

ONTARIO SCHOOL DISTRICT 8C

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

For the Year Ended June 30, 2011



ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
June 30, 2011

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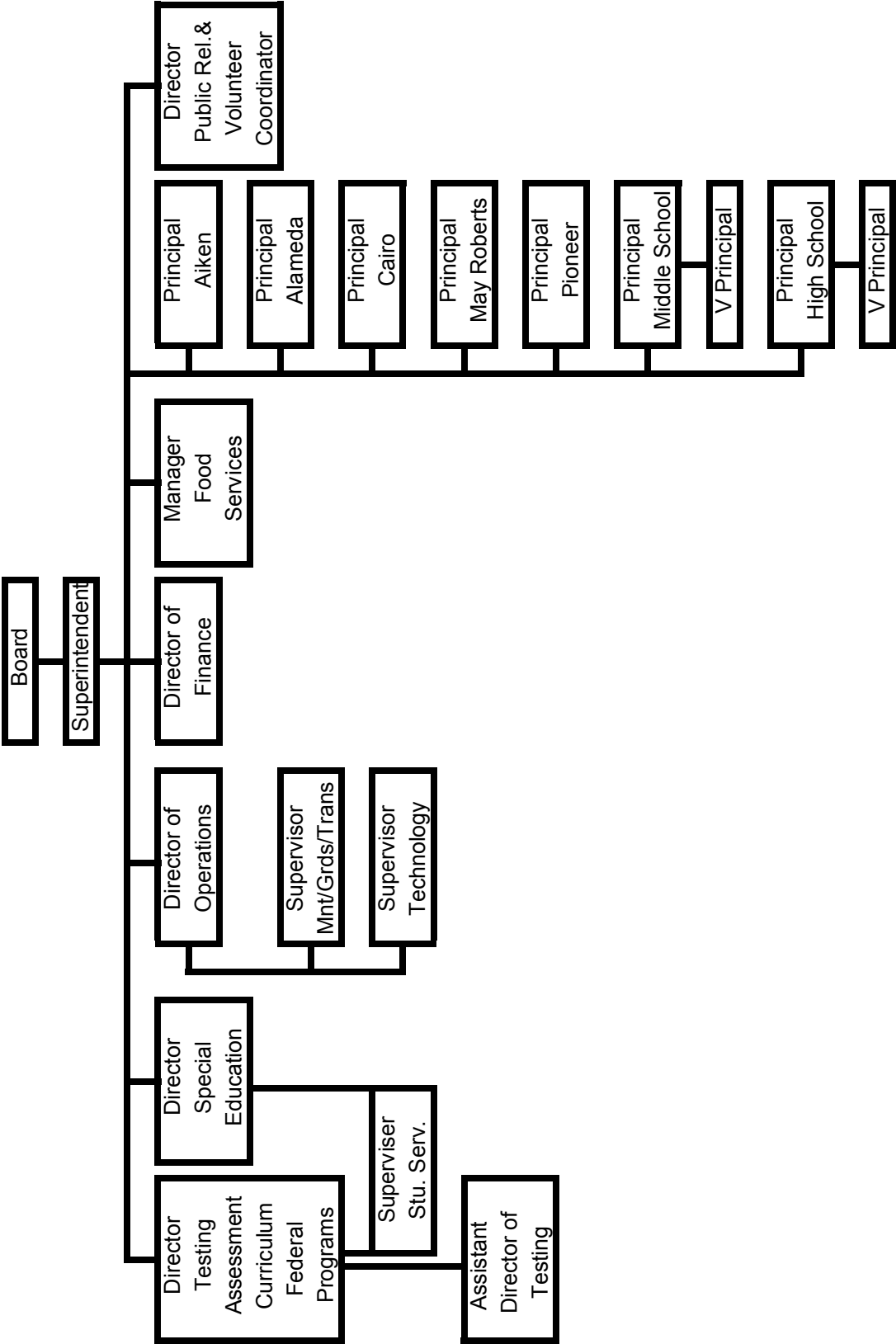
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## INTRODUCTORY SECTION

Ontario School District Organizational Chart



ONTARIO SCHOOL DISTRICT 8C  
Ontario, Malheur County, Oregon  
**BOARD OF DIRECTORS AND OFFICIALS**  
June 30, 2011

BOARD OF DIRECTORS

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

OFFICIALS

Linda Florence	Superintendent
Rachel Hopper	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, 2011, 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, 2011, 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 23, 2011, on our consideration of the Ontario School District No. 8C's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

***Oster Professional Group, CPA's, PC***

By  \_\_\_\_\_

Burns, Oregon  
December 23, 2011

# ONTARIO SCHOOL DISTRICT 8C

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### For the fiscal year ended June 30, 2011

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, 2011. 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 \$47.2MM and liabilities of \$31.5MM. Of the \$15.7MM in net assets, \$9.7MM is invested in capital assets, \$846.7K is restricted for debt service, \$801.3K is restricted for special programs and \$5.1MM is unrestricted and available to meet the District's ongoing obligations.
- The District's Net Assets increased by \$836K during the fiscal year.
- The District had \$27.4MM in expenses; \$6.6MM of these expenses were offset by program specific charges for services, grants or contributions. The remaining \$20.8MM is made up of general revenues which consist primarily of taxes, state school support and earnings on investments.
- The District's governmental funds report combined ending fund balance of \$22.0MM. This is a \$18.2MM increase compared to the prior year.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

The statement of net 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, 2011

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 41 – 43), 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, and maintenance of effort requirements, school district enrollment, and other factors.

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

# **ONTARIO SCHOOL DISTRICT 8C**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the fiscal year ended June 30, 2011**

#### **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 2010-11 were the General Fund, the Bond Projects 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 increased \$836K for the period ending June 30, 2011 to \$15.7MM. This increase was attributed to a decrease in capital assets net of related debt, a decrease in unrestricted assets, and an increase in assets restricted for debt service as compared to the prior year.

The District's assets totaled \$47.2MM. Prepaid pension contribution assets of \$10.7MM represent 22% of total assets. Capital assets net of accumulated depreciation, which consist of the District's land, buildings, building improvements, vehicles, and equipment, total \$11.1MM and comprise 23% of total assets. The remaining assets consist mainly of investments, cash and receivables.

The District's total liabilities totaled \$31.5MM. The largest liability, \$18.5MM, is for the repayment of the Qualified School Construction bond. Current liabilities of \$3.2MM represent 10% 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 (62%) 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, 2011**

<b>ONTARIO SCHOOL DISTRICT NO. 8C</b>			
<b>NET ASSETS AS OF JUNE 30, 2011 and 2010</b>			
	<b>Governmental Activities</b>		<b>Increase (Decrease) from Fiscal</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>
Current Assets	\$ 25,176,087	\$ 6,333,889	\$ 18,842,198
Long-Term Assets	10,943,773	10,577,410	366,363
Capital Assets, net of accumulated depreciation	11,082,811	10,253,416	829,395
Total Assets	<u>47,202,671</u>	<u>27,164,715</u>	<u>20,037,956</u>
Current Liabilities	3,168,523	2,666,684	501,839
Long-Term Debt	28,317,258	9,772,137	18,545,121
Total Liabilities	<u>31,485,781</u>	<u>12,438,821</u>	<u>19,046,960</u>
Net Assets:			
Invested in capital assets, net of related debt	9,688,368	10,253,416	(565,048)
Restricted for debt service	846,650	4,916	841,734
Restricted for special programs	801,280	-	801,280
Unrestricted	4,340,890	4,467,562	(126,672)
Total Net Assets	<u>\$ 15,677,188</u>	<u>\$ 14,725,894</u>	<u>\$ 951,294</u>

**REVENUES AND EXPENSES**

Key components of governmental revenues and expenses for the year ending June 30, 2011 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 \$15.7MM in 2010-11 compared to \$16.4MM in fiscal year 2009-10.
- Restricted State School Fund revenues related to the School Day Restoration allocation increased by \$67.5K while Federal State Fiscal Stabilization Fund (SFSF) revenue decreased by \$469K.
- Operating grants increased by \$1.1MM as a result of a Federal ARRA funds in the area of Title IA, IID and IDEA.
- Expenditures for government activities decreased by \$686K or 2.4% 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, 2011**

