

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, 2010



ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
June 30, 2010

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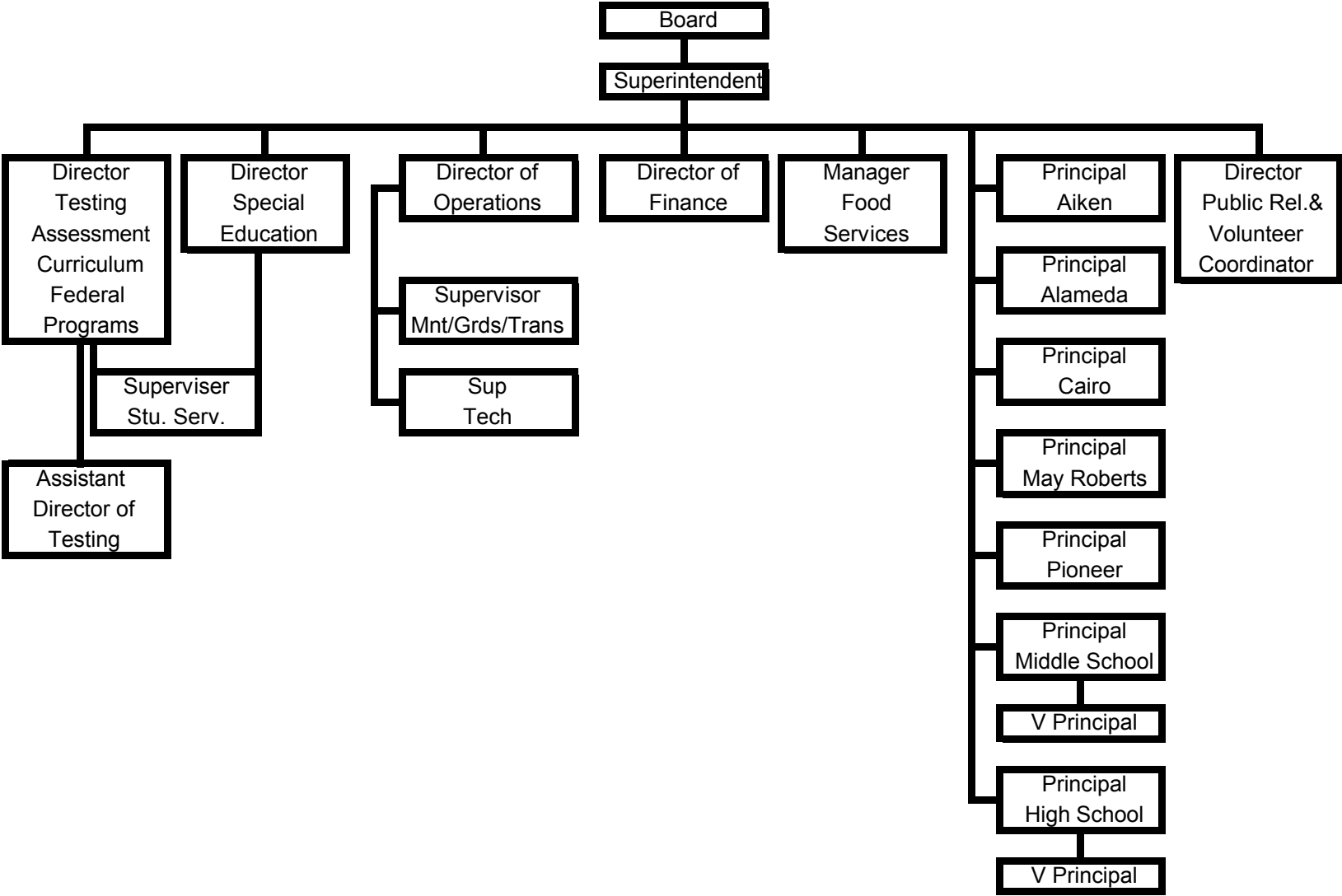
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## INTRODUCTORY SECTION

Ontario School District Organizational Chart



ONTARIO SCHOOL DISTRICT 8C  
Ontario, Malheur County, Oregon  
**BOARD OF DIRECTORS AND OFFICIALS**  
June 30, 2010

<u>Name</u>	<u>Position</u>
Kathie Collins Ontario, OR	Chairperson
Dr. David Cox Ontario, OR	Vice-Chairperson
Renae Corn Ontario, OR	Director
Dr. Ann Easley-DeBisschop. Ontario, OR	Director
Nancy Alvarado Ontario, OR	Director

OFFICIALS

Linda Florence	Superintendent
Cheri Siddoway	Director of Finance

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## 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, 2010, 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, 2010, 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 2, 2010, on our consideration of the Ontario School District No. 8C's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ontario School District No. 8C's financial statements as a whole. The combining and individual nonmajor fund financial statements, 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 also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, required supplementary information, other information, other financial schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*Oster Professional Group, CPA's, PC*

By



Burns, Oregon  
December 2, 2010

# ONTARIO SCHOOL DISTRICT 8C

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### For the fiscal year ended June 30, 2010

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, 2010. 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 \$27.2MM and liabilities of \$12.4MM. Of the \$14.7MM in net assets, \$10.3MM is invested in capital assets, \$5.0K is restricted for debt service and \$4.5MM is unrestricted and available to meet the District's ongoing obligations.
- The District's Net Assets decreased by \$577K during the fiscal year.
- The District had \$28.1MM in expenses; \$5.6MM of these expenses were offset by program specific charges for services, grants or contributions. The remaining \$22.5MM is made up of General Fund revenues which consist primarily of taxes, state school support and earnings on investments.
- The District's governmental funds report combined ending fund balance of \$3.6MM. This is a \$1.1MM 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 the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements also look at the District's most significant funds with all other non-major funds presented in total in a single column. The table below summarizes the main features of the District's financial statements.

#### Features of Government-Wide and Fund Financial Statements

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

# ONTARIO SCHOOL DISTRICT 8C

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### For the fiscal year ended June 30, 2010

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 39 – 42), Combining Balance Sheet – Nonmajor Governmental Funds, and Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance-Non Major Funds.

#### **Modified Accrual Accounting vs. Full Accrual Accounting**

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

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

#### **STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES**

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

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

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

# **ONTARIO SCHOOL DISTRICT 8C MANAGEMENT'S DISCUSSION AND ANALYSIS For the fiscal year ended June 30, 2010**

## **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 2009-10 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 net assets decreased \$577K for the period ending June 30, 2010 to \$14.7MM. This decrease was attributed to a \$1.2MM decrease in State School Fund revenue, a \$328K expense for retirement obligations due to implementing GASB 45 and 50, and was offset by a \$734K investment gain in the prepaid pension asset.

The District's assets totaled \$27.2MM. Prepaid pension contribution assets of \$10.5MM represent 39% of total assets. Capital assets net of accumulated depreciation, which consist of the District's land, buildings, building improvements, vehicles, and equipment, total \$10.2MM and comprise 38% of total assets. The remaining assets consist mainly of investments, cash, and receivables.

The District's total liabilities totaled \$12.4MM. The largest liability, \$8.8MM, is for the repayment of the OPERS UAL bond. Current liabilities of \$2.7MM represent 21% of the district total liabilities. Current liabilities consist of payables on account, salaries and benefits, and the current portion of long-term debt and early retirement obligations.

A large portion of the District's net assets (70%) 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 8C**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the fiscal year ended June 30, 2010**

<b>ONTARIO SCHOOL DISTRICT NO. 8C</b>			
<b>NET ASSETS AS OF JUNE 30, 2010 and 2009</b>			
	<u><b>Governmental Activities</b></u>		<b>Increase (Decrease) from Fiscal</b>
	<u><b>2010</b></u>	<u><b>2009</b></u>	<u><b>2009</b></u>
Current Assets	\$ 6,333,889	\$ 8,225,024	\$ (1,891,135)
Long-Term Assets	10,577,410	9,964,317	613,093
Capital Assets, net of accumulated depreciation	10,253,416	10,149,640	103,776
Total Assets	<u>27,164,715</u>	<u>28,338,981</u>	<u>(1,174,266)</u>
Current Liabilities	2,666,684	3,473,115	(806,431)
Long-Term Debt	9,772,137	9,562,525	209,612
Total Liabilities	<u>12,438,821</u>	<u>13,035,640</u>	<u>(596,819)</u>
Net Assets:			
Invested in capital assets, net of related debt	10,253,416	10,149,640	103,776
Restricted for debt service	4,916	4,916	-
Unrestricted	4,467,562	5,148,785	(681,223)
Total Net Assets	<u>\$ 14,725,894</u>	<u>\$ 15,303,341</u>	<u>\$ (577,447)</u>

**REVENUES AND EXPENSES**

Key components of governmental revenues and expenses for the year ending June 30, 2010 are as follows:

- Revenue from the State School Fund comprises the largest portion of the District's revenue. Unrestricted revenue from the State School Fund was \$16.4MM in 2009-10 compared to \$17.0MM in fiscal year 2008-09.
- Restricted State School Fund revenues related to the School Day Restoration allocation decreased by \$622K while Federal State Fiscal Stabilization Fund (SFSF) revenue increased by \$207K.
- Operating grants increased by \$1.0MK as a result of a Federal ARRA funds in the area of Title IA, IID and IDEA.
- Expenditures for government activities decreased by \$412K or 3.1% over the prior year, due in part to cost savings measures by the district in the face of declining revenues.

