121 Middle and junior high programs | - | - | 125 | 25,695 | - | - | - | 25,820 |
| 1131 High school programs | 1,550 | 413 | 1,250 | 31,732 | 3,101 | - | - | 38,045 |
| 1250 Resource rooms | 200,353 | 129,324 | 13,359 | 49,333 | - | 1,500 | - | 393,870 |
| 1272 Title I | 451,020 | 219,571 | - | 97,027 | - | 49,743 | - | 817,361 |
| 1288 Charter School | - | - | 88,188 | - | - | - | - | 88,188 |
| 1291 English second language programs | - | - | - | 1,290 | - | - | - | 1,290 |
| 1293 Migrant | 39,329 | 18,455 | 12,622 | 4 | - | 9,575 | - | 79,984 |
| 1299 Other programs | 57,090 | 15,123 | 1,796 | 1,687 | - | 6,390 | - | 82,085 |
| 1400 Summer School | 90,735 | 25,021 | 4,625 | 5,254 | - | - | - | 125,635 |
| Total 1000 instruction | 840,077 | 407,207 | 121,964 | 253,002 | 3,101 | 75,517 | - | 1,700,868 |
| 2000 Support services | | | | | | | | |
| 2110 Social Services | 4,444 | 2,494 | - | 3,524 | - | - | - | 10,461 |
| 2117 Identification and Recruitment | 63,274 | 34,167 | 7,352 | - | - | - | - | 104,793 |
| 2190 Student direction support | 149,202 | 58,082 | 12,283 | 5,214 | - | - | - | 224,781 |
| 2213 Curriculum development | 135,208 | 69,812 | - | - | - | - | - | 205,020 |
| 2219 Improvement of Instruction Services | 20,372 | 4,449 | 118 | 278 | - | 326 | - | 25,543 |
| 2222 Library media center | 6,961 | 1,982 | 678 | - | - | - | - | 9,621 |
| 2240 Instructional staff development | 85,416 | 15,316 | 103,266 | 6,794 | - | 2,668 | - | 213,460 |
| 2410 Office of the principal | 4,570 | 1,328 | 124 | 13,697 | - | - | - | 19,719 |
| 2542 Care and upkeep of building services | 6,560 | 1,133 | 4,400 | - | - | - | - | 12,094 |
| 2552 Vehicle operation services | 1,652 | 508 | 13,177 | - | - | - | - | 15,337 |
| 2630 Parent Center Coordinator | 107,813 | 39,451 | 3,302 | 1,998 | - | - | - | 152,564 |
| 2660 Technology services | - | - | 550 | 169,566 | 66,067 | - | - | 236,182 |
| Total 2000 support services | 585,472 | 228,722 | 145,250 | 201,070 | 66,067 | 2,995 | - | 1,229,575 |
| 3000 Enterprise and community services | | | | | | | | |
| 3110 Food Services Director | 43,303 | 23,912 | 1,759 | - | - | - | - | 68,973 |
| 3120 Food Preparation | 287,019 | 196,774 | 22,881 | 593,151 | - | - | - | 1,099,825 |
| 3130 Food Delivery | 19,035 | 11,430 | - | 3,940 | - | - | - | 34,406 |
| Total 3000 enterprise and community | 349,357 | 232,116 | 24,640 | 597,091 | - | - | - | 1,203,204 |
| 4000 Facilities acquisition and construction | | | | | | | | |
| Total 4000 facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Total expenditures | \$ 1,774,906 | \$ 868,044 | \$ 291,854 | \$ 1,051,163 | \$ 69,167 | \$ 78,512 | \$ - | \$ 4,133,646 |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
DEBT SERVICE FUND
For the Year Ended
June 30, 2009