<b>Changes in Net Assets</b>			
	<u><b>Governmental Activities</b></u>		<b>Increase</b>
	<u><b>2011</b></u>	<u><b>2010</b></u>	<b>(Decrease) from</b>
			<u><b>Fiscal 2010</b></u>
<b>Revenues:</b>			
Program Revenues:			
Charges for services	\$ 821,640	\$ 876,525	\$ (54,885)
Operating grants and contributions	5,763,528	4,617,787	1,145,741
Capital grants and contributions	19,053	83,299	(64,246)
General Revenues			
Property Taxes	4,502,512	3,476,754	1,025,758
State School Fund - General Support	15,697,874	16,461,999	(764,125)
State School Fund - Restricted	12,984	2,956	10,028
Federal State Fiscal Stability Fund	309,895	779,297	(469,402)
Other state and local sources	223,518	216,392	7,126
Earnings on Investments	304,997	734,032	(429,035)
Other	553,243	233,374	319,869
Total Revenues	<u>28,209,244</u>	<u>27,482,415</u>	<u>726,829</u>
<b>Expenses:</b>			
Instruction (Regular, Special, Adult, Summer)	15,074,781	16,265,335	(1,190,554)
Support Services	9,614,317	10,026,835	(412,518)
Enterprise and community services	1,314,633	1,279,214	35,419
Facilities acquisition and construction	12,602	35,416	(22,814)
Interest on long-term debt	1,357,290	453,062	904,228
Total Expenses	<u>27,373,623</u>	<u>28,059,862</u>	<u>(686,239)</u>
Change in net assets	835,621	(577,447)	1,413,068
Restatement for accounts receivable	115,673	-	115,673
Net Assets - July 1, after restatement	<u>14,725,894</u>	<u>15,303,341</u>	<u>(577,447)</u>
Net Assets - June 30	<u>\$ 15,677,188</u>	<u>\$ 14,725,894</u>	<u>\$ (951,294)</u>

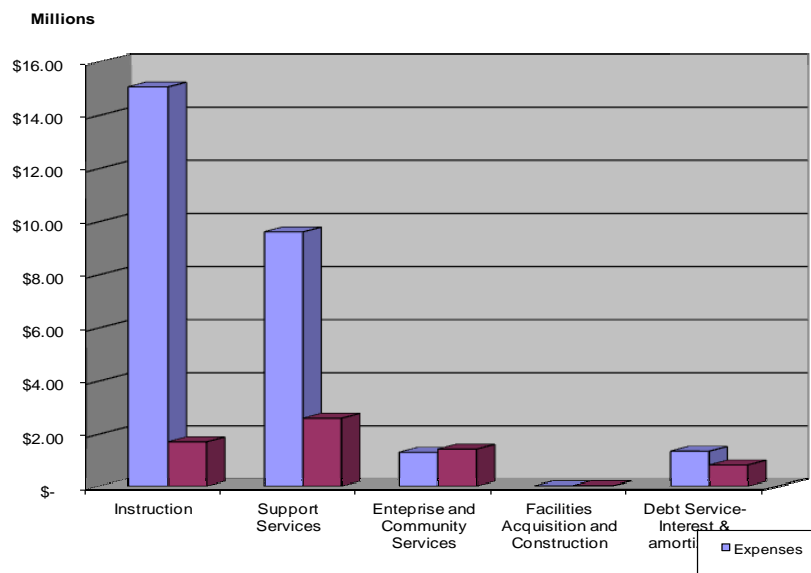


# ONTARIO SCHOOL DISTRICT 8C

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### For the fiscal year ended June 30, 2011

**Expenses and Program Revenues - Governmental Activities**



Revenue by Source - Governmental Activities		
Capital grants and contributions	\$ 19,053	0%
Charges for services	821,640	3%
Earnings on Investments	304,997	1%
Operating grants and contributions	5,763,528	20%
Federal SFSF funds	309,895	1%
Other	553,242	2%
Other state and local sources	236,502	1%
Property Taxes	4,502,512	16%
State School Fund - General Support	15,697,874	56%
	<b>\$ 28,209,243</b>	

**ONTARIO SCHOOL DISTRICT 8C**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the fiscal year ended June 30, 2011**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

At June 30, 2011, the District's governmental funds reported combined ending fund balance of \$22.0MM, an increase of \$18.2MM in comparison with the prior year. The increase was mostly in the Bond Projects Fund.

*General Fund.* The General Fund is the chief operating fund of the district. As of June 30, 2011, unassigned fund balance was \$2.9MM. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 15% of total General Fund expenditures, including transfers out and debt service. This fund balance percentage changed from 13% in 2009-10 and 15% in 2008-09.

The fund balance increased by \$69K during the current fiscal year. The District's share of State School Funds was \$48.5K less than projected in the 2010-11 Budget.

*Bond Project.* In 2010-11, the District spent \$1.5MM from this fund to begin renovations and construction at Ontario High School and at Ontario Middle School. The ending fund balance was \$17.1MM.

*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, 2011, the fund had accounts receivable of \$101MM and a negative cash balance of (\$67,622), which were not requested for reimbursement within 60 days of year end. Those amounts are reflected as 2011-12 revenues, netting the cash balance to zero.

*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 \$1.1MM which included an increase of \$162K in the Food Services Fund.

# ONTARIO SCHOOL DISTRICT 8C MANAGEMENT'S DISCUSSION AND ANALYSIS For the fiscal year ended June 30, 2011

## GENERAL FUND BUDGETARY HIGHLIGHTS

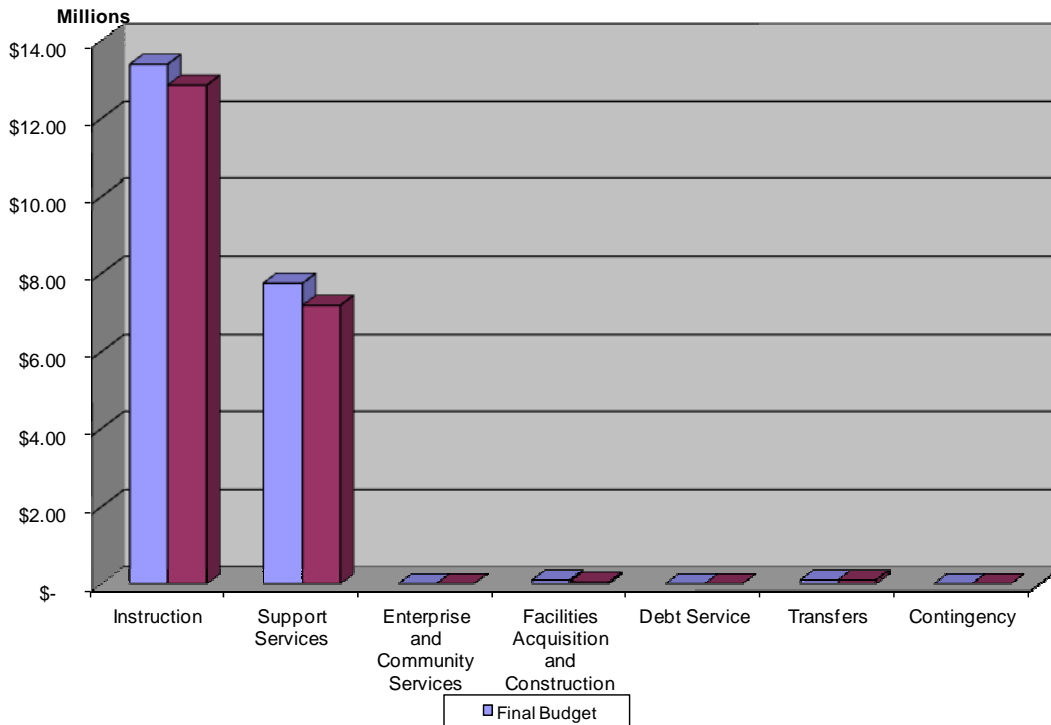
The District's budget is prepared according to Oregon law and is based on accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the 2010-11 fiscal year, the board adopted resolutions that affected the general fund budget. These resolutions created allowable appropriations for the expenditure of unexpected revenues.

For the General Fund, the final budget revenue basis was \$19,959,384. The actual amount of revenue received was \$20,147,853.