**ONTARIO SCHOOL DISTRICT 8C**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the fiscal year ended June 30, 2010**

<b>Changes in Net Assets</b>			
	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2010</b>	<b>2009</b>	<b>(Decrease) from</b>
			<b>Fiscal 2009</b>
<b>Revenues:</b>			
Program Revenues:			
Charges for services	\$ 876,525	\$ 883,247	\$ (6,722)
Operating grants and contributions	4,617,787	3,587,170	1,030,617
Capital grants and contributions	83,299	8,541	74,758
General Revenues			
Property Taxes	3,476,754	3,361,183	115,571
State School Fund - General Support	16,461,999	17,046,945	(584,946)
State School Fund - Restricted	2,956	622,573	(619,617)
Federal State Fiscal Stability Fund	779,297	572,566	206,731
Other state and local sources	216,392	221,957	(5,565)
Earnings on Investments	734,032	(4,422,702)	5,156,734
Other	233,375	219,460	13,915
Total Revenues	<u>27,482,415</u>	<u>22,100,940</u>	<u>5,381,476</u>
<b>Expenses:</b>			
Instruction (Regular, Special, Adult, Summer)	16,265,335	16,448,088	(182,753)
Support Services	10,026,835	10,354,960	(328,125)
Enterprise and community services	1,279,214	1,204,115	75,099
Facilities acquisition and construction	35,416	28,153	7,263
Interest on long-term debt	453,062	436,598	16,464
Total Expenses	<u>28,059,862</u>	<u>28,471,914</u>	<u>(412,052)</u>
Change in net assets	(577,447)	(6,370,974)	5,793,527
Restatement for construction in progress	-	133,285	(133,285)
Net Assets - July 1, after restatement	15,303,341	21,541,030	(6,237,689)
Net Assets - June 30	<u>\$ 14,725,894</u>	<u>\$ 15,303,341</u>	<u>\$ (577,447)</u>

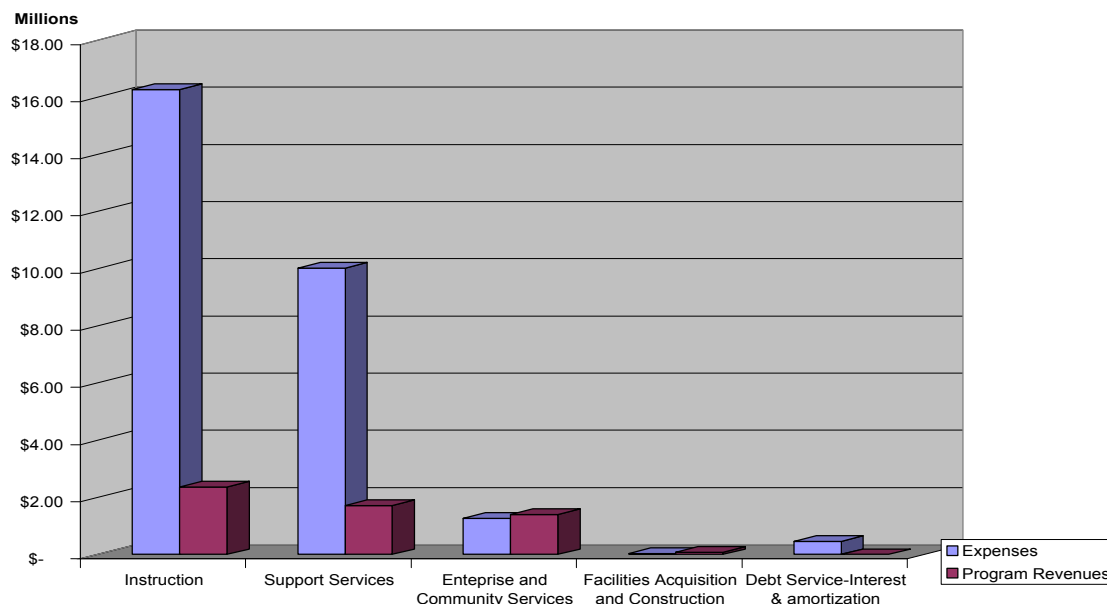


# ONTARIO SCHOOL DISTRICT 8C

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### For the fiscal year ended June 30, 2010

**Expenses and Program Revenues - Governmental Activities**



### Revenue by Source - Governmental Activities

Capital grants and contributions	\$	83,299	0%
Charges for services		876,525	3%
Earnings on Investments		734,032	3%
Operating grants and contributions		4,617,787	17%
Federal SFSF funds		779,297	3%
Other		233,374	1%
Other state and local sources		216,392	1%
Property Taxes		3,476,754	13%
State School Fund - General Support		16,464,955	60%
	\$	<u>27,482,415</u>	

### 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, 2010**

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, 2010, the District's governmental funds reported combined ending fund balance of \$3.6MM, a decrease of \$1.1MM 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, 2010, unreserved fund balance was \$2.8MM. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 12% of total General Fund expenditures, including transfers out and debt service. This fund balance percentage decreased from 15% in 2008-09 and 18% in 2007-08

The fund balance decreased by \$701K during the current fiscal year. This was due to continuing reductions in School Fund revenue as the State of Oregon dealt with the economic forecast. The District's share of State School Funds was \$564K less than projected in the 2009-10 Budget.

*Building Improvement.* In 2009-10, the District spent \$580K from this fund to complete the Ontario High School Roofing project and install the infrastructure for the technology rich classrooms at Ontario Middle School. The ending fund balance was \$96K.

*Federal Programs.* The Federal Programs Fund is operated on a reimbursing basis. Revenues are considered earned when allowable expenditures are made. Any ending cash balance in this fund is considered deferred revenue. Any negative cash balances are considered an account receivable. For this reason, the Federal Programs Fund should never have ending fund balance. At June 30, 2010, the fund had accounts receivable of \$749K.

*Other Governmental Funds.* Food Services, State and Local Grants, Equipment Replacement, Technology, and Debt Service are all funds that are contained in the Other Governmental Funds category. Ending fund balance in Other Governmental Funds increased by \$104K including an increase of \$160K in the Food Services Fund and a decrease in the Equipment Replacement Fund decreased of \$53K.

# ONTARIO SCHOOL DISTRICT 8C MANAGEMENT'S DISCUSSION AND ANALYSIS For the fiscal year ended June 30, 2010

## GENERAL FUND BUDGETARY HIGHLIGHTS

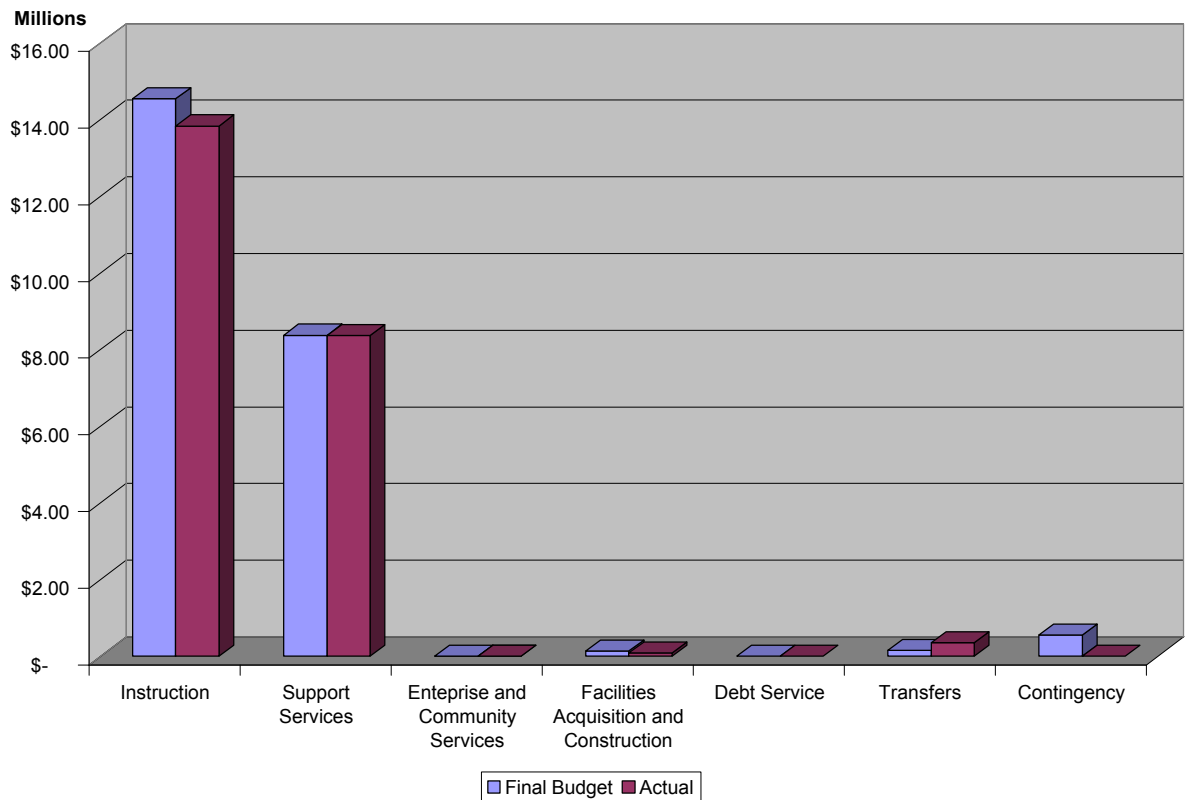
The District's budget is prepared according to Oregon law and is based on accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the 2009-10 fiscal year, the board did not adopt any resolutions that affected the general fund budget.

For the General Fund, the final budget revenue basis was \$20,850,395. The actual amount of revenue received was \$21,179,204.

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

**Actual Expenditures vs. Final Budget - General Fund**



**ONTARIO SCHOOL DISTRICT 8C**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the fiscal year ended June 30, 2010**

**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, 2010 the District had invested approximately \$10.3MM in capital assets, net of depreciation, as shown in the following table.

<b>ONTARIO SCHOOL DISTRICT NO. 8C</b>			
<b>Capital Assets</b>			
<b>(net of depreciation)</b>			
	<b>Governmental Activities</b>		<b>Increase</b>
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>(Decrease) from</u></b>
			<b><u>Fiscal 2009</u></b>
Land	\$ 563,110	\$ 563,110	\$ -
Contruction in progress	-	165,469	(165,469)
Buildings & building improvements	14,341,821	13,576,519	765,302
Vehicles, furniture and equipment	4,131,799	4,113,744	18,055
Accumulated depreciation	(8,783,314)	(8,269,202)	(514,112)
<b>TOTAL</b>	<b><u>\$ 10,253,416</u></b>	<b><u>\$ 10,149,640</u></b>	<b><u>\$ 103,776</u></b>

**Debt administration.** At the end of the current fiscal year, the District had total bonded debt outstanding of \$8.8MM, 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 \$138K. 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, 2010, the State School Fund – General Support, provided 60% of the District's program resources. During the 2009 legislative session, the Oregon Legislature adopted a \$6B K-12 budget. Subsequent to the adoption of that budget, state revenue has continued to decline. The most recent (September, 2010) estimate of the total Oregon K-12 budget is \$5.79B. The District made significant cuts in personnel and programs to accommodate the decline in State School Fund Support. Uncertainty regarding the 2011-13 state budget will create significant challenges in the next biennium.

In May of 2010, the voters of the Ontario School District passed an \$18.5M bond to address some of the facility needs of the District. The bond proceeds will be used to build a new middle school building, a new science and technology wing at the high school, and improvements at district schools.