| 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 | | | | | | | | |
| 2649 Other Staff Services | \$ - | \$ - | \$ 121 | \$ - | \$ - | \$ - | \$ - | \$ 121 |
| Total 2000 support services | - | - | 121 | - | - | - | - | 121 |
| 5000 Other uses | | | | | | | | |
| 5110 Long-term debt service | - | - | - | - | - | 556,633 | - | 556,633 |
| 5120 Short-term debt retirement | - | - | - | - | - | - | - | - |
| 5200 Transfers | - | - | - | - | - | - | - | - |
| Total 5000 other uses | - | - | - | - | - | 556,633 | - | 556,633 |
| Total expenditures | \$ - | \$ - | \$ 121 | \$ - | \$ - | \$ 556,633 | \$ - | \$ 556,753 |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
CAPITAL FUND
For the Year Ended
June 30, 2009

| Function | 100 Salaries | 200 Associated Payroll Costs | 300 Purchased Services | 400 Supplies & Materials | 500 Capital Outlay | 600 Other Objects | Total |
|---|-----------------|------------------------------------|------------------------------|--------------------------------|--------------------------|-------------------------|---------------------|
| 4000 Facilities acquisition and construction | | | | | | | |
| 4150 Building acquisition, construction and improvement services | \$ - | \$ - | \$ 7,489 | \$ - | \$ 3,268,076 | \$ - | \$ 3,275,565 |
| Total 4000 facilities acquisition and construction | <u>-</u> | <u>-</u> | <u>7,489</u> | <u>-</u> | <u>3,268,076</u> | <u>-</u> | <u>3,275,565</u> |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,489</u> | <u>\$ -</u> | <u>\$ 3,268,076</u> | <u>\$ -</u> | <u>\$ 3,275,565</u> |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
INTERNAL SERVICE FUND
For the Year Ended
June 30, 2009

| 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 | \$ - | \$ 19,019 | \$ - | \$ - | \$ - | \$ - | \$ 19,019 |
| Total 2000 support services | <u>-</u> | <u>19,019</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>19,019</u> |
| Total expenditures | <u>\$ -</u> | <u>\$ 19,019</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 19,019</u> |

ONTARIO SCHOOL DISTRICT NO. 8C
MALHEUR COUNTY, OREGON
OREGON DEPARTMENT OF EDUCATION REQUIRED INFORMATION
FORM 581-3211 – SUPPLEMENTAL INFORMATION
June 30, 2009

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

| | Objects 325 & 326 |
|---------------|-------------------|
| Function 2540 | \$ 423,401 |
| Function 2550 | 1,113 |

- 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 |

| | |
|----|--------|
| \$ | 26,764 |
|----|--------|

COMMENTS AND DISCLOSURES
REQUIRED BY THE STATE OF OREGON

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON
June 30, 2009

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 11, 2009.

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 2008-2009 and 2009-2010 budgets indicate the district has substantially complied with local budget law during the preparation and adoption of those budgets. The district appropriates its budget at the function level for legal purposes. The district has also substantially complied with local budget law in the execution of the 2008-2009 budget. There were no budget violations due to overexpenditure.

Insurance and Fidelity Bond Coverage

We have examined the policies relating to insurance and fidelity bond coverages and ascertained such policies appear to be in force and that they appear to satisfy bond ordinances and other provisions. The district has complied with the provisions of Oregon statutes in respect to bonding of board members and employees. We are not competent, by training, to state whether the insurance policies in force at June 30, 2009 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.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON
June 30, 2009

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, 2009, 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, 2009, the district did not receive state highway funds.

State School Fund

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

OREGON AUDITS DIVISION SUMMARY OF REVENUES AND EXPENDITURES

Name of Municipal Corporation Ontario School District No. 8C

Address Ontario, Malheur County, Oregon 97914

Period Covered by Audit Report: From July 1, 2008 to June 30, 2009

| | | |
|--|---|---------------|
| Total Revenues and/or Receipts - All Funds | | \$ 22,100,940 |
| Less: | | |
| Revenues of Component Units included in report | - | |
| Taxes, assessments and other collections to be distributed to other governmental units | - | - |
| Net Revenues and/or Receipts | | 22,100,940 |
| Total Expenditures and/or Disbursements - All Funds | | 28,471,913 |
| Less: | | |
| Expenditures of Component Units included in report | - | |
| Turnovers to other municipal corporations | | |
| Taxes and Assessments | - | |
| Other Distributions | - | |
| Net Expenditures and/or Disbursements | | \$ 28,471,913 |