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, 2011**

**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, 2011 the District had invested approximately \$11.1MM 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>
	<u><b>2010</b></u>	<u><b>2010</b></u>	<b>(Decrease) from</b>
			<u><b>Fiscal 2010</b></u>
Land	\$ 563,110	\$ 563,110	\$ -
Contruction in progress	1,320,720	-	1,320,720
Buildings & building improvements	14,394,296	14,341,821	52,475
Vehicles, furniture and equipment	4,232,268	4,131,799	100,469
Accumulated depreciation	(9,427,583)	(8,783,314)	(644,269)
<b>TOTAL</b>	<u><u>\$ 11,082,811</u></u>	<u><u>\$ 10,253,416</u></u>	<u><u>\$ 829,395</u></u>

**Debt administration.** At the end of the current fiscal year, the District had total bonded debt outstanding of \$27.3MM, consisting of pension obligation bonds net of unamortized discount, issued in October of 2002 to pay the unfunded actuarial liability to the Oregon Public Employees Retirement System and Qualified School Construction Bonds issued in July 2010 to pay for school construction and renovations.

During the current fiscal year, the bonded debt increased by \$18.4. The increase was due to the large Qualified School Construction Bonds issues in July 2010 for the amount of \$18.5MM.

**CURRENT FINANCIAL ISSUES AND CONCERNS**

The most significant economic factor for the District remains the State of Oregon's State School fund. For the year ended June 30, 2011, the State School Fund – General Support, provided 56% of the District's program resources. During the 2011 legislative session, the Oregon Legislature adopted a \$5.73B K-12 budget, with a 50/50 allocation plan during the biennium. Additionally, Legislators approved \$125MM in School Year Subaccount (SYS) funding to be distributed in two waves, with \$100MM being distributed and required to be spent by June 30, 2012, and the remaining \$25MM to be distributed during 2012-13.

Subsequent to the adoption of that budget, state revenue has continued to decline. The most recent (October, 2011) estimate of the total Oregon K-12 budget remains at \$5.73B and the \$100MM in School Year Subaccount funding has been distributed. However, the State has indicated that the remaining \$25M in School Year Subaccount funding for 2011-12 may no longer be available.

The District continues to make significant cuts in personnel and programs to accommodate the decline in State School Fund Support and Federal Program revenues. Uncertainty regarding the remainder of the 2011-13 state budget will once again create significant challenges in the coming year.

**ONTARIO SCHOOL DISTRICT 8C  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2011**

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

**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, 2011

ASSETS	Governmental Activities
Cash and investments	\$ 23,240,470
Receivables	
Taxes	435,525
Accounts	1,460,390
Inventory	39,702
Prepaid pension contribution	10,664,130
Bond issuance costs	239,941
Capital assets	
Non-depreciable assets	
Land	563,110
Construction in progress	1,320,720
Site improvements	
Depreciable assets	
Buildings & building improvements	14,394,296
Furniture and equipment	4,232,268
Accumulated depreciation	(9,427,583)
Total assets	<u>47,162,969</u>
 LIABILITIES	
Accounts payable	440,899
Accrued liabilities	
Payroll, payroll taxes, insurance	2,359,407
Early retirement obligation - current portion	172,401
Early retirement obligation - due in more than one year	461,165
Other Post Employment Benefits liability	797,605
Bonds payable	
Due within one year	195,816
Due in more than one year	27,066,747
Unamortized original issue discount	(8,259)
Total liabilities	<u>31,485,781</u>
 NET ASSETS	
Invested in capital assets, net of related debt	9,688,368
Restricted for debt service (expendable)	846,650
Restricted for special programs (expendable)	801,280
Unrestricted	4,340,890
Total net assets	<u>\$ 15,677,188</u>



ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**STATEMENT OF ACTIVITIES**

For the Year Ended

June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses)	
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Revenues and Changes in Net Assets	
GOVERNMENTAL ACTIVITIES						
Regular programs	\$ 9,939,024	\$ 7,772	\$ -	\$ 89,692	\$ (9,841,560)	
Special programs	4,992,312	-	-	1,502,981	(3,489,331)	
Adult/continuing education	3,946	-	-	-	(3,946)	
Summer school programs	139,499	-	-	108,782	(30,717)	
Students	866,714	-	-	598,242	(268,472)	
Instructional staff	1,620,346	-	-	1,383,076	(237,270)	
General administration	385,105	-	-	-	(385,105)	
School administration	1,582,347	-	-	-	(1,582,347)	
Business services	3,164,839	2,695	-	-	(3,162,144)	
Central activities	1,828,217	614,955	-	-	(1,213,262)	
Supplemental retirement program	166,749	-	-	-	(166,749)	
Enterprise & community services	1,314,633	196,218	-	1,238,772	120,357	
Facilities acquisition & construction	12,602	-	19,053	2,443	8,894	
Debt service-interest & amortization	1,357,290	-	-	839,540	(517,750)	
Total governmental activities	\$ 27,373,623	\$ 821,640	\$ 19,053	\$ 5,763,528	(20,769,402)	

**GENERAL REVENUES**

Property taxes for general purposes	3,573,080
Property taxes for debt service	929,432
State school fund-general support	15,697,874
State school fund-restricted	12,984
Federal SFSF funds	309,895
County school fund	1,952
Common school fund	221,566
Gain (loss) on sale of capital assets	22,895
Earnings on investments	304,997
Miscellaneous	530,348
Total general revenues	<u>21,605,023</u>

Change in net assets 835,621

Net assets - June 30, 2010, before restatement 14,725,894

Restatement - see Note 13 115,673

Net assets - June 30, 2010, after restatement 14,841,567

Total net assets - June 30, 2011 \$ 15,677,188

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GOVERNMENTAL FUND  
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2011

	General	Bond Projects	Federal Programs	Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and investments	\$ 4,270,218	\$ 17,105,557	\$ -	\$ 1,770,406	\$ 23,146,181
Receivables					
Property tax	381,704	-	-	53,821	435,525
Grants	-	-	1,092,558	160,994	1,253,552
Other	206,838	-	-	-	206,838
Interfund loan receivable	1,160,180	-	-	-	1,160,180
Inventory	39,702	-	-	-	39,702
Total assets	<u>\$ 6,058,642</u>	<u>\$ 17,105,557</u>	<u>\$ 1,092,558</u>	<u>\$ 1,985,221</u>	<u>\$ 26,241,978</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 440,899	\$ -	\$ -	\$ -	\$ 440,899
Accrued liabilities	2,359,407	-	-	-	2,359,407
Interfund loan payable	50,464	-	1,160,180	-	1,210,644
Deferred revenues	268,776	-	-	36,664	305,440
Total liabilities	<u>3,069,082</u>	<u>-</u>	<u>1,160,180</u>	<u>36,664</u>	<u>4,265,926</u>
<b>Fund balances</b>					
Fund balances					
Nonspendable	1,160,180	-	-	-	1,160,180
Spendable:					
Restricted	-	-	-	1,647,930	1,647,930
Committed	-	17,105,557	-	300,626	17,406,183
Unassigned	1,829,380	-	(67,622)	-	1,761,758
Total fund balances	<u>2,989,560</u>	<u>17,105,557</u>	<u>(67,622)</u>	<u>1,948,556</u>	<u>21,976,051</u>
Total liabilities and fund balance	<u>\$ 6,058,642</u>	<u>\$ 17,105,557</u>	<u>\$ 1,092,558</u>	<u>\$ 1,985,220</u>	<u>\$ 26,241,977</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, 2011

Total fund balances			\$ 21,976,052
Capital assets are not financial resources and therefore, are not reported in the governmental funds.			
Cost	\$ 20,510,394		
Accumulated depreciation	<u>(9,427,583)</u>	11,082,811	
Pension assets not included in fund financial statements			10,664,130
Certain delinquent property taxes not collected for several months after year end is not considered available revenue and is deferred in the governmental funds			305,440
The unamortized portion of issuance costs is not available to pay for current period expenditures and therefore, is not reported in the governmental funds.			239,941
The original issue discount on the bonds issued is not recorded on the fund financial statements, but is amortized over the life of the bond in the statement of net assets.			8,259
Internal service funds			94,289
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.			
Bonds payable	(27,262,563)		
Early retirement obligation	(633,566)		
Other Post Employment Benefits liability	<u>(797,605)</u>	<u>(28,693,734)</u>	
Total net assets			<u><u>\$ 15,677,188</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended  
June 30, 2011