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, 2010**

**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 3<sup>rd</sup> 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, 2010

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 5,037,559
Receivables	
Taxes	322,770
Accounts	945,460
Inventory	28,100
Prepaid pension contribution	10,502,881
Bond issuance costs	74,529
Capital assets	
Non-depreciable assets	
Land	563,110
Depreciable assets	
Buildings & building improvements	14,341,821
Furniture and equipment	4,131,799
Accumulated depreciation	(8,783,314)
Total assets	<u>27,164,715</u>
<b>LIABILITIES</b>	
Accounts payable	87,726
Accrued liabilities	
Payroll, payroll taxes, insurance	2,316,321
Early retirement obligation - current portion	113,732
Early retirement obligation - due in more than one year	466,924
Other Post Employment Benefits liability	551,386
Bonds payable	
Due within one year	148,905
Due in more than one year	8,762,563
Unamortized original issue discount	(8,736)
Total liabilities	<u>12,438,821</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	10,253,416
Restricted for debt service	4,916
Unrestricted	4,467,562
Total net assets	<u><u>\$ 14,725,894</u></u>



ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**STATEMENT OF ACTIVITIES**  
For the Year Ended  
June 30, 2010

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Regular programs	\$ 10,986,302	\$ 5,501	\$ 8,528	\$ 687,883	\$ (10,284,390)
Special programs	5,147,415	-	-	1,537,552	(3,609,863)
Adult/continuing education	-	-	-	-	-
Summer school programs	131,618	9,496	-	120,736	(1,386)
Students	972,725	-	-	406,492	(566,233)
Instructional staff	1,295,882	-	-	545,485	(750,397)
General administration	436,446	-	-	-	(436,446)
School administration	1,781,811	-	-	-	(1,781,811)
Business services	4,094,052	7,469	-	49,061	(4,037,522)
Central activities	979,144	652,399	-	62,224	(264,521)
Supplemental retirement program	466,775	-	-	-	(466,775)
Enterprise & community services	1,279,214	201,660	-	1,208,354	130,800
Facilities acquisition & construction	35,416	-	74,771	-	39,355
Debt service-interest & amortization	453,062	-	-	-	(453,062)
Total governmental activities	\$ 28,059,862	\$ 876,525	\$ 83,299	\$ 4,617,787	(22,482,251)
GENERAL REVENUE					
Property taxes for general purposes					3,476,754
State school fund-general support					16,448,689
State school fund-restricted					2,956
State school fund-unrestricted					13,310
Federal SFSF funds					779,297
County school fund					8,483
Common school fund					207,909
Gain (loss) on sale of capital assets					27,724
Earnings on investments					734,032
Miscellaneous					205,650
Total general revenues					21,904,804
Change in net assets					(577,447)
Net assets - June 30, 2009					15,303,341
Total net assets - June 30, 2010					\$ 14,725,894

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GOVERNMENTAL FUND  
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2010

	General	Building Improvement	Federal Programs	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and investments	\$ 4,260,390	\$ 96,108	\$ -	\$ 664,352	\$ 5,020,850
Receivables					
Property tax	322,770	-	-	-	322,770
Grants	-	-	748,866	65,326	814,192
Other	131,268	-	-	-	131,268
Interfund loan receivable	734,395	-	-	-	734,395
Inventory	28,100	-	-	-	28,100
Total assets	<u>\$ 5,476,923</u>	<u>\$ 96,108</u>	<u>\$ 748,866</u>	<u>\$ 729,678</u>	<u>\$ 7,051,575</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 73,255	\$ -	\$ 14,471	\$ -	\$ 87,726
Accrued liabilities	2,316,322	-	-	-	2,316,322
Interfund loan payable	-	-	734,395	-	734,395
Deferred revenues	282,653	-	-	-	282,653
Total liabilities	<u>2,672,230</u>	<u>-</u>	<u>748,866</u>	<u>-</u>	<u>3,421,096</u>
<b>Fund balances</b>					
Fund balances					
Reserved for debt service	-	-	-	1,839	1,839
Unreserved in:					
General fund	2,804,693	-	-	-	2,804,693
Special revenue funds	-	-	-	727,839	727,839
Capital projects funds	-	96,108	-	-	96,108
Total fund balances	<u>2,804,693</u>	<u>96,108</u>	<u>-</u>	<u>729,678</u>	<u>3,630,479</u>
Total liabilities and fund balance	<u>\$ 5,476,923</u>	<u>\$ 96,108</u>	<u>\$ 748,866</u>	<u>\$ 729,678</u>	<u>\$ 7,051,575</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, 2010

Total fund balances		\$ 3,630,479
Capital assets are not financial resources and therefore, are not reported in the governmental funds.		
Cost	\$ 19,036,730	
Accumulated depreciation	<u>(8,783,314)</u>	10,253,416
Pension assets not included in fund financial statements		10,502,881
Certain delinquent property taxes not collected for several months after year end is not considered available revenue and is deferred in the governmental funds		
		282,654
The unamortized portion of issuance costs is not available to pay for current period expenditures and therefore, is not reported in the governmental funds.		
		74,529
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.		
		8,736
Internal service funds		16,709
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	(8,911,468)	
Early retirement obligation	(580,656)	
Other Post Employment Benefits liability	<u>(551,386)</u>	<u>(10,043,510)</u>
Total net assets		<u>\$ 14,725,894</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, 2010

	General	Building Improvement	Federal Programs	Other Governmental Funds	Total
<b>Revenues</b>					
Taxes	\$ 3,422,316	\$ -	\$ -	\$ -	\$ 3,422,316
Local sources	312,511	16,210	-	827,000	1,155,721
Intermediate sources	8,483	-	-	-	8,483
State sources	16,656,597	60,368	-	25,626	16,742,591
Federal sources	779,297	-	3,390,131	1,208,354	5,377,782
Other sources	-	-	-	-	-
<b>Total revenues</b>	<b>21,179,204</b>	<b>76,578</b>	<b>3,390,131</b>	<b>2,060,980</b>	<b>26,706,893</b>
<b>Expenditures</b>					
Instruction					
Regular programs	10,219,338	-	677,941	69,023	10,966,302
Special programs	3,604,348	-	1,528,192	14,875	5,147,415
Summer school programs	10,882	-	120,736	-	131,618
Supporting services					
Students	566,232	-	406,492	-	972,724
Improvement of instruction	748,092	-	545,485	2,305	1,295,882
General administration	456,446	-	-	-	456,446
School administration	1,777,290	-	-	11,894	1,789,184
Business services	3,424,143	-	49,061	1,589	3,474,793
Central activities	810,547	-	62,224	124,944	997,715
Supplemental retirement program	138,177	-	-	-	138,177
Food services	-	-	-	1,296,054	1,296,054
Community services	-	-	-	-	-
Facilities acquisition and construction	91,915	580,802	-	-	672,717
<b>Total expenditures</b>	<b>21,847,410</b>	<b>580,802</b>	<b>3,390,131</b>	<b>1,520,684</b>	<b>27,339,027</b>
Excess of revenues over (under) expenditures	(668,206)	(504,224)	-	540,296	(632,135)
Other financing sources (uses)					
Debt service	-	-	-	(586,632)	(586,632)
Grant indirect charges	75,691	-	-	-	75,691
Sale of assets	40,707	-	-	-	40,707
Transfers in (out)	(149,962)	-	-	149,962	-
<b>Total other financing sources (uses)</b>	<b>(33,564)</b>	<b>-</b>	<b>-</b>	<b>(436,670)</b>	<b>(470,235)</b>
Net change in fund balances	(701,770)	(504,224)	-	103,626	(1,102,370)
Available fund balance, July 1	3,506,463	600,332	-	626,052	4,732,848
Available fund balance, June 30	<u>\$ 2,804,693</u>	<u>\$ 96,108</u>	<u>\$ -</u>	<u>\$ 729,678</u>	<u>\$ 3,630,479</u>

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, 2010

Net change in fund balance		\$ (1,102,370)
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	\$ 849,243	
Less loss on dispositions	(12,981)	
Less current year depreciation	<u>(732,483)</u>	103,779
Investment earnings/(losses) on prepaid pension asset, not recorded in fund financial statements.		617,158
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>138,113</u>	138,113
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.		(328,598)
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.		54,438
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	510	
Internal service fund expense	<u>(55,935)</u>	<u>(55,425)</u>
CHANGE IN NET ASSETS		<u><u>\$ (577,447)</u></u>

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PROPRIETARY FUND  
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C  
 Ontario, Malheur County, Oregon  
**STATEMENT OF NET ASSETS**  
 Proprietary Funds  
 June 30, 2010

	Governmental Activities
	Internal Service Funds
<b>ASSETS</b>	
Cash and investments	\$      16,709
Total assets	<u>16,709</u>
<b>LIABILITIES</b>	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
<b>NET ASSETS</b>	
Unrestricted	16,709
Total net assets	<u><u>\$      16,709</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, 2010

	Governmental Activities
	Internal Service Funds
Operating Revenue	
Charges for services	\$ -
Total operating revenue	-
Operating expenses	
Employee benefits	55,936
Total operating expenses	55,936
Operating income	(55,936)
Nonoperating income	
Earnings on investments	510
Total nonoperating income	510
Change in net assets	(55,426)
Total net assets - beginning	72,135
Total net assets - ending	\$ 16,709

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**STATEMENT OF CASH FLOWS**  
Proprietary Funds  
For the year ended June 30, 2010

	Governmental Activities <u>Internal Service Funds</u>
Cash flows from operating activities	
Receipts from interfund services provided	\$ -
Payments for employee benefits	(55,936)
	<u>(55,936)</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	510
	<u>(55,426)</u>
Net increase in cash and cash equivalents	
Cash and cash equivalents - beginning	72,135
Cash and cash equivalents - ending	<u>\$ 16,709</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (55,936)
Net cash provided/(used) by operating activities	<u>\$ (55,936)</u>

FIDUCIARY FUND  
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C  
 Ontario, Malheur County, Oregon  
**STATEMENT OF FIDUCIARY NET ASSETS**  
 Fiduciary Funds  
 June 30, 2010

	Agency Funds
ASSETS	
Cash and investments	\$ 103,747
Total assets	<u>103,747</u>
LIABILITIES	
Due to student groups	<u>103,747</u>
Total liabilities	<u>103,747</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, 2010

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or others for tuition, fees, rentals,



ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2010

materials, supplies or services provided, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

Separate financial statements are provided for governmental funds, 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.

#### Fund Financial Statements

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

The district reports the following major governmental funds:

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

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).

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

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

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2010

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 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.

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

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

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2010

private sector guidance.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

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

**D. Budgets and Budgetary Accounting**

A budget is prepared for each district fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, 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.

**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.

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2010

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 one reporting period. Interest incurred during construction is not capitalized. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

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

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

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

H. Deposits and Investments

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

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

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2010

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.

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

**Plan Description** - The district contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the district's contribution for qualifying employees who were hired before August 20, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program and defined benefit portion of the plan, applies to qualifying district employees hired after August 20, 2003. Benefits are calculated by a

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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, 2010 were 6.19% and 6.71% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

**Annual Pension Cost** – The district's contributions to PERS for the years ending June 30, 2008, 2009, and 2010 were \$2,680,404, \$2,744,539 and \$2,259,192 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, 2009 was \$10,502,881, being held in a side account at PERS.