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

Auditor/Firm Signature 

PLEASE ENCLOSE PAYMENT WITH SUMMARY

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

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

For Use by Division of Audits

Account Code _____ Firm Code _____ Filing Fee _____

ONTARIO SCHOOL DISTRICT NO. 8C

SINGLE AUDIT

For the Year Ended June 30, 2009

ONTARIO SCHOOL DISTRICT NO. 8C
SINGLE AUDIT
June 30, 2009

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ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2009

| Federal Grantor/Pass-through Grantor/ Program Title | Federal CFDA Number | Receipts | | | | Expenditures |
|--|---------------------------|----------------------------------|----------------|--------------------------|--------------|--------------|
| | | Reverse PY Accrual / Deferral | CY Collections | CY Accrual / Deferral | Net | |
| <u>U.S. Department of Agriculture</u> | | | | | | |
| Passed through Oregon Department of Education | | | | | | |
| Child Nutrition Programs-Commodity Distribution | * 10.550 | \$ - | \$ 58,056 | \$ - | \$ 58,056 | \$ 58,056 |
| National School Lunch Program, School Breakfast | * 10.553 | - | 263,227 | - | 263,227 | 263,227 |
| National School Lunch Program, Sec 4 and 11 | * 10.555 | - | 655,757 | - | 655,757 | 655,757 |
| Summer Food Service Program | * 10.559 | - | 23,979 | - | 23,979 | 23,979 |
| Total Department of Agriculture | | - | 1,001,018 | - | 1,001,018 | 1,001,018 |
| <u>U.S. Department of Education</u> | | | | | | |
| Passed through Oregon Department of Education | | | | | | |
| Elementary and Secondary Education Act - Title IA | * 84.010 | (206,301) | 1,049,172 | 284,363 | 1,127,234 | 1,127,231 |
| Elementary and Secondary Education Act - Migrant Education | * 84.011 | (41,791) | 458,138 | 17,240 | 433,586 | 433,586 |
| Individuals with Disabilities Education Act, Part B | * 84.027 | (89,105) | 431,596 | 50,589 | 393,080 | 393,080 |
| Elementary and Secondary Education Act - Title IV - Safe and Drug Free Schools | 84.186 | (6,552) | 24,193 | - | 17,641 | 17,641 |
| Elementary and Secondary Education Act - Title V | 84.298 | (11,013) | 11,013 | - | - | - |
| Elementary and Secondary Education Act-Title IID, Enhancing Ed Thru Tech | 84.318 | (1,124) | 8,388 | 885 | 8,150 | 8,150 |
| Department of Education Appropriations Act of 2001-School Renovation | 84.352 | - | - | - | - | - |
| Reading First | 84.357 | (44,886) | 68,022 | - | 23,135 | 23,135 |
| Elementary and Secondary Education Act-Title VI, Part B, Rural Education Act | 84.358 | (5,426) | 57,578 | 17,353 | 69,505 | 69,505 |
| Elementary and Secondary Education Act-Title III-English Acquisition Grant | 84.365 | (18,270) | 59,720 | 2,161 | 43,610 | 43,610 |
| Elementary and Secondary Education Act-Title IIA, Improving Teacher Quality | 84.367 | (62,825) | 263,589 | 33,314 | 234,078 | 234,078 |
| Special Education Grants to States - American Recovery Reinvestment Act | 84.391 | - | 1,308 | 41,981 | 43,288 | 43,288 |
| State Fiscal Stabilization Fund - American Recovery Reinvestment Act | * 84.394 | - | 572,566 | - | 572,566 | 572,566 |
| | | (487,293) | 3,005,280 | 447,886 | 2,965,870 | 2,965,870 |
| Passed through Western Oregon University | | | | | | |
| Program Improve Grant for Children with Disabilities | 84.323 | (510) | 16,423 | - | 15,913 | 15,913 |
| Direct Programs | | | | | | |
| Alcohol Abuse Reduction Grants | 84.184A | (84,195) | 213,974 | 16,436 | 146,214 | 146,214 |
| Elementary and Secondary Education Act - Title VII - Training for all Teachers | 84.195 | - | - | - | - | - |
| FIE Earmark Grant | 84.215K | - | - | - | - | - |
| After School Learning Centers | 84.287 | - | - | - | - | - |
| Elementary and Secondary Education Act - Title VII - Bilingual Education | 84.288 | - | - | - | - | - |
| Elementary and Secondary Education Act - Elementary School Foreign Languages | 84.294A | - | - | - | - | - |
| TOTER: Teaching Others to Enjoy Reading | 84.364A | - | - | - | - | - |
| | | (84,705) | 230,397 | 16,436 | 162,127 | 162,127 |
| Total Department of Education | | (571,998) | 3,235,677 | 464,322 | 3,127,997 | 3,127,997 |
| Total federal assistance | | \$ (571,998) | \$ 4,236,694 | \$ 464,322 | \$ 4,129,015 | \$ 4,129,015 |