	General	Bond Projects	Federal Programs	Nonmajor Governmental Funds	Total
<b>Revenues</b>					
Taxes	\$ 3,586,957	\$ -	\$ -	\$ 892,768	\$ 4,479,725
Local sources	246,426	84,911	-	853,692	1,185,029
Intermediate sources	11,952	-	-	-	11,952
State sources	15,992,623	-	-	58,710	16,051,333
Federal sources	309,895	-	3,702,532	2,074,562	6,086,989
Other sources	-	-	-	-	-
<b>Total revenues</b>	<b>20,147,853</b>	<b>84,911</b>	<b>3,702,532</b>	<b>3,879,732</b>	<b>27,815,027</b>
<b>Expenditures</b>					
Instruction					
Regular programs	9,293,640	-	409,663	2,854	9,706,158
Special programs	3,570,623	-	1,414,536	14,100	4,999,259
Adult and continuing education programs	-	-	3,946	-	3,946
Summer school programs	-	-	139,499	-	139,499
Supporting services					
Students	439,692	-	427,021	-	866,712
Improvement of instruction	560,394	-	1,155,999	7,202	1,723,595
General administration	385,105	-	-	-	385,105
School administration	1,468,901	-	113,446	-	1,582,347
Business services	3,290,155	-	26,536	94	3,316,784
Central activities	911,266	-	79,508	12,375	1,003,150
Supplemental retirement program	113,839	-	-	-	113,839
Food services	-	-	-	1,314,471	1,314,471
Community services	162	-	-	-	162
Facilities acquisition and construction	51,234	1,479,354	-	28,333	1,558,921
<b>Total expenditures</b>	<b>20,085,011</b>	<b>1,479,354</b>	<b>3,770,154</b>	<b>1,379,429</b>	<b>26,713,947</b>
Excess of revenues over (under) expenditures	62,842	(1,394,443)	(67,622)	2,500,303	1,101,080
<b>Other financing sources (uses)</b>					
Debt service	-	18,500,000	-	(1,506,195)	16,993,805
Grant indirect charges	112,119	-	-	-	112,119
Sale of assets	150	-	-	22,745	22,895
Transfers in (out)	(105,917)	-	-	105,917	-
<b>Total other financing sources (uses)</b>	<b>6,352</b>	<b>18,500,000</b>	<b>-</b>	<b>(1,377,533)</b>	<b>17,128,819</b>
Net change in fund balances	69,194	17,105,557	(67,622)	1,122,770	18,229,899
Available fund balances, July 1 before restatement	2,804,693	-	-	825,786	3,630,479
Restatement - See Note 13	115,673	-	-	-	115,673
Available fund balances, July 1 after restatement	2,920,366	-	-	825,786	3,746,152
Available fund balances, June 30	\$ 2,989,560	\$ 17,105,557	\$ (67,622)	\$ 1,948,556	\$ 21,976,051

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

For the Year Ended  
June 30, 2011

Net change in fund balance		\$ 18,229,900
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Expenditures for capital assets	\$ 1,568,531	
Less current year depreciation	<u>(739,136)</u>	829,395

Investment earnings/(losses) on prepaid pension asset, not recorded in fund financial statements.		161,249
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Long-term debt proceeds are reported as other financing sources in governmental funds. In the statement of Net Assets, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.

Debt issued	(18,500,000)	
Debt principal repaid	<u>148,905</u>	(18,351,095)

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.		(246,219)
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Governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences.

Discount on bonds issued in current year	178,825	
Amortization of original issue discount	(476)	
Amortization of issuance costs on bonds issued.	<u>(13,414)</u>	164,935

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.		22,786
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Internal service funds are used by the district to charge the costs of unemployment insurance to individual funds. The net activity of the internal service funds is reported with governmental activities

Internal service fund income	185,361	
Internal service fund expense	<u>(107,781)</u>	<u>77,580</u>

CHANGE IN NET ASSETS		<u><u>\$ 835,621</u></u>
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PROPRIETARY FUND  
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C  
 Ontario, Malheur County, Oregon  
**STATEMENT OF FUND NET ASSETS**  
 Proprietary Funds  
 June 30, 2011

	Governmental Activities
	Internal Service Funds
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 94,289
Total assets	<u>94,289</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	-
Total liabilities	<u>-</u>
<b>NET ASSETS</b>	
Unrestricted	94,289
Total net assets	<u><u>\$ 94,289</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, 2011

	Governmental Activities
	Internal Service Funds
Operating Revenue	
Charges for services	\$ 184,995
Total operating revenue	<u>184,995</u>
Operating expenses	
Employee benefits	<u>107,781</u>
Total operating expenses	<u>107,781</u>
Operating income	77,214
Nonoperating income	
Earnings on investments	<u>366</u>
Total nonoperating income	<u>366</u>
Change in net assets	77,580
Total net assets - beginning	<u>16,709</u>
Total net assets - ending	<u><u>\$ 94,289</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**STATEMENT OF CASH FLOWS**  
Proprietary Funds  
June 30, 2011

	Governmental Activities Internal Service Funds
Cash flows from operating activities	
Receipts from interfund services provided	\$ 184,995
Payments for employee benefits	(107,781)
Net cash provided/(used) by operating activities	<u>77,214</u>
Cash flows from investing activities	
Interest received	<u>366</u>
Net increase in cash and cash equivalents	<u>77,580</u>
Cash and cash equivalents - beginning	<u>16,709</u>
Cash and cash equivalents - ending	<u><u>\$ 94,289</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 77,214
Net cash provided/(used) by operating activities	<u><u>\$ 77,214</u></u>

FIDUCIARY FUND  
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**STATEMENT OF FIDUCIARY NET ASSETS**  
Fiduciary Funds  
June 30, 2011

	Agency Funds
ASSETS	
Cash and investments	\$ 87,893
Total assets	<u>87,893</u>
LIABILITIES	
Due to student groups	<u>87,893</u>
Total liabilities	<u>87,893</u>
NET ASSETS	
Unrestricted	-
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, 2011

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

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

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



ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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

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

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

#### Fund Financial Statements

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

The district reports the following major governmental funds:

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

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

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

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.

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

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2011

operations. The student body funds are the only agency funds in the district, although they were budgeted as special revenue 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 restricted cost-reimbursement grant resources to such programs and then to general revenues.

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

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

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

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2011

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 expenses are reimbursement of unemployment claims to the Oregon Employment Department.

**D. Budgets and Budgetary Accounting**

A budget is prepared for each district fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, 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, 2011

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. Capital Assets

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

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

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

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

H. Deposits and Investments

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

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

I. Encumbrances

The district does not use encumbrance accounting.

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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 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

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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, 2011 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, 2009, 2010, and 2011 were \$2,744,539, \$2,259,192 and \$2,270,856 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, 2010 was \$10,664,130, being held in a side account at PERS.

Note 3. Accounts Receivable

Accounts receivable are comprised of the following at June 30, 2011:

<u>Fund</u>	<u>Revenue Source</u>	<u>Amount</u>
General Fund	Property Taxes	\$ 381,704
General Fund	Common school fund	110,783
General Fund	Miscellaneous	96,055
Federal Programs	Federal Grants	1,092,558
Debt Service Fund	Property Taxes	53,821
Food Service Fund	Grants	160,994
	Total Accounts Receivable	<u>\$ 1,895,915</u>

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Note 4. Capital Assets

Capital assets activity for the year was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated				
Land	\$ 563,110	\$ -	\$ -	\$ 563,110
Construction in progress	-	1,320,720	-	1,320,720
Total capital assets not being depreciated	563,110	1,320,720	-	1,883,830
Capital assets being depreciated				
Buildings and improvements	14,341,821	52,475	-	14,394,296
Equipment	1,786,272	43,390	19,525	1,810,137
Vehicles	2,345,527	151,946	75,342	2,422,131
Total capital assets being depreciated	18,473,620	247,811	94,867	18,626,564
Less accumulated depreciation	(8,783,314)	(739,136)	(94,867)	(9,427,583)
Total capital assets being depreciated, net	9,690,306	(491,325)	-	9,198,981
Total capital assets, net	\$ 10,253,416	\$ 829,395	\$ -	\$ 11,082,811

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

Central activities                      \$739,136

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	\$ 5,917	To pay for the district's share of SMILE expense
General Fund	Fund 294	25,000	To fund future technological needs
General Fund	Fund 420	75,000	To fund future building improvements
Total		\$ 105,917	

Interfund loan receivables and payables consist of the following at June 30, 2011:

Receivable Fund	Payable Fund	Amount
General Fund	Federal Programs Fund	\$ 1,160,180

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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, 2011:

Deposits with banks	\$ 4,201,558
Investments	19,125,411
Cash with county	24
Cash on hand	1,370
	<u>\$ 23,328,363</u>

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

Statement of Net Assets	
Cash and investments	\$ 23,240,470
Statement of Fiduciary Net Assets	
Cash and investments	87,893
	<u>\$ 23,328,363</u>

As of June 30, 2011, the district held the following investments and maturities:

Investment Type	Fair Value	% of Investment Portfolio
Local Government Investment Pool	\$ 19,125,411	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, 2011. 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, 2011 the carrying amount of the district's deposits (cash and certificates of deposit) in various financial institutions was \$4,201,558 and the bank balances were \$4,689,825. 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, 2011 and for the year then ended, the district's deposits were in compliance with the requirements of ORS 295.018.