Note 3. Accounts Receivable

Accounts receivable are comprised of the following at June 30, 2010:

<u>Fund</u>	<u>Revenue Source</u>	<u>Amount</u>
General Fund	Property Taxes	\$ 322,770
General Fund	Miscellaneous	131,268
Federal Programs	Federal Grants	748,866
Response to Intervention Fund	Grants	976
Food Service Fund	Grants	64,350
	Total Accounts Receivable	<u>\$ 1,268,230</u>

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Note 4. Capital Assets

Capital assets activity for the year was as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated				
Land	\$ 563,110	\$ -	\$ -	\$ 563,110
Construction in progress	165,469	-	165,469	-
Total capital assets not being depreciated	<u>728,579</u>	<u>-</u>	<u>-</u>	<u>563,110</u>
Capital assets being depreciated				
Buildings and improvements	13,576,519	765,302	-	14,341,821
Equipment	1,655,325	155,826	24,879	1,786,272
Vehicles	2,458,419	93,584	206,476	2,345,527
Total capital assets being depreciated	<u>17,690,263</u>	<u>1,014,712</u>	<u>231,355</u>	<u>18,473,620</u>
Less accumulated depreciation	(8,269,202)	(732,483)	(218,371)	(8,783,314)
Total capital assets being depreciated, net	<u>9,421,061</u>	<u>282,229</u>	<u>12,984</u>	<u>9,690,306</u>
Total capital assets, net	<u>\$ 10,149,640</u>	<u>\$ 282,229</u>	<u>\$ 12,984</u>	<u>\$ 10,253,416</u>

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

Central activities                      \$732,483

Note 5. 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	\$ 5,712	To pay for the district's share of SMILE expense
General Fund	Fund 292	34,250	To fund Equipment Replacement Fund
General Fund	Fund 294	110,000	To fund Technology Fund
Total		<u>\$ 149,962</u>	

Interfund loan receivables and payables consist of the following at June 30, 2010:

Receivable Fund	Payable Fund	Amount
General Fund	Federal Programs Fund	\$ 734,395

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Note 6. Deposits and Investments

Cash and Investments

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

Cash and investments are comprised of the following at June 30, 2010:

Deposits with banks	\$ 3,862,162
Investments	1,277,774
Cash on hand	1,370
	<u>\$ 5,141,306</u>

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

Statement of Net Assets	
Cash and investments	\$ 5,037,559
Statement of Fiduciary Net Assets	
Cash and investments	103,747
	<u>\$ 5,141,306</u>

As of June 30, 2010, the district held the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Investment Portfolio</u>
Local Government Investment Pool	\$ 1,277,774	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, 2010. 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, 2010 the carrying amount of the district's deposits (cash and certificates of deposit) in various financial institutions was \$3,862,162 and the bank balances were \$4,230,233. 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, 2010 and for the year then ended, the district's deposits were in compliance with the requirements of ORS 295.015.



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

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

#### Investments

At June 30, 2010, the district held \$1,277,774 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 2010. 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. The Oregon LGIP is unrated for credit quality.

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

Investments in the Oregon LGIP are made under the provisions of ORS 194.180. These funds are held in the district's name and are not subject to collateralization requirements or ORS 295.015. 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, 2010 and for the year then ended, the district was in compliance with the aforementioned Oregon statutes.

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

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

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

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

Note 7. Other Post Employment Benefits (OPEB)

*Early Retirement Incentive Plan*

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

*Eligibility:*

Retirees must meet the following criteria:

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

*Benefits payable:*

Administrator retirees are eligible to receive a monthly stipend of \$300 for up to seven years. The benefit stops when the retiree dies or upon reemployment with the district.

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

The district pays an additional 7.65% FICA tax on stipend benefits.

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*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, 2010, the obligation is as follows:

	June 30, 2010
Determination of Annual Required Contribution	
(1) Normal Cost at year end	\$ 30,451
(2) Amortization of UAAL	389,006
(3) Annual Required Contribution (ARC)	<u>419,457</u>
Determination of Net OPEB Obligation	
(4) Annual Required Contribution (ARC)	419,457
(5) Interest on prior year Net OPEB Obligation	21,114
(6) Adjustment to ARC	<u>279,874</u>
(7) Annual Pension Cost	<u>160,697</u>
Less	
(8) Expected Stipend Payments	<u>107,900</u>
(9) Increase in Net OPEB Obligation	<u>52,797</u>
(11) Net OPEB Obligation - June 30, 2009	<u>527,859</u>
(12) Net OPEB Obligation - June 30, 2010	<u><u>\$ 580,656</u></u>

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

Fiscal Year Ending	Annual Pension Cost	Percentage of Pension Cost Contributed	Net Pension Obligation
June 30, 2009	\$232,464	47%	\$ 527,859
June 30, 2010	160,697	67%	580,656
June 30, 2011	139,805	62%	633,566

*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, 2010
Determination of Annual Required Contribution	
(1) Normal Cost at year end	\$ 255,789
(2) Amortization of UAAL	<u>277,436</u>
(3) Annual Required Contribution (ARC)	<u>533,225</u>
Determination of Net OPEB Obligation	
(4) Annual Required Contribution (ARC)	533,225
(5) Interest on prior year Net OPEB Obligation	11,023
(6) Adjustment to ARC	<u>(18,728)</u>
(7) Annual OPEB Cost	<u>525,520</u>
Less	
(8) Explicit Benefit Payments	-
(9) Implicit Benefit Payments	<u>249,719</u>
(10) Increase in Net OPEB Obligation	<u>275,801</u>
(11) Net OPEB Obligation - June 30, 2009	<u>275,585</u>
(12) Net OPEB Obligation - June 30, 2010	<u><u>\$ 551,386</u></u>

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

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

In the June 30, 2010 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 8.4% in the first year, 7.3% in the second year, 6.2% in the third 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.

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Note 8. Long-term Debt Early Retirement Obligation

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

	Early Retirement Obligations
Amounts Payable in Fiscal Year:	
2010-11	\$ 113,732
2011-12	86,712
2012-13	64,913
2013-14	45,913
2014-15	36,117
2016 and thereafter	233,269
Total	<u>\$ 580,656</u>

	Early Retirement Obligations
Balance 7/1/09	\$ 527,859
Additions	196,779
Payments & deletions	(143,982)
Balance 6/30/10	<u>\$ 580,656</u>

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

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

Note 9. Leases

The government's future minimum rental commitments for the copier machines at the high school, accounted for as operating leases at June 30, 2010 were paid in full.

Note 10. 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 7/1/09	\$ 9,049,581
Additions	-
Payments	(138,113)
Balance 6/30/10	<u>\$ 8,911,468</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2011	148,905	467,728	4.82%
2012	161,304	490,329	5.00%
2013	170,967	515,665	5.18%
2014	178,035	543,598	5.36%
2015	185,862	575,770	5.51%
2016-2020	986,395	3,451,768	5.67% to 6.10%
2021-2025	4,095,000	1,560,652	5.50% to 5.55%
2026-2028	2,985,000	301,088	5.55%
Total	<u>\$ 8,911,468</u>	<u>\$ 7,906,598</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. New Pronouncement

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (Statement). Certain of the significant changes in the statement will require the following:

Fund balances for each of the district's governmental funds will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- *Assigned fund balance*—amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the district's General Fund.

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The statement also establishes several new presentation and disclosure requirements, including requirements related to stabilization arrangements (i.e., “rainy day” amounts).

In addition, the statement clarifies the definitions of the various types of governmental funds. Interpretations of certain terms within the new definition of special revenue funds may affect which activities the district can report in special revenue funds.

The provisions of GASB Statement No. 54 must be implemented by the district no later than the fiscal year beginning July 1, 2010. Implementation will require the district to restate existing fund balances for the governmental funds.

Note 13. Subsequent Events

On May 18, 2010 the voters in the district approved a \$18,500,000 bond for new construction and capital improvements. The general obligations bonds were sold on July 21, 2010 using the Qualified School Construction Bond (QSCB) program. The bonds have a fixed rate of 5.584%. The federal government will pay 5.27% of the interest cost on the bonds. Interest is due and payable on December 15<sup>th</sup> and June 15<sup>th</sup> of each year. Principal is due at maturity on June 15, 2027.

Note 14. Commitments/Contingencies

On July 7, 2010, the board accepted a settlement agreement arising from the dismissal of a probationary teacher. The district paid \$20,000 to settle all claims from the multiple lawsuits filed. Accordingly, a liability in the amount of \$20,000 has been recorded on the balance sheet at June 30, 2010.

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REQUIRED SUPPLEMENTARY  
INFORMATION

ONTARIO SCHOOL DISTRICT NO. 8C  
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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND (BUDGET BASIS)**  
For the Year Ended  
June 30, 2010

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ 3,376,678	\$ 3,376,678	\$ 3,422,316	\$ 45,638
Local sources	253,000	253,000	312,511	59,511
Intermediate sources	-	-	8,483	8,483
State sources	17,220,717	17,220,717	16,656,597	(564,120)
Federal sources	-	-	779,297	779,297
Other sources	-	-	-	-
Total revenues	20,850,395	20,850,395	21,179,204	328,809
Expenditures				
Instruction				
Regular programs	10,393,748	10,393,748	10,219,338	174,410
Special programs	4,136,809	4,136,809	3,604,348	532,461
Summer school programs	20,000	20,000	10,882	9,118
Supporting services				
Students	579,877	586,109	566,232	19,877
Improvement of instruction	847,499	843,499	748,092	95,407
General administration	459,809	459,809	456,446	3,363
School administration	1,802,947	1,802,947	1,777,290	25,657
Business services	3,702,093	3,653,271	3,424,143	229,128
Central activities	845,686	892,276	810,547	81,729
Supplemental retirement program	138,650	138,650	138,177	473
Food services	-	-	-	-
Community services	6,000	6,000	-	6,000
Facilities acquisition and construction	128,300	128,300	91,915	36,385
Total expenditures	23,061,418	23,061,418	21,847,410	1,214,008
Excess of revenues over (under) expenditures	(2,211,023)	(2,211,023)	(668,206)	1,542,817
Other financing sources (uses)				
Debt service	-	-	-	-
Grant indirect charges	81,500	81,500	75,691	(5,809)
Sale of assets	5,000	5,000	40,707	35,707
Transfers in (out)	(150,350)	(150,350)	(149,962)	388
Total other financing sources (uses)	(63,850)	(63,850)	(33,564)	30,286
Net change in fund balance	(2,274,873)	(2,274,873)	(701,770)	1,573,103
Available fund balance, July 1	3,829,748	3,829,748	3,506,463	(323,285)
Available fund balance, June 30	\$ 1,554,875	\$ 1,554,875	\$ 2,804,693	\$ 1,249,818