* Denotes program tested as major program

ONTARIO SCHOOL DISTRICT NO.8C
Ontario, Malheur County, Oregon
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Years Ended June 30, 2009

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.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2009

SUMMARY OF AUDITOR'S RESULTS

Type of Report Issued

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

Significant deficiencies in Internal Control

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

Noncompliance Material to Financial Statements

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

Significant Deficiencies in Internal Control Over Major Programs

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

Type of Report Issued on Compliance for Major Programs

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

Audit Findings

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

Identification of Major Programs

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

| | | |
|---|--------|-----------|
| National School Lunch Program | 10.555 | \$655,757 |
| National School Lunch Program, School Breakfast | 10.553 | 263,227 |
| Child Nutrition Programs – Commodity Distribution | 10.550 | 58,056 |
| Summer Food Service Programs | 10.559 | 23,979 |

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

| | | |
|---|--------|-------------|
| Elementary and Secondary Education Act - Title IA | 84.010 | \$1,127,234 |
| Elementary and Secondary Education Act – Migrant Ed | 84.011 | 433,586 |
| Individuals with Disabilities Education Act, Part B | 84.027 | 393,080 |
| State Fiscal Stabilization Fund | 84.394 | 572,566 |

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2009

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.

Risk Classification of Auditee

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

FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Current Year Findings

Our audit did not disclose any findings and questioned costs as defined by OMB Circular A-133 for the year ended June 30, 2009.

Prior Year Findings

The audit for the year ended June 30, 2008 did not report any findings and questioned costs.



Certified Public Accountants, PC

George W. Wilber, CrFA, CPA
Robert M. Armstrong, CPA
Mary Jo Evers, CPA

Arlie W. Oster, CPA (1931-1998)

Offices in:
Burns, Oregon
John Day, Oregon

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

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

We have audited the accompanying basic financial statements of Ontario School District No. 8C, as of and for the year ended June 30, 2009, which collectively comprise Ontario School District No. 8C's basic financial statements and have issued our report thereon dated December 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ontario School District No. 8C's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Ontario School District No. 8C's financial statements that is more than inconsequential will not be prevented or detected by the Ontario School District No. 8C's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Ontario School District No. 8C's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Ontario School District No. 8C's, in a separate letter dated December 11, 2009.

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

Oster Professional Group, CPA's, PC

By 

Burns, Oregon
December 11, 2009



Certified Public Accountants, PC

George W. Wilber, CrFA, CPA
Robert M. Armstrong, CPA
Mary Jo Evers, CPA

Arlie W. Oster, CPA (1931-1998)

Offices in:
Burns, Oregon
John Day, Oregon

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Ontario School District No. 8C, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Ontario School District No. 8C's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ontario School District No. 8C's management. Our responsibility is to express an opinion on Ontario School District No. 8C's compliance based on our audit.

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

In our opinion, Ontario School District No. 8C, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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. In planning and performing our audit, we considered Ontario School District No. 8C's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order

to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Oster Professional Group, CPA's, PC

By 

Burns, Oregon
December 11, 2009