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

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

#### Investments

At June 30, 2011, the district held \$19,125,411 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 2011. The Local Government Investment Pool was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Local Government Investment Pool is an external investment pool managed by the state treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40. The Oregon LGIP is unrated for credit quality.

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

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

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

Oregon statutes restrict the types of investments in which the district may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the Oregon Local Government Investment Pool (LGIP). As of June 30, 2011 and for the year then ended, the district was in compliance with the aforementioned Oregon statutes.

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

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

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

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

Note 7. Other Post Employment Benefits (OPEB)

*Early Retirement Incentive Plan*

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

*Eligibility:*

Retirees must meet the following criteria:

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

*Benefits payable:*

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

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

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

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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, 2011, the obligation is as follows:

	June 30, 2011	June 30, 2010
Determination of Annual Required Contribution		
(1) Normal Cost at year end	\$ 30,126	\$ 30,451
(2) Amortization of UAAL	394,321	389,006
(3) Annual Required Contribution (ARC)	424,447	419,457
Determination of Net OPEB Obligation		
(4) Annual Required Contribution (ARC)	424,447	419,457
(5) Interest on prior year Net OPEB Obligation	23,226	21,114
(6) Adjustment to ARC	307,868	279,874
(7) Annual Pension Cost	139,805	160,697
Less		
(8) Expected Stipend Payments	86,895	107,900
(9) Increase in Net OPEB Obligation	52,910	52,797
(11) Net OPEB Obligation - beginning	580,656	527,859
(12) Net OPEB Obligation - ending	\$ 633,566	\$ 580,656

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

Fiscal Year Ending	Annual Pension Cost	Percentage of Pension Cost Contributed	Net Pension Obligation
June 30, 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, 2011	June 30, 2010
Determination of Annual Required Contribution		
(1) Normal Cost at year end	\$ 253,712	\$ 255,789
(2) Amortization of UAAL	<u>267,133</u>	<u>277,436</u>
(3) Annual Required Contribution (ARC)	<u>520,845</u>	<u>533,225</u>
Determination of Net OPEB Obligation		
(4) Annual Required Contribution (ARC)	520,845	533,225
(5) Interest on prior year Net OPEB Obligation	22,055	11,023
(6) Adjustment to ARC	<u>(37,472)</u>	<u>(18,728)</u>
(7) Annual OPEB Cost	<u>505,428</u>	<u>525,520</u>
Less		
(8) Explicit Benefit Payments	-	-
(9) Implicit Benefit Payments	<u>259,209</u>	<u>249,719</u>
(10) Increase in Net OPEB Obligation	<u>246,219</u>	<u>275,801</u>
(11) Net OPEB Obligation - beginning	<u>551,386</u>	<u>275,585</u>
(12) Net OPEB Obligation - ending	<u><u>\$ 797,605</u></u>	<u><u>\$ 551,386</u></u>

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

Fiscal Year Ending	Annual Pension Cost	Percentage of Pension Cost Contributed	Net Pension Obligation
June 30, 2009	\$ 497,046	45%	\$ 275,585
June 30, 2010	525,520	48%	551,386
June 30, 2011	505,428	51%	797,605

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

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actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the June 30, 2011 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.

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:	
2011-12	\$ 172,401
2012-13	166,965
2013-14	87,681
2014-15	63,137
2015-16	52,156
2017 and thereafter	91,226
Total	<u>\$ 633,566</u>

	Early Retirement Obligations
Balance 7/1/10	\$ 580,656
Additions	173,458
Payments & deletions	(120,548)
Balance 6/30/10	<u>\$ 633,566</u>

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

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

Note 9. PERS UAL Bonds Payable

On October 9, 2002, the district issued \$9,513,783 in limited tax pension bonds to finance the unfunded pension liability to the Oregon Public Employees Retirement System. These bonds have interest rates that range from 2.06 to 6.10 percent. Interest payments are to be made semiannually

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on June 30 and December 30. Principal payments are to be made on June 30 of each year. Debt service is financed by a self-imposed pension expense based on a percentage of payroll costs.

	PERS UAL Bonds Payable
Balance 7/1/10	\$ 8,911,468
Additions	-
Payments	(148,905)
Balance 6/30/11	<u>\$ 8,762,563</u>

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

Fiscal Year	Principal	Interest	Interest Rate
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	190,953	610,679	5.67%
2017-2021	986,395	3,451,768	5.82% to 5.50%
2022-2026	4,095,000	1,560,652	5.48% to 5.55%
2027-2028	2,985,000	301,088	5.55%
Total	<u>\$ 8,953,516</u>	<u>\$ 8,049,549</u>	

Interest expense for the year ended June 30, 2011 was \$467,728.

Note 10. Qualified School Construction Bond

On May 18, 2010 the voters in the district approved a \$18,500,000 bond for new construction and capital improvements. The general obligation bonds were sold on July 21, 2010 using the Qualified School Construction Bond (QSCB) program. The bonds have a fixed interest rate of 5.584%, but the federal government will pay 5.27% of the interest cost on the bonds. Interest is due and payable on December 15<sup>th</sup> and June 15<sup>th</sup> of each year. Principal is due at maturity on June 15, 2027, funds are to be set aside in a dedicated account for this future principal payment. Future set aside amounts as of June 30, 2011 are as follows:

Year Ending June 30,	Deposit Requirement	Interest	Federal Subsidy for Interest	Total
2012	\$ 850,000	\$ 1,033,040	\$ (974,950)	\$ 908,090
2013	890,000	1,033,040	(974,950)	948,090
2014	935,000	1,033,040	(974,950)	993,090
2015	985,000	1,033,040	(974,950)	1,043,090
2016	1,010,000	1,033,040	(974,950)	1,068,090
2017-2021	5,460,000	5,165,200	(4,874,750)	5,750,450
2022-2026	6,215,000	5,165,200	(4,874,750)	6,505,450
2027	1,340,000	1,033,040	974,950	3,347,990
Total	<u>\$ 17,685,000</u>	<u>\$ 16,528,640</u>	<u>\$ (13,649,300)</u>	<u>\$ 17,216,350</u>

Interest expense for the year ended June 30, 2011 was \$889,562.

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At June 30, 2011 the Local Government Investment Pool account dedicated for the deposit of the set aside requirements had a balance of \$827,987. The required balance to be reserved was \$815,000.

**QSCB Bond Issuance Costs and Underwriters discount**

When the district issued the QSCB bond, they capitalized \$178,825 of bond issuance costs, which will be amortized over the life of the loan. The annual amortization expense is \$10,623.

Year Ending June 30,	Amortization Expense
2012	\$10,623
2013	10,624
2014	10,623
2015	10,624
2016	10,624
2017-2021	53,116
2022-2026	53,116
2027	10,127
Totals	<u>\$169,477</u>

**Note 11. Risk Management**

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

**Note 12. Implementation of GASB Statement No. 54—New Fund Balance**

The district implemented GASB Statement No. 54 for year ending June 30, 2011. GASB Statement No. 54 requires analysis and presentation of fund balances in five categories. The new fund balance categories are:

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

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 June 30, 2011

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

Fund Balances	General Fund	Bond Projects	Federal Programs	Nonmajor Funds	Total
<u>Nonspendable</u>					
Interfund receivables	\$ 1,160,180	\$ -	\$ -	\$ -	\$ 1,160,180
Inventories	39,702	-	-	-	39,702
	<u>1,199,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,199,882</u>
<u>Restricted</u>					
Education-Grants	-	-	-	1,647,930	1,647,930
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,647,930</u>	<u>1,647,930</u>
<u>Committed to:</u>					
Renovation and construction	-	17,105,557	-	-	17,105,557
Building repairs & maint.	-	-	-	187,878	187,878
Equipment replacement	-	-	-	87,749	87,749
Techological equipment	-	-	-	25,000	25,000
	<u>-</u>	<u>17,105,557</u>	<u>-</u>	<u>300,627</u>	<u>17,406,184</u>
<u>Assigned</u>					
General education needs	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Unassigned</u>	<u>1,789,678</u>	<u>-</u>	<u>(67,622)</u>	<u>-</u>	<u>1,722,056</u>
<b>TOTAL FUND BALANCES</b>	<u><u>\$ 2,989,560</u></u>	<u><u>\$ 17,105,557</u></u>	<u><u>\$ (67,622)</u></u>	<u><u>\$ 1,948,557</u></u>	<u><u>\$ 21,976,052</u></u>

GASB 54 implementation required Board approved action to authorize commitments of fund balances. These commitments, outlined in the table above, were approved by the board of directors on June 14, 2011. Commitments of fund balances must be made prior to the end of the fiscal year.