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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BUILDING IMPROVEMENT (BUDGET BASIS)**  
For the Year Ended  
June 30, 2010

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	10,500	10,500	16,210	5,710
Intermediate sources	-	-	-	-
State sources	-	-	60,368	60,368
Federal sources	-	-	-	-
Other sources	-	-	-	-
Total revenues	10,500	10,500	76,578	66,078
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	760,500	760,500	580,802	179,698
Total expenditures	760,500	760,500	580,802	179,698
Excess of revenues over (under) expenditures	(750,000)	(750,000)	(504,224)	245,776
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	(750,000)	(750,000)	(504,224)	245,776
Available fund balance, July 1	750,000	750,000	600,332	(149,668)
Available fund balance, June 30	\$ -	\$ -	\$ 96,108	\$ 96,108

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, 2010

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	4,006,122	4,375,302	3,390,131	(985,171)
Other sources	-	-	-	-
Total revenues	<u>4,006,122</u>	<u>4,375,302</u>	<u>3,390,131</u>	<u>(985,171)</u>
Expenditures				
Instruction				
Regular programs	557,694	733,648	677,941	55,707
Special programs	1,846,389	1,851,638	1,528,192	323,446
Summer school programs	180,966	209,367	120,736	88,631
Supporting services				
Students	423,609	425,807	406,492	19,315
Improvement of instruction	870,239	970,949	545,485	425,464
General administration	-	-	-	-
School administration	5,200	5,200	-	5,200
Business services	26,689	26,689	49,061	(22,372)
Central activities	95,336	95,336	62,224	33,112
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	2,668	-	2,668
Facilities acquisition and construction	-	54,000	-	54,000
Total expenditures	<u>4,006,122</u>	<u>4,375,302</u>	<u>3,390,131</u>	<u>985,171</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, 2010

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, 2010, there was the following budget violation:

Equipment Replacement Fund	
Instruction	\$2,745

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## OTHER INFORMATION

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**COMBINING BALANCE SHEET**  
**NON MAJOR GOVERNMENTAL FUNDS**  
June 30, 2010

	Pension Bond Debt Service	Response to Intervention	Smile Grant
ASSETS			
Cash	\$ 1,839	\$ 20	\$ 2,437
Receivables			
Other	-	976	-
Total assets	<u>\$ 1,839</u>	<u>\$ 996</u>	<u>\$ 2,437</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Interfund payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance			
Fund balance			
Undesignated	<u>1,839</u>	<u>996</u>	<u>2,437</u>
Total fund balance	<u>1,839</u>	<u>996</u>	<u>2,437</u>
Total liabilities and fund balance	<u>\$ 1,839</u>	<u>\$ 996</u>	<u>\$ 2,437</u>

See accompanying independent auditor's report.



SB 622 School Technology	Equipment Replacement	Food Services	Totals June 30, 2010
\$ 50,029	\$ 87,749	\$ 522,278	\$ 664,352
-	-	64,350	65,326
<u>\$ 50,029</u>	<u>\$ 87,749</u>	<u>\$ 586,628</u>	<u>\$ 729,678</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
50,029	87,749	586,628	729,678
50,029	87,749	586,628	729,678
<u>\$ 50,029</u>	<u>\$ 87,749</u>	<u>\$ 586,628</u>	<u>\$ 729,678</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, 2010

	Pension Bond Debt Service	Response to Intervention	Smile Grant
Revenues			
Taxes	\$ -	\$ -	\$ -
Local sources	583,676	2,000	-
Intermediate sources	-	-	-
State sources	-	-	9,360
Federal sources	-	-	-
Other sources	-	-	-
Total revenues	583,676	2,000	9,360
Expenditures			
Instruction			
Regular programs	-	-	-
Special programs	-	-	14,875
Summer school programs	-	-	-
Supporting services			
Students	-	-	-
Improvement of instruction	-	2,305	-
General administration	-	-	-
School administration	-	-	-
Business services	-	-	-
Central activities	121	-	-
Supplemental retirement program	-	-	-
Food services	-	-	-
Community services	-	-	-
Facilities acquisition and construction	-	-	-
Total expenditures	121	2,305	14,875
Excess of revenues over (under) expenditures	583,555	(305)	(5,515)
Other financing sources (uses)			
Debt service	(586,632)	-	-
Grant indirect charges	-	-	-
Sale of assets	-	-	-
Transfers in (out)	-	-	5,712
Total other financing sources (uses)	(586,632)	-	5,712
Net change in fund balance	(3,077)	(305)	197
Available fund balance, July 1	4,916	1,301	2,240
Available fund balance, June 30	\$ 1,839	\$ 996	\$ 2,437

See accompanying independent auditor's report.

SB 622 School Technology	Equipment Replacement	Technology	Food Service	Totals June 30, 2010
\$ -	\$ -	\$ -	\$ -	\$ -
-	9,528	-	231,796	827,000
-	-	-	-	-
-	-	-	16,266	25,626
-	-	-	1,208,354	1,208,354
-	-	-	-	-
-	9,528	-	1,456,416	2,060,980
-	69,023	-	-	69,023
-	-	-	-	14,875
-	-	-	-	-
-	-	-	-	-
-	-	-	-	2,305
-	-	-	-	-
-	11,894	-	-	11,894
-	1,589	-	-	1,589
-	14,823	110,000	-	124,944
-	-	-	-	-
-	-	-	1,296,054	1,296,054
-	-	-	-	-
-	-	-	-	-
-	97,329	110,000	1,296,054	1,520,684
-	(87,801)	(110,000)	160,362	540,296
-	-	-	-	(586,632)
-	-	-	-	-
-	-	-	-	-
-	34,250	110,000	-	149,962
-	34,250	110,000	-	(436,670)
-	(53,551)	-	160,362	103,626
50,029	141,300	-	426,266	626,052
\$ 50,029	\$ 87,749	\$ -	\$ 586,628	\$ 729,678

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - PENSION BOND DEBT SERVICE (BUDGET BASIS)**  
For the Year Ended  
June 30, 2010

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	581,758	581,758	583,676	1,918
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Other sources	-	-	-	-
Total revenues	581,758	581,758	583,676	1,918
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	581,633	581,633	583,555	1,922
Other financing sources (uses)				
Debt service	(586,633)	(586,633)	(586,632)	1
Grant indirect charges	-	-	-	-
Sale of assets	-	-	-	-
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	(586,633)	(586,633)	(586,632)	1
Net change in fund balance	(5,000)	(5,000)	(3,077)	1,923
Available fund balance, July 1	5,000	5,000	4,916	(84)
Available fund balance, June 30	\$ -	\$ -	\$ 1,839	\$ 1,839

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, 2010

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	6,000	6,000	2,000	(4,000)
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Other sources	-	-	-	-
Total revenues	6,000	6,000	2,000	(4,000)
Expenditures				
Instruction				
Regular programs	-	-	-	-
Special programs	-	-	-	-
Summer school programs	-	-	-	-
Supporting services				
Students	-	-	-	-
Improvement of instruction	8,000	8,000	2,305	5,695
General administration	-	-	-	-
School administration	-	-	-	-
Business services	-	-	-	-
Central activities	-	-	-	-
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	8,000	8,000	2,305	5,695
Excess of revenues over (under) expenditures	(2,000)	(2,000)	(305)	(1,695)
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	(2,000)	(2,000)	(305)	1,695
Available fund balance, July 1	2,000	2,000	1,301	(699)
Available fund balance, June 30	\$ -	\$ -	\$ 996	\$ 996

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, 2010

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
Intermediate sources	-	-	-	-
State sources	11,400	11,400	9,360	(2,040)
Federal sources	-	-	-	-
Other sources	-	-	-	-
Total revenues	11,400	11,400	9,360	(2,040)
Expenditures				
Instruction				
Regular programs	-	-	-	-
Special programs	18,500	18,500	14,875	3,625
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	18,500	18,500	14,875	3,625
Excess of revenues over (under) expenditures	(7,100)	(7,100)	(5,515)	1,585
Other financing sources (uses)				
Debt service	-	-	-	-
Grant indirect charges	-	-	-	-
Sale of assets	-	-	-	-
Transfers in (out)	6,100	6,100	5,712	(388)
Total other financing sources (uses)	6,100	6,100	5,712	(388)
Net change in fund balance	(1,000)	(1,000)	197	1,197
Available fund balance, July 1	1,000	1,000	2,240	1,240
Available fund balance, June 30	\$ -	\$ -	\$ 2,437	\$ 2,437

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, 2010

	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	-	51,405
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	51,405	51,405	-	51,405
Excess of revenues over (under) expenditures	(51,405)	(51,405)	-	51,405
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)	-	51,405
Available fund balance, July 1	51,405	51,405	50,029	(1,376)
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, 2010

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	9,528	9,528
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Other sources	-	-	-	-
Total revenues	-	-	9,528	9,528
Expenditures				
Instruction				
Regular programs	39,000	66,278	69,023	(2,745)
Special programs	-	-	-	-
Summer school programs	-	-	-	-
Supporting services				
Students	-	-	-	-
Improvement of instruction	-	-	-	-
General administration	-	-	-	-
School administration	21,000	30,950	11,894	19,056
Business services	57,500	24,409	1,589	22,820
Central activities	16,750	12,613	14,823	(2,210)
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	134,250	134,250	97,329	36,921
Excess of revenues over (under) expenditures	(134,250)	(134,250)	(87,801)	46,449
Other financing sources (uses)				
Debt service	-	-	-	-
Grant indirect charges	-	-	-	-
Sale of assets	-	-	-	-
Transfers in (out)	34,250	34,250	34,250	-
Total other financing sources (uses)	34,250	34,250	34,250	-
Net change in fund balance	(100,000)	(100,000)	(53,551)	46,449
Available fund balance, July 1	100,000	100,000	141,300	41,300
Available fund balance, June 30	\$ -	\$ -	\$ 87,749	\$ 87,749



ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - TECHNOLOGY FUND (BUDGET BASIS)**  
For the Year Ended  
June 30, 2010

	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	130,000	130,000	110,000	20,000
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	130,000	130,000	110,000	20,000
Excess of revenues over (under) expenditures	(130,000)	(130,000)	(110,000)	20,000
Other financing sources (uses)				
Debt service	-	-	-	-
Grant indirect charges	-	-	-	-
Sale of assets	-	-	-	-
Transfers in (out)	110,000	110,000	110,000	-
Total other financing sources (uses)	110,000	110,000	110,000	-
Net change in fund balance	(20,000)	(20,000)	-	20,000
Available fund balance, July 1	20,000	20,000	-	(20,000)
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, 2010