Also on June 14, 2011, the board authorized the Superintendent and the Director of Finance to make assignments of ending fund balance. Assignments of fund balances can be done at any time, including after fiscal year end date.

Finally, GASB 54 requires a spending policy, as it relates to ending fund balance. The spending policy states in what order fund balance categories are spent. On June 14, 2011, the board approved the following fund balance order of spending policy:

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



ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2011

Note. 13. Restatement

In the prior year, the following were restated:

The General Fund beginning fund balance was increased by \$115,673 to account for Common School funds paid in July 2010, but owed at June 30, 2010.

Note 14. Deficit Fund Balance

At June 30, 2011, the Federal Programs Fund had a negative fund balance of \$67,622. This fund deficit will be eliminated by a request of funds submitted to Oregon Department of Education in fiscal year 2011-12.

Note 15. Subsequent Event

PERS Refunding

On August 11, 2011, the district participated in a partial redemption of the 2002 PERS Series B obligation bond. The district's portion was \$665,000 and was refinanced over a 10 year period beginning in the 2011-12 school year.

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REQUIRED SUPPLEMENTARY  
INFORMATION

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND (BUDGET BASIS)**  
For the Year Ended  
June 30, 2011

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ 3,410,223	\$ 3,410,223	\$ 3,586,957	\$ 176,734
Local sources	183,000	198,000	246,426	48,426
Intermediate sources	-	-	11,952	11,952
State sources	16,041,161	16,041,161	15,992,623	(48,538)
Federal sources	310,000	310,000	309,895	(105)
Other sources	-	-	-	-
Total revenues	19,944,384	19,959,384	20,147,853	188,469
Expenditures				
Instruction				
Regular programs	9,344,924	9,519,892	9,293,640	226,252
Special programs	3,891,274	3,888,396	3,570,623	317,773
Adult and continuing education programs	-	-	-	-
Summer school programs	-	-	-	-
Supporting services				
Students	468,035	468,035	439,692	28,343
Improvement of instruction	683,750	677,041	560,394	116,647
General administration	401,419	401,419	385,105	16,314
School administration	1,481,653	1,480,953	1,468,901	12,052
Business services	3,392,385	3,555,808	3,290,155	265,653
Central activities	1,017,705	1,039,675	911,266	128,409
Supplemental retirement program	122,082	122,082	113,839	8,243
Food services	-	-	-	-
Community services	1,000	1,000	162	838
Facilities acquisition and construction	100,000	100,000	51,234	48,766
Total expenditures	20,904,227	21,254,301	20,085,011	1,169,290
Excess of revenues over (under) expenditures	(959,843)	(1,294,917)	62,842	1,357,759
Other financing sources (uses)				
Debt service	-	-	-	-
Grant indirect charges	135,000	135,000	112,119	(22,881)
Sale of assets	5,000	5,000	150	(4,850)
Transfers in (out)	(106,500)	(106,500)	(105,917)	583
Total other financing sources (uses)	33,500	33,500	6,352	(27,148)
Net change in fund balance	(926,343)	(1,261,417)	69,194	1,330,611
Available fund balance, July 1 before restatement	2,426,343	2,761,417	2,804,693	43,276
Restatement - see note 13	-	-	115,673	115,673
Available fund balance, July 1 before restatement	2,426,343	2,761,417	2,920,366	158,949
Available fund balance, June 30	\$ 1,500,000	\$ 1,500,000	\$ 2,989,560	\$ 1,489,560

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended

June 30, 2011

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	-	110,000	84,911	(25,089)
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Other sources	-	-	-	-
Total revenues	-	110,000	84,911	(25,089)
Expenditures				
Instruction				
Regular programs	-	-	-	-
Special programs	-	-	-	-
Adult and continuing education 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	-	18,610,000	1,479,354	17,130,646
Total expenditures	-	18,610,000	1,479,354	17,130,646
Excess of revenues over (under) expenditures	-	(18,500,000)	(1,394,443)	17,105,557
Other financing sources (uses)				
Debt service	-	18,500,000	18,500,000	-
Grant indirect charges	-	-	-	-
Sale of assets	-	-	-	-
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	18,500,000	18,500,000	-
Net change in fund balance	-	-	17,105,557	17,105,557
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ 17,105,557	\$ 17,105,556

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - FEDERAL PROGRAMS (BUDGET BASIS)**  
For the Year Ended  
June 30, 2011

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	5,124,548	5,501,467	3,702,532	(1,798,935)
Other sources	-	-	-	-
Total revenues	5,124,548	5,501,467	3,702,532	(1,798,935)
Expenditures				
Instruction				
Regular programs	949,993	473,418	409,663	63,755
Special programs	1,847,678	2,520,962	1,414,536	1,106,426
Adult and continuing education programs	6,117	4,400	3,946	454
Summer school programs	208,079	271,322	139,499	131,823
Supporting services				
Students	485,709	488,732	427,021	61,711
Improvement of instruction	1,376,864	1,387,049	1,155,999	231,050
General administration	-	-	-	-
School administration	108,112	121,208	113,446	7,762
Business services	73,578	113,613	26,536	87,077
Central activities	65,450	117,795	79,508	38,287
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	2,968	2,968	-	2,968
Facilities acquisition and construction	-	-	-	-
Total expenditures	5,124,548	5,501,467	3,770,154	1,731,313
Excess of revenues over (under) expenditures	-	-	(67,622)	-
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	-	-	(67,622)	(67,622)
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ (67,622)	\$ (67,622)

ONTARIO SCHOOL DISTRICT No. 8C  
Ontario, Malheur County, Oregon  
June 30, 2011

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, 2011, we noted a procedural budget violation where appropriations were added for the new voter approved Bond Projects Fund; however, the board of directors did not approve a resolution creating the appropriations. In addition, there were also the following budget violations due to overexpenditure:

Debt Service Funds	
Other uses	\$386,662
Supporting services	90

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## OTHER SUPPLEMENTARY INFORMATION

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**COMBINING BALANCE SHEET**  
**NON MAJOR GOVERNMENTAL FUNDS**  
June 30, 2011

		Debt Service		Special Revenue	
		Bond	Pension	Response	Smile
		Debt Service	Bond	to	Grant
			Debt Service	Intervention	
<b>ASSETS</b>					
Cash		\$ 828,011	\$ 1,482	\$ 4,525	\$ 667
Receivables					
Taxes		53,821	-	-	-
Other		-	-	-	-
Total assets		<u>\$ 881,832</u>	<u>\$ 1,482</u>	<u>\$ 4,525</u>	<u>\$ 667</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Deferred revenue		<u>\$ 36,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities		<u>36,664</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Fund balances					
Spendable:					
Restricted		845,168	1,482	4,525	667
Committed		-	-	-	-
Assigned		-	-	-	-
Unassigned		-	-	-	-
Total fund balances		<u>845,168</u>	<u>1,482</u>	<u>4,525</u>	<u>667</u>
Total liabilities and fund balances		<u>\$ 881,832</u>	<u>\$ 1,482</u>	<u>\$ 4,525</u>	<u>\$ 667</u>

See accompanying independent auditor's report.

Special Revenue		
Project Lead the Way	SB 622 School Technology	Student Body
\$ 10,050	\$ 37,775	\$ -
-	-	-
-	-	-
<u>\$ 10,050</u>	<u>\$ 37,775</u>	<u>\$ -</u>

<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>-</u>	<u>-</u>	<u>-</u>

10,050	37,775	-
-	-	-
-	-	-
-	-	-
<u>10,050</u>	<u>37,775</u>	<u>-</u>
<u>\$ 10,050</u>	<u>\$ 37,775</u>	<u>\$ -</u>

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Special Revenue	Capital Projects			Totals June 30, 2011
Food Services	Equipment Replacement	Technology	Building Improvement	
\$ 587,269	\$ 87,749	\$ 25,000	\$ 187,878	\$ 1,770,406
-	-	-	-	53,821
160,994	-	-	-	160,994
<u>\$ 748,263</u>	<u>\$ 87,749</u>	<u>\$ 25,000</u>	<u>\$ 187,878</u>	<u>\$ 1,985,221</u>
\$ -	\$ -	\$ -	\$ -	\$ 36,664
-	-	-	-	36,664
748,263	-	-	-	1,647,930
-	87,749	25,000	187,877	300,626
-	-	-	-	-
-	-	-	-	-
<u>748,263</u>	<u>87,749</u>	<u>25,000</u>	<u>187,877</u>	<u>1,948,556</u>
<u>\$ 748,263</u>	<u>\$ 87,749</u>	<u>\$ 25,000</u>	<u>\$ 187,877</u>	<u>\$ 1,985,220</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, 2011

	Debt Service		Special Revenue	
	Bond	Pension	Response	Smile
	Debt Service	Bond	to	Grant
	Debt Service	Debt Service	Intervention	
Revenues				
Taxes	\$ 892,768	\$ -	\$ -	\$ -
Local sources	2,516	616,397	7,125	-
Intermediate sources	-	-	-	-
State sources	-	-	-	6,947
Federal sources	839,540	-	-	-
Other sources	-	-	-	-
Total revenues	<u>1,734,824</u>	<u>616,397</u>	<u>7,125</u>	<u>6,947</u>
Expenditures				
Instruction				
Regular programs	-	-	-	534
Special programs	-	-	-	14,100
Adult and continuing education programs	-	-	-	-
Summer school programs	-	-	-	-
Supporting services				
Students	-	-	-	-
Improvement of instruction	-	-	3,596	-
General administration	-	-	-	-
School administration	-	-	-	-
Business services	94	-	-	-
Central activities	-	121	-	-
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>94</u>	<u>121</u>	<u>3,596</u>	<u>14,634</u>
Excess of revenues over (under) expenditures	1,734,730	616,276	3,529	(7,687)
Other financing sources (uses)				
Debt service	(889,562)	(616,633)	-	-
Grant indirect charges	-	-	-	-
Sale of assets	-	-	-	-
Transfers in (out)	-	-	-	5,917
Total other financing sources (uses)	<u>(889,562)</u>	<u>(616,633)</u>	<u>-</u>	<u>5,917</u>
Net change in fund balance	845,168	(357)	3,529	(1,770)
Available fund balance, July 1	-	1,839	996	2,437
Available fund balance, June 30	<u>\$ 845,168</u>	<u>\$ 1,482</u>	<u>\$ 4,525</u>	<u>\$ 667</u>

See accompanying independent auditor's report.

Special Revenue			
Project	SB 622		
Lead the	School	Student	
Way	Technology	Body	
\$ -	\$ -	\$ -	-
-	-	-	-
-	-	-	-
15,976	-	-	-
-	-	-	-
-	-	-	-
15,976	-	-	-
2,320	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,606	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	12,254	-	-
-	-	-	-
-	-	-	-
-	-	-	-
5,926	12,254	-	-
10,050	(12,254)	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
10,050	(12,254)	-	-
-	50,029	-	-
\$ 10,050	\$ 37,775	\$ -	-

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Special Revenue	Capital Projects			Totals June 30, 2011
Food Service	Equipment Replacement	Technology	Building Improvement	
\$ -	\$ -	\$ -	\$ -	\$ 892,768
224,350	-	-	3,304	853,692
-	-	-	-	
16,734	-	-	19,053	58,710
1,235,022	-	-	-	2,074,562
-	-	-	-	
<u>1,476,106</u>	<u>-</u>	<u>-</u>	<u>22,357</u>	<u>3,879,732</u>
-	-	-	-	2,854
-	-	-	-	14,100
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	7,202
-	-	-	-	-
-	-	-	-	-
-	-	-	-	94
-	-	-	-	12,375
-	-	-	-	-
1,314,471	-	-	-	1,314,471
-	-	-	-	-
-	-	-	28,333	28,333
<u>1,314,471</u>	<u>-</u>	<u>-</u>	<u>28,333</u>	<u>1,379,429</u>
161,635	-	-	(5,976)	2,500,303
-	-	-	-	(1,506,195)
-	-	-	-	-
-	-	-	22,745	22,745
-	-	25,000	75,000	105,917
<u>-</u>	<u>-</u>	<u>25,000</u>	<u>97,745</u>	<u>(1,377,533)</u>
161,635	-	25,000	91,769	1,122,770
<u>586,628</u>	<u>87,749</u>	<u>-</u>	<u>96,108</u>	<u>825,786</u>
<u>\$ 748,263</u>	<u>\$ 87,749</u>	<u>\$ 25,000</u>	<u>\$ 187,877</u>	<u>\$ 1,948,556</u>

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - BOND DEBT SERVICE (BUDGET BASIS)**

For the Year Ended  
June 30, 2011

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,072,700	\$ 1,072,700	\$ 892,768	\$ (179,932)
Local sources	-	-	2,516	2,516
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	839,540	839,540
Other sources	-	-	-	-
Total revenues	<u>1,072,700</u>	<u>1,072,700</u>	<u>1,734,824</u>	<u>662,124</u>
Expenditures				
Instruction				
Regular programs	-	-	-	-
Special programs	-	-	-	-
Adult and continuing education programs	-	-	-	-
Summer school programs	-	-	-	-
Supporting services				
Students	-	-	-	-
Improvement of instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Business services	-	-	94	(94)
Central activities	-	-	-	-
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>94</u>	<u>(94)</u>
Excess of revenues over (under) expenditures	1,072,700	1,072,700	1,734,730	662,030
Other financing sources (uses)				
Debt service	(502,900)	(502,900)	(889,562)	(386,662)
Grant indirect charges	-	-	-	-
Sale of assets	-	-	-	-
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>(502,900)</u>	<u>(502,900)</u>	<u>(889,562)</u>	<u>(386,662)</u>
Net change in fund balance	569,800	569,800	845,168	275,368
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	<u>\$ 569,800</u>	<u>\$ 569,800</u>	<u>\$ 845,168</u>	<u>\$ 275,368</u>

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - PENSION BOND DEBT SERVICE (BUDGET BASIS)**  
For the Year Ended  
June 30, 2011

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	615,758	615,758	616,397	639
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Other sources	-	-	-	-
Total revenues	615,758	615,758	616,397	639
Expenditures				
Instruction				
Regular programs	-	-	-	-
Special programs	-	-	-	-
Adult and continuing education 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	615,633	615,633	616,276	643
Other financing sources (uses)				
Debt service	(616,633)	(616,633)	(616,633)	-
Grant indirect charges	-	-	-	-
Sale of assets	-	-	-	-
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	(616,633)	(616,633)	(616,633)	-
Net change in fund balance	(1,000)	(1,000)	(357)	643
Available fund balance, July 1	1,000	1,000	1,839	839
Available fund balance, June 30	\$ -	\$ -	\$ 1,482	\$ 1,482

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, 2011

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	4,000	4,000	7,125	3,125
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Other sources	-	-	-	-
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>7,125</u>	<u>3,125</u>
Expenditures				
Instruction				
Regular programs	-	-	-	-
Special programs	-	-	-	-
Adult and continuing education programs	-	-	-	-
Summer school programs	-	-	-	-
Supporting services				
Students	-	-	-	-
Improvement of instruction	6,000	6,000	3,596	2,404
General administration	-	-	-	-
School administration	-	-	-	-
Business services	-	-	-	-
Central activities	-	-	-	-
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>3,596</u>	<u>2,404</u>
Excess of revenues over (under) expenditures	(2,000)	(2,000)	3,529	5,529
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	(2,000)	(2,000)	3,529	5,529
Available fund balance, July 1	<u>2,000</u>	<u>2,000</u>	<u>996</u>	<u>(1,004)</u>
Available fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,525</u>	<u>\$ 4,525</u>