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	225,000	225,000	231,796	6,796
Intermediate sources	-	-	-	-
State sources	14,000	14,000	16,266	2,266
Federal sources	966,000	966,000	1,208,354	242,354
Other sources	-	-	-	-
Total revenues	<u>1,205,000</u>	<u>1,205,000</u>	<u>1,456,416</u>	<u>251,416</u>
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	1,441,485	1,441,485	1,296,054	145,431
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>1,441,485</u>	<u>1,441,485</u>	<u>1,296,054</u>	<u>145,431</u>
Excess of revenues over (under) expenditures	<u>(236,485)</u>	<u>(236,485)</u>	<u>160,362</u>	<u>396,847</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	<u>(236,485)</u>	<u>(236,485)</u>	<u>160,362</u>	<u>396,847</u>
Available fund balance, July 1	<u>236,485</u>	<u>236,485</u>	<u>426,266</u>	<u>189,781</u>
Available fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,628</u>	<u>\$ 586,628</u>

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, 2010

	Balance July 1, 2009	Receipts	Disbursements	Balance June 30, 2010
<b>Ontario High School</b>				
Assets				
Cash	\$ 62,234	\$ 213,135	\$ 212,381	\$ 62,988
Liabilities				
Due to student groups	\$ 62,234	\$ 213,135	\$ 212,381	\$ 62,988
<b>Middle School</b>				
Assets				
Cash	\$ 39,315	\$ 56,045	\$ 74,596	\$ 20,764
Liabilities				
Due to student groups	\$ 39,315	\$ 56,045	\$ 74,596	\$ 20,764
<b>Aiken Elementary School</b>				
Assets				
Cash	\$ 683	\$ 5,839	\$ 5,640	\$ 882
Liabilities				
Due to student groups	\$ 683	\$ 5,839	\$ 5,640	\$ 882
<b>Alameda Elementary School</b>				
Assets				
Cash	\$ 1,609	\$ 9,097	\$ 7,401	\$ 3,305
Liabilities				
Due to student groups	\$ 1,609	\$ 9,097	\$ 7,401	\$ 3,305
<b>Cairo Elementary School</b>				
Assets				
Cash	\$ 1,684	\$ 184	\$ 476	\$ 1,391
Liabilities				
Due to student groups	\$ 1,684	\$ 184	\$ 476	\$ 1,391
<b>May Roberts Elementary School</b>				
Assets				
Cash	\$ 16,627	\$ 16,049	\$ 25,359	\$ 7,317
Liabilities				
Due to student groups	\$ 16,627	\$ 16,049	\$ 25,359	\$ 7,317
<b>Pioneer Elementary School</b>				
Assets				
Cash	\$ 6,721	\$ 13,495	\$ 13,117	\$ 7,099
Liabilities				
Due to student groups	\$ 6,721	\$ 13,495	\$ 13,117	\$ 7,099
<b>Totals</b>				
Assets				
Cash	\$ 128,873	\$ 313,844	\$ 338,969	\$ 103,748
Liabilities				
Due to student groups	\$ 128,873	\$ 313,844	\$ 338,969	\$ 103,748

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF CASH, CASH ITEMS, INVESTMENTS, AND COLLATERAL SECURITY**  
June 30, 2010

	All Funds	Total
Cash and cash items		
Sterling Savings Bank		
Demand accounts	\$ (172,382)	
Total Sterling Savings Bank		\$ (172,382)
Bank of the West		
Demand accounts	2,000	
Total Bank of the West		2,000
Bank of America		
Demand accounts	20,764	
Total Bank of America		20,764
JP Morgan Chase Bank		
Demand accounts	7,317	
Total JP Morgan Chase Bank		7,317
Intermountain Community Bank		
Demand accounts	4,002,191	
Total Intermountain Community Bank		4,002,191
U.S. Bank, N.A.		
Demand accounts	2,272	
Total U.S. Bank, N.A.		2,272
Total cash with banks		3,862,162
Cash-on-hand		1,370
Total cash and cash items		3,863,532
Investments		
Oregon State Treasury Local Government Investment Pool		1,277,774
Malheur County Treasurer		-
Total net investments		5,141,306
Less trust funds not included in statement of net assets		(103,747)
Total cash, cash items and investments		\$ 5,037,559

(Continued on next page)

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF CASH, CASH ITEMS, INVESTMENTS, AND COLLATERAL SECURITY**  
June 30, 2010

Collateral security			
*	Sterling Savings Bank - FDIC	** \$	250,000
*	Bank of the West - FDIC		250,000
*	Bank of America - FDIC		250,000
*	Intermountain Community Bank - FDIC		250,000
	JP Morgan Chase Bank - FDIC		250,000
*	U. S. Bank, N.A. - FDIC		250,000
	Total collateral security	\$	<u>1,500,000</u>

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

\*Qualified depository per Oregon State Treasurer

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
For the Year Ended  
June 30, 2010

**GENERAL FUND**

Tax Year	Uncollected Taxes June 30, 2009	Current Assessment	(Abatement) and Adjustments	Rebates Allowed	Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes June 30, 2010
2009-10		\$ 3,536,267	\$ -	\$ (86,735)	\$ 12,214	\$ 3,281,517	\$ 3,293,731	\$ 168,015
2008-09	\$ 146,152	-	(377)	7	2,615	54,527	57,142	91,255
2007-08	69,133	-	(36)	-	2,681	23,753	26,434	45,344
2006-07	34,678	-	(26)	-	3,208	18,377	21,585	16,275
2005-06	13,682	-	(23)	-	2,656	12,653	15,309	1,005
2004-05	712	-	(10)	-	71	266	337	436
2003-04	319	-	(9)	-	68	206	274	103
2002-03	158	-	0	-	-	-	-	158
2001-02	107	-	-	-	-	-	-	107
2000-01	174	-	-	-	45	102	147	72
1989-90	89	-	-	-	40	89	129	-
	<u>\$ 265,204</u>	<u>\$ 3,536,267</u>	<u>\$ (481)</u>	<u>\$ (86,728)</u>	<u>\$ 23,598</u>	<u>\$ 3,391,490</u>	<u>\$ 3,415,088</u>	<u>\$ 322,770</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, 2010

	Migrant Title IC	Migrant Summer School	Title IA Grant	Title X
Revenues				
Federal sources	\$ 250,545	\$ 160,850	\$ 1,712,519	\$ 656
Total revenues	<u>250,545</u>	<u>160,850</u>	<u>1,712,519</u>	<u>656</u>
Expenditures				
Instruction				
Regular programs	-	12,125	506,061	-
Special programs	66,304	-	839,889	317
Summer school programs	3,533	104,062	-	-
Supporting services				
Students	164,613	11,653	148,584	339
Improvement of instruction	4,026	10,171	178,544	-
General administration	-	-	-	-
School administration	-	-	-	-
Business services	-	22,839	-	-
Central activities	12,069	-	39,441	-
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>250,545</u>	<u>160,850</u>	<u>1,712,519</u>	<u>656</u>
Net change in fund balance	-	-	-	-
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.



School Improvement Grants	Title II D	Title III
\$ 44,621	\$ 151,180	\$ 55,544
44,621	151,180	55,544
33,515	123,611	-
-	-	17,674
-	-	13,141
-	-	-
693	27,569	23,670
-	-	-
-	-	-
-	-	1,059
10,413	-	-
-	-	-
-	-	-
-	-	-
44,621	151,180	55,544
-	-	-
-	-	-
\$ -	\$ -	\$ -

IDEA	Effective Behavioral & Instructional Support Systems	Title VI (B) Innovative Rural Ed
\$ 690,664	\$ 9,217	\$ 68,412
690,664	9,217	68,412
-	-	-
604,007	-	-
-	-	-
77,867	-	-
8,790	9,217	68,412
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
690,664	9,217	68,412
-	-	-
-	-	-
\$ -	\$ -	\$ -

Title II A	Alcohol Abuse Reduction	Drug and Alcohol Grant	Energy Program Grant	Totals
\$ 206,744	\$ 6,367	\$ 7,649	\$ 25,163	\$ 3,390,131
206,744	6,367	7,649	25,163	3,390,131
-	2,629	-	-	677,941
-	-	-	-	1,528,192
-	-	-	-	120,736
-	3,437	-	-	406,492
206,744	-	7,649	-	545,485
-	-	-	-	-
-	-	-	-	-
-	-	-	25,163	49,061
-	301	-	-	62,224
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
206,744	6,367	7,649	25,163	3,390,131
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -

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

For the year Ended  
June 30, 2010

2009-2010 Assessed valuation of taxable property \$ 924,506,402

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%
2009-2010	138,113	448,520	586,633	21,977,370	2.67%

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%
2009-2010	924,506,402	8,911,468	0.96%

(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	\$ 86,601,377	9.37%
Oregon Warehouse Partners	11,607,710	1.26%
Wal-Mart Real Estate Business Trs.	10,975,953	1.19%
Ontario Mall, LLC	9,014,167	0.98%
Home Depot USA Inc	8,810,535	0.95%
Murakami Farms, Inc	8,316,643	0.90%
Larson Land Company, LLC	7,264,514	0.79%
Dominican Sisters of Ontario, Inc.	4,480,558	0.48%

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT**  
For the year Ended  
June 30, 2010

<u>Public utilities</u>		
Idaho Power Co.	\$ 27,728,135	3.00%
Malheur Home Telephone Co.	5,324,097	0.58%
Union Pacific Railroad Co.	4,697,010	0.51%
Cascade Natural Gas Corp	3,990,000	0.43%
Northwest Pipeline Corp	2,478,997	0.27%
<u>All other taxpayers</u>	733,216,706	79.31%
Total assessed value	<u>\$ 924,506,402</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
2009-2010	16,743,852	62.42%	26,823,801

Computation of legal debt margin:

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

(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, 2010

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 600
<b>Revenue from Local Sources</b>					
1110 Ad Valorem Taxes	\$ 3,422,003	\$ -	\$ -	\$ -	\$ -
1120 Local Option Taxes	-	-	-	-	-
1190 Penalties and Interest	313	-	-	-	-
1200 Revenue from Local Government Other Than District	70,405	-	-	-	-
1310 Regular Tuition	4,241	-	-	-	-
1320 Adult/Continuing Ed Tuition	-	-	-	-	-
1330 Summer School Tuition	9,496	-	-	-	-
1400 Transportation Fees	7,469	-	-	-	-
1500 Earnings on Investments	112,874	-	1,682	1,807	510
1600 Food Services	-	201,660	-	-	-
1700 Extracurricular Activities	55,641	-	-	-	-
1800 Community Services Activities	-	-	-	-	-
1910 Rentals	600	-	-	-	-
1920 Contributions and Donations	9,942	8,528	-	14,403	-
1930 Rental or Lease Payments from Private Contractors	-	-	-	-	-
1940 Services Provided Other LEAs	-	-	-	-	-
1950 Textbook Sales and Rentals	-	-	-	-	-
1960 Recovery of Prior Years' Expenditures	-	-	-	-	-
1970 Services Provided Other Funds	-	-	581,994	-	-
1980 Fees Charged to Grants	75,691	-	-	-	-
1990 Miscellaneous	40,582	33,136	-	-	-
<b>Total Revenue from Local Sources</b>	<b>3,809,257</b>	<b>243,324</b>	<b>583,676</b>	<b>16,210</b>	<b>510</b>
<b>Revenue from Intermediate Sources</b>					
2101 County School Funds	2,643	-	-	-	-
2200 Restricted Revenue Intermediate Sources	5,840	-	-	-	-
<b>Total Revenue from Intermediate Sources</b>	<b>8,483</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenue from State Sources</b>					
3101 State School Fund - General Support	16,448,689	-	-	-	-
3102 State School Fund - Lunch Match	-	13,310	-	-	-
3103 Common School Fund	207,909	-	-	-	-
3204 Driver Education	1,260	-	-	-	-
3222 SSSF Transportation	-	-	-	-	-
3299 Other Restricted Grants - State	-	12,316	-	60,368	-
<b>Total Revenue from State Sources</b>	<b>16,657,858</b>	<b>25,626</b>	<b>-</b>	<b>60,368</b>	<b>-</b>
<b>Revenue from Federal Sources</b>					
4300 Restricted Revenue Direct from Federal Government	-	6,367	-	-	-
4500 Restricted Revenue from Federal Government Through the State	779,297	4,519,113	-	-	-
4900 Revenue for/on Behalf of the District	-	73,005	-	-	-
<b>Total Revenue from Federal Sources</b>	<b>779,297</b>	<b>4,598,485</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenue from Other Sources</b>					
5100 Long-term Debt Financing	-	-	-	-	-
5200 Interfund Transfers	-	149,962	-	-	-
5300 Sale of or Compensation for Loss of Fixed Assets	40,707	-	-	-	-
5400 Beginning Fund Balance	3,506,463	621,136	4,916	600,332	72,135
<b>Total Revenue from Other Sources</b>	<b>3,547,170</b>	<b>771,098</b>	<b>4,916</b>	<b>600,332</b>	<b>72,135</b>
<b>Grand Totals</b>	<b>\$ 24,802,065</b>	<b>\$ 5,638,533</b>	<b>\$ 588,592</b>	<b>\$ 676,911</b>	<b>\$ 72,645</b>

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF EXPENDITURES (BUDGET BASIS)**  
**GENERAL FUND**  
For the Year Ended  
June 30, 2010

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	700 Transfers	Total
<b>1000 Instruction</b>								
1111 Primary, K-3	\$ 1,538,823	\$ 716,621	\$ 13,100	\$ 59,980	\$ -	\$ -	\$ -	\$ 2,328,524
1112 Intermediate programs	782,218	379,583	12,451	61,946	-	-	-	1,236,198
1113 Elementary extracurricular	(237)	237	-	-	-	-	-	-
1121 Middle and junior high programs	1,897,960	851,213	13,342	109,044	-	570	-	2,872,129
1122 Middle and junior high school extracurricular	68,176	16,069	6,153	3,992	-	-	-	94,390
1131 High school programs	2,116,905	948,076	31,392	153,658	-	791	-	3,250,822
1132 High school extracurricular	242,972	61,654	103,567	19,032	-	10,050	-	437,275
1210 Programs for talented and gifted	66,304	27,414	2,200	209	-	-	-	96,127
1226 Home instruction	845	209	-	-	-	-	-	1,055
1233 Other designated programs	-	-	-	-	-	-	-	-
1250 Resource rooms	829,969	388,032	1,019	6,062	-	-	-	1,225,083
1283 District alternative programs	133,103	57,288	-	547	-	-	-	190,938
1288 Charter School	-	-	1,540,453	-	-	-	-	1,540,453
1291 English second language programs	378,085	167,051	-	5,558	-	-	-	550,693
1430 High school summer school programs	8,690	2,192	-	-	-	-	-	10,882
<b>Total 1000 instruction</b>	<b>8,063,813</b>	<b>3,615,639</b>	<b>1,723,677</b>	<b>420,028</b>	<b>-</b>	<b>11,411</b>	<b>-</b>	<b>13,834,568</b>
<b>2000 Support services</b>								
2115 Student safety	7,016	312	95,632	-	-	-	-	102,960
2122 Counseling services	247,838	118,433	1,320	3,873	-	-	-	371,464
2134 Nurse services	-	-	29,054	-	-	-	-	29,054
2139 Other health services	-	-	-	959	-	-	-	959
2190 Student direction support	37,355	16,300	7,087	1,052	-	-	-	61,794
2213 Curriculum development	129,860	49,831	113	2,919	-	-	-	182,723
2219 Other improvement of instruction services	999	245	-	-	-	-	-	1,244
2222 Library media center	211,604	110,454	183	28,266	-	-	-	350,507
2223 Multimedia services	-	-	57	2,132	-	-	-	2,189
2230 Assessment and testing	91,063	38,477	17,692	3,253	-	-	-	150,485
2240 Instructional staff development	41,503	8,106	10,226	1,109	-	-	-	60,944
2310 Board of education	-	-	126,176	3,162	-	39,483	-	168,821
2321 Office of the superintendent services	197,711	82,181	5,206	1,778	-	749	-	287,625
2410 Office of the principal	1,192,878	501,568	42,194	24,432	7,372	8,846	-	1,777,290
2521 Fiscal services	76,958	30,055	48,708	9,434	-	2,750	-	167,905
2524 Payroll services	48,372	24,243	-	-	-	-	-	72,615
2525 Financial accounting services	20,989	11,806	-	-	-	-	-	32,795
2541 Operation and maintenance of plant services	79,034	37,332	-	-	-	-	-	116,366
2542 Care and upkeep of building services	704,193	360,271	697,593	122,165	-	78,603	-	1,962,825
2543 Care and upkeep of grounds	47,740	14,180	4,944	17,499	19,640	70	-	104,073
2551 Student transportation services	97,731	41,789	-	-	-	-	-	139,520
2552 Vehicle operation services	341,672	156,972	(41,929)	161,273	93,584	25,030	-	736,602
2559 Other student transportation services	-	-	60,182	-	-	-	-	60,182
2573 Warehouse and distribution	20,184	11,076	-	-	-	-	-	31,260
2620 Planning, research, development services	-	-	-	-	-	-	-	-
2626 Grant writing	-	-	33	-	-	-	-	33
2633 Public information services	35,004	19,849	5,032	2,191	-	50	-	62,126
2640 Staff services	-	-	200	38	-	-	-	238
2641 Staff Services-service area direction	92,291	38,611	9,687	2,882	-	2,684	-	146,155
2660 Technology services	344,391	152,809	31,442	73,053	-	300	-	601,995
2700 Supplemental retirement program	134,000	4,177	-	-	-	-	-	138,177
<b>Total 2000 support services</b>	<b>4,200,386</b>	<b>1,829,076</b>	<b>1,150,834</b>	<b>461,469</b>	<b>120,596</b>	<b>158,563</b>	<b>-</b>	<b>7,920,927</b>
<b>3000 Enterprise and community services</b>								
3300 Community services	-	-	-	-	-	-	-	-
<b>Total 3000 enterprise and community</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4000 Facilities acquisition and construction</b>								
4150 Building acquisition, construction and improvement services	-	-	33,262	551	58,103	-	-	91,915
<b>Total 4000 facilities acquisition and construction</b>	<b>-</b>	<b>-</b>	<b>33,262</b>	<b>551</b>	<b>58,103</b>	<b>-</b>	<b>-</b>	<b>91,915</b>
<b>5000 Other uses</b>								
5200 Transfer of Funds	-	-	-	-	-	-	149,962	149,962
<b>Total 5000 other uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>149,962</b>	<b>149,962</b>
<b>6000 Contingencies</b>								
6110 Operating contingency	-	-	-	-	-	-	-	-
<b>Total 6000 contingencies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total expenditures	\$ 12,264,199	\$ 5,444,715	\$ 2,907,772	\$ 882,048	\$ 178,699	\$ 169,975	\$ 149,962	\$ 21,997,372

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF EXPENDITURES (BUDGET BASIS)**  
**SPECIAL REVENUE FUND**  
For the Year Ended  
June 30, 2010

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	700 Transfers	Total
<b>1000 Instruction</b>								
1111 Primary, K-3	\$ 313,122	\$ 176,994	\$ -	\$ 52,210	\$ -	\$ 23,249	\$ -	\$ 565,575
1112 Intermediate programs	-	-	-	6,648	-	-	-	6,648
1121 Middle and junior high programs	-	-	-	135,270	-	3,210	-	138,480
1131 High school programs	-	-	826	23,311	-	-	-	24,137
1140 Pre-Kindergarten programs	8,492	2,042	-	1,591	-	-	-	12,125
1250 Resource rooms	322,988	208,473	63,543	9,002	-	-	-	604,006
1271 Remedial programs	-	-	-	293	-	24	-	317
1272 Title I	425,956	184,517	-	85,158	-	39,131	-	734,762
1288 Charter School	-	-	105,129	-	-	-	-	105,129
1291 English second language programs	8,575	2,083	-	6,761	-	255	-	17,674
1293 Migrant	40,193	17,866	3,190	5,055	-	-	-	66,304
1299 Other programs	11,275	2,712	179	709	-	-	-	14,875
1400 Summer School	68,019	16,952	8,359	27,405	-	-	-	120,735
<b>Total 1000 instruction</b>	<b>1,198,620</b>	<b>611,639</b>	<b>181,226</b>	<b>353,413</b>	<b>-</b>	<b>65,869</b>	<b>-</b>	<b>2,410,767</b>
<b>2000 Support services</b>								
2110 Social Services	4,829	2,456	-	-	-	-	-	7,285
2117 Identification and Recruitment	69,735	33,152	4,385	-	-	-	-	107,272
2122 Counseling services	76,502	40,962	-	-	-	-	-	117,464
2139 Other health services	-	-	1,291	-	-	-	-	1,291
2190 Student direction support	115,117	46,538	9,953	1,573	-	-	-	173,181
2213 Curriculum development	209,938	98,508	-	-	-	6,719	-	315,166
2219 Improvement of Instruction Services	13,753	2,563	395	855	-	1,353	-	18,919
2222 Library media center	5,188	1,268	698	3,017	-	-	-	10,171
2230 Assessment and testing	28,624	12,621	-	-	-	-	-	41,245
2240 Instructional staff development	66,064	10,391	81,225	3,263	-	1,346	-	162,289
2410 Office of the principal	-	-	-	11,894	-	-	-	11,894
2542 Care and upkeep of building services	4,307	1,156	31,127	1,589	-	-	-	38,179
2552 Vehicle operation services	1,862	462	10,147	-	-	-	-	12,471
2626 Grant writing	5,262	1,306	1,947	1,496	-	404	-	10,415
2630 Parent Center Coordinator	34,667	14,958	26	2,159	-	-	-	51,810
2660 Technology services	-	-	-	50,317	74,505	-	-	124,822
<b>Total 2000 support services</b>	<b>635,849</b>	<b>266,341</b>	<b>141,194</b>	<b>76,163</b>	<b>74,505</b>	<b>9,822</b>	<b>-</b>	<b>1,203,873</b>
<b>3000 Enterprise and community services</b>								
3110 Food Services Director	46,944	23,001	1,479	-	-	-	-	71,424
3120 Food Preparation	303,231	184,321	31,080	652,515	16,840	-	-	1,187,987
3130 Food Delivery	20,729	11,365	1,409	3,140	-	-	-	36,643
<b>Total 3000 enterprise and community</b>	<b>370,904</b>	<b>218,687</b>	<b>33,968</b>	<b>655,655</b>	<b>16,840</b>	<b>-</b>	<b>-</b>	<b>1,296,054</b>
<b>4000 Facilities acquisition and construction</b>								
<b>Total 4000 facilities acquisition and construction</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>\$ 2,205,373</b>	<b>\$ 1,096,667</b>	<b>\$ 356,388</b>	<b>\$ 1,085,231</b>	<b>\$ 91,345</b>	<b>\$ 75,691</b>	<b>\$ -</b>	<b>\$ 4,910,694</b>



ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF EXPENDITURES (BUDGET BASIS)**  
**DEBT SERVICE FUND**  
For the Year Ended  
June 30, 2010

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	700 Transfers	Total
<b>2000 Support services</b>								
2649 Other Staff Services	\$ -	\$ -	\$ 121	\$ -	\$ -	\$ -	\$ -	\$ 121
<b>Total 2000 support services</b>	-	-	121	-	-	-	-	121
<b>5000 Other uses</b>								
5110 Long-term debt service	-	-	-	-	-	586,632	-	586,632
<b>Total 5000 other uses</b>	-	-	-	-	-	586,632	-	586,632
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,632</u>	<u>\$ -</u>	<u>\$ 586,753</u>

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF EXPENDITURES (BUDGET BASIS)**  
**CAPITAL FUND**  
For the Year Ended  
June 30, 2010

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total
<b>4000 Facilities acquisition and construction</b>							
4150 Building acquisition, construction and improvement services	\$ -	\$ -	\$ -	\$ 1,604	\$ 579,199	\$ -	\$ 580,803
<b>Total 4000 facilities acquisition and construction</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,604</u>	<u>579,199</u>	<u>-</u>	<u>580,803</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,604</u>	<u>\$ 579,199</u>	<u>\$ -</u>	<u>\$ 580,803</u>

ONTARIO SCHOOL DISTRICT NO. 8C  
 Ontario, Malheur County, Oregon  
**SCHEDULE OF EXPENDITURES (BUDGET BASIS)**  
**INTERNAL SERVICE FUND**  
 For the Year Ended  
 June 30, 2010

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total
<b>2000 Support services</b>							
2649 Other Staff Services	\$ -	\$ 55,935	\$ -	\$ -	\$ -	\$ -	\$ 55,935
<b>Total 2000 support services</b>	-	55,935	-	-	-	-	55,935
Total expenditures	\$ -	\$ 55,935	\$ -	\$ -	\$ -	\$ -	\$ 55,935

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

Objects 325 & 326	
Function 2540	\$ 424,654
Function 2550	8,236

- 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

\$	27,012
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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, 2010

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 2, 2010.

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 2009-2010 and 2010-2011 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 2009-2010 budget. There was one budget violation due to overexpenditure:

Equipment Replacement Fund	Instruction	\$2,745
----------------------------	-------------	---------

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, 2010 provide adequate coverage. We understand that the coverages are reviewed periodically with the district's agent of record and that such reviews have been made recently.

Programs Funded from Outside Sources

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON**  
June 30, 2010

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, 2010, 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, 2010, 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, 2009 to June 30, 2010

Total Revenues and/or Receipts - All Funds		\$ 27,482,415
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		\$ 27,482,415
Total Expenditures and/or Disbursements - All Funds		\$ 28,059,862
Less:		
Expenditures of Component Units included in report	-	
Turnovers to other municipal corporations		
Taxes and Assessments	-	
Other Distributions	-	
Net Expenditures and/or Disbursements		\$ 28,059,862

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

Auditor/Firm Signature 

## PLEASE ENCLOSE PAYMENT WITH SUMMARY

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

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

For Use by Division of Audits

Account Code \_\_\_\_\_ Firm Code \_\_\_\_\_ Filing Fee \_\_\_\_\_

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



SINGLE AUDIT SECTION



ONTARIO SCHOOL DISTRICT NO. 8C

**SINGLE AUDIT**

For the Year Ended June 30, 2010



ONTARIO SCHOOL DISTRICT NO. 8C  
**SINGLE AUDIT**  
June 30, 2010

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ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
June 30, 2010

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	\$ -	\$ 73,005	\$ -	\$ 73,005	\$ 73,005
National School Lunch Program, School Breakfast	10.553	-	286,009	-	286,009	286,009
National School Lunch Program, Sec 4 and 11	10.555	-	690,224	-	690,224	690,224
Summer Food Service Program	10.559	30,563	30,281	-	60,844	60,844
National School Lunch Program, Equipment - ARRA	10.579	-	16,250	-	16,250	16,250
Fresh Fruit and Vegetable Program	10.582	-	66,755	15,267	82,022	82,022
Total Department of Agriculture		30,563	1,162,524	15,267	1,208,354	1,208,354
<u>U.S. Department of Education</u>						
Passed through Oregon Department of Education						
Elementary and Secondary Education Act - Title IA	* 84.010	-	1,116,209	(6,315)	1,109,894	1,109,894
Elementary and Secondary Education Act - Migrant Education	84.011	1,500	409,661	234	411,394	411,394
Individuals with Disabilities Education Act, Part B	* 84.027	-	406,900	500	407,400	407,400
Elementary and Secondary Education Act - Title IV - Safe and Drug Free Schools	84.186	-	7,649	-	7,649	7,649
Elementary and Secondary Education Act-Title IID, Enhancing Ed Thru Tech	84.318	-	9,039	-	9,039	9,039
State Personnel Development Grant	84.323	-	8,015	702	8,718	8,718
Department of Education Appropriations Act of 2001-School Renovation	84.352	-	-	-	-	-
Reading First	84.357	-	-	-	-	-
Elementary and Secondary Education Act-Title VI, Part B, Rural Education Act	84.358	-	68,412	-	68,412	68,412
Elementary and Secondary Education Act-Title III-English Acquisition Grant	84.365	-	55,544	-	55,543	55,543
Elementary and Secondary Education Act-Title IIA, Improving Teacher Quality	84.367	-	206,744	-	206,744	206,744
Elementary and Secondary Education Act-Title I, School Improvement	84.377	-	7,304	-	7,304	7,304
Enhancing Ed Thru Tech - ARRA	* 84.386	-	152,349	(10,207)	142,142	142,142
Title X, Homeless Children and Youth - ARRA	84.387	-	656	-	656	656
Title I - Grants to State - ARRA	* 84.389	-	639,942	-	639,942	639,942
Special Education Grants to States - American Recovery Reinvestment Act	* 84.391	-	283,764	-	283,763	283,763
State Fiscal Stabilization Fund - American Recovery Reinvestment Act	* 84.394	-	779,297	-	779,297	779,297
		1,500	4,151,485	(15,086)	4,137,897	4,137,897
Direct Programs						
Alcohol Abuse Reduction Grants	84.184A	-	6,367	-	6,367	6,367
		-	6,367	-	6,367	6,367
Total Department of Education		1,500	4,157,852	(15,086)	4,144,264	4,144,264
<u>U.S. Department of Energy</u>						
Passed through Oregon Department of Energy						
State Energy Programs	84.041	-	25,163	-	25,163	25,163
Total Department of Energy		-	25,163	-	25,163	25,163
Total federal assistance		\$ 32,063	\$ 5,345,539	\$ 181	\$ 5,377,781	\$ 5,377,781

\* 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, 2010

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, 2010

**SUMMARY OF AUDITOR'S RESULTS**

Type of Report Issued

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

Significant deficiencies in Internal Control

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

Noncompliance Material to Financial Statements

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

Significant Deficiencies in Internal Control Over Major Programs

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

Type of Report Issued on Compliance for Major Programs

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

Audit Findings

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

Identification of Major Programs

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

Elementary and Secondary Education Act - Title IA	84.010	\$1,098,894
Individuals with Disabilities Education Act, Part B	84.027	407,400
Title IID – ARRA	84.386	142,142
Title I – ARRA	84.389	639,942
IDEA – ARRA	84.391	283,764
State Fiscal Stabilization Fund	84.394	779,297



ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2010

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, 2010.

Prior Year Findings

The audit for the year ended June 30, 2009 did not report any findings and questioned costs.



Certified Public Accountants, PC

George W. Wilber, CrFA, CPA  
Robert M. Armstrong, CPA  
Mary Jo Evers, CFE, CPA  
Arlie W. Oster, CPA (1931-1998)  
Brian R. Whitman, CPA  
Cara R. Kness, CPA  
Kari J. Ott, CPA

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 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, 2010, which collectively comprise Ontario School District No. 8C's basic financial statements and have issued our report thereon dated December 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the district's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ontario School District No. 8C's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination

of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

In connection with our testing nothing came to our attention that caused us to believe Ontario School District No. 8C was not in substantial compliance with certain provisions of law, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The results of our tests disclosed no instances of noncompliance 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 2, 2010.

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

*Oster Professional Group, CPA's, PC*

By 

Burns, Oregon  
December 2, 2010

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

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

Compliance

We have audited Ontario School District No. 8C's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ontario School District No. 8C's major federal programs for the year ended June 30, 2010. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ontario School District No. 8C's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ontario School District No. 8C's compliance with those requirements.

In our opinion, Ontario School District No. 8C, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Ontario School District No. 8C is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. In planning and performing our audit, we considered Ontario School District No. 8C's internal control over

compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ontario School District No. 8C's internal control over compliance.

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

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

This report is intended solely for the information and use of the management, board of directors, Oregon Secretary of State, 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 2, 2010

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