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, 2011

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
Intermediate sources	-	-	-	-
State sources	11,400	11,400	6,947	(4,453)
Federal sources	-	-	-	-
Other sources	-	-	-	-
Total revenues	11,400	11,400	6,947	(4,453)
Expenditures				
Instruction				
Regular programs	-	587	534	53
Special programs	18,900	18,313	14,100	4,213
Adult and continuing education programs	-	-	-	-
Summer school programs	-	-	-	-
Supporting services				
Students	-	-	-	-
Improvement of instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Business services	-	-	-	-
Central activities	-	-	-	-
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	18,900	18,900	14,634	4,266
Excess of revenues over (under) expenditures	(7,500)	(7,500)	(7,687)	(187)
Other financing sources (uses)				
Debt service	-	-	-	-
Grant indirect charges	-	-	-	-
Sale of assets	-	-	-	-
Transfers in (out)	6,500	6,500	5,917	(583)
Total other financing sources (uses)	6,500	6,500	5,917	(583)
Net change in fund balance	(1,000)	(1,000)	(1,770)	(770)
Available fund balance, July 1	1,000	1,000	2,437	1,437
Available fund balance, June 30	\$ -	\$ -	\$ 667	\$ 667

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - PROJECT LEAD THE WAY (BUDGET BASIS)**  
For the Year Ended  
June 30, 2011

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
Intermediate sources	-	-	-	-
State sources	-	15,976	15,976	-
Federal sources	-	-	-	-
Other sources	-	-	-	-
Total revenues	-	15,976	15,976	-
Expenditures				
Instruction				
Regular programs	-	8,986	2,320	6,666
Special programs	-	-	-	-
Adult and continuing education programs	-	-	-	-
Summer school programs	-	-	-	-
Supporting services				
Students	-	-	-	-
Improvement of instruction	-	6,990	3,606	3,384
General administration	-	-	-	-
School administration	-	-	-	-
Business services	-	-	-	-
Central activities	-	-	-	-
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	-	15,976	5,926	10,050
Excess of revenues over (under) expenditures	-	-	10,050	10,050
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	-	-	10,050	10,050
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ 10,050	\$ 10,050

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, 2011

	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	-	-	-	-
Adult and continuing education programs	-	-	-	-
Summer school programs	-	-	-	-
Supporting services				
Students	-	-	-	-
Improvement of instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Business services	-	-	-	-
Central activities	50,029	50,029	12,254	37,775
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	50,029	50,029	12,254	37,775
Excess of revenues over (under) expenditures	(50,029)	(50,029)	(12,254)	37,775
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	(50,029)	(50,029)	(12,254)	37,775
Available fund balance, July 1	50,029	50,029	50,029	-
Available fund balance, June 30	\$ -	\$ -	\$ 37,775	\$ 37,775

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

For the Year Ended  
June 30, 2011

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	295,701	295,701	-	(295,701)
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Other sources	-	-	-	-
Total revenues	<u>295,701</u>	<u>295,701</u>	<u>-</u>	<u>(295,701)</u>
Expenditures				
Instruction				
Regular programs	-	-	-	-
Special programs	285,083	285,083	-	285,083
Adult and continuing education programs	-	-	-	-
Summer school programs	-	-	-	-
Supporting services				
Students	-	-	-	-
Improvement of instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Business services	-	-	-	-
Central activities	-	-	-	-
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>285,083</u>	<u>285,083</u>	<u>-</u>	<u>285,083</u>
Excess of revenues over (under) expenditures	10,618	10,618	-	(10,618)
Other financing sources (uses)				
Debt service	-	-	-	-
Grant indirect charges	-	-	-	-
Sale of assets	-	-	-	-
Transfers in (out)	104,545	104,545	-	104,545
Total other financing sources (uses)	<u>104,545</u>	<u>104,545</u>	<u>-</u>	<u>104,545</u>
Net change in fund balance	115,163	115,163	-	(115,163)
Available fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Available fund balance, June 30	<u>\$ 115,163</u>	<u>\$ 115,163</u>	<u>\$ -</u>	<u>\$ (115,163)</u>



ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - FOOD SERVICE FUND (BUDGET BASIS)**  
For the Year Ended  
June 30, 2011

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	225,000	225,000	224,350	(650)
Intermediate sources	-	-	-	-
State sources	14,000	14,000	16,734	2,734
Federal sources	1,016,000	1,016,000	1,235,022	219,022
Other sources	-	-	-	-
Total revenues	<u>1,255,000</u>	<u>1,255,000</u>	<u>1,476,106</u>	<u>221,106</u>
Expenditures				
Instruction				
Regular programs	-	-	-	-
Special programs	-	-	-	-
Adult and continuing education programs	-	-	-	-
Summer school programs	-	-	-	-
Supporting services				
Students	-	-	-	-
Improvement of instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Business services	-	-	-	-
Central activities	-	-	-	-
Supplemental retirement program	-	-	-	-
Food services	1,419,718	1,419,718	1,314,471	105,247
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>1,419,718</u>	<u>1,419,718</u>	<u>1,314,471</u>	<u>105,247</u>
Excess of revenues over (under) expenditures	(164,718)	(164,718)	161,635	326,353
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	(164,718)	(164,718)	161,635	326,353
Available fund balance, July 1	<u>264,706</u>	<u>264,706</u>	<u>586,628</u>	<u>321,922</u>
Available fund balance, June 30	<u>\$ 99,988</u>	<u>\$ 99,988</u>	<u>\$ 748,263</u>	<u>\$ 648,275</u>

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended

June 30, 2011

	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	-	-	-	-
Adult and continuing education programs	-	-	-	-
Summer school programs	-	-	-	-
Supporting services				
Students	-	-	-	-
Improvement of instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Business services	30,000	30,000	-	30,000
Central activities	-	-	-	-
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	30,000	30,000	-	30,000
Excess of revenues over (under) expenditures	(30,000)	(30,000)	-	30,000
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	(30,000)	(30,000)	-	30,000
Available fund balance, July 1	30,000	30,000	87,749	57,749
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, 2011

	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	-	-	-	-
Adult and continuing education programs	-	-	-	-
Summer school programs	-	-	-	-
Supporting services				
Students	-	-	-	-
Improvement of instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Business services	-	-	-	-
Central activities	-	-	-	-
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Debt service	-	-	-	-
Grant indirect charges	-	-	-	-
Sale of assets	-	-	-	-
Transfers in (out)	25,000	25,000	25,000	-
Total other financing sources (uses)	25,000	25,000	25,000	-
Net change in fund balance	25,000	25,000	25,000	-
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ 25,000	\$ 25,000	\$ 25,000	\$ -

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended  
June 30, 2011

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	900	900	3,304	2,404
Intermediate sources	-	-	-	-
State sources	-	-	19,053	19,053
Federal sources	-	-	-	-
Other sources	-	-	-	-
Total revenues	900	900	22,357	21,457
Expenditures				
Instruction				
Regular programs	-	-	-	-
Special programs	-	-	-	-
Adult and continuing education 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	173,900	173,900	28,333	145,567
Total expenditures	173,900	173,900	28,333	145,567
Excess of revenues over (under) expenditures	(173,000)	(173,000)	(5,976)	167,024
Other financing sources (uses)				
Debt service	-	-	-	-
Grant indirect charges	-	-	-	-
Sale of assets	-	-	22,745	(22,745)
Transfers in (out)	75,000	75,000	75,000	-
Total other financing sources (uses)	75,000	75,000	97,745	(22,745)
Net change in fund balance	(98,000)	(98,000)	91,769	189,769
Available fund balance, July 1	98,000	98,000	96,108	(1,892)
Available fund balance, June 30	\$ -	\$ -	\$ 187,877	\$ 187,876

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, 2011

	Balance July 1, 2010	Receipts	Disbursements	Balance June 30, 2011
<b>Ontario High School</b>				
Assets				
Cash	\$ 62,988	\$ 1,204,071	\$ 1,203,769	\$ 63,290
Liabilities				
Due to student groups	\$ 62,988	\$ 1,204,071	\$ 1,203,769	\$ 63,290
<b>Middle School</b>				
Assets				
Cash	\$ 20,764	\$ 42,331	\$ 49,916	\$ 13,179
Liabilities				
Due to student groups	\$ 20,764	\$ 42,331	\$ 49,916	\$ 13,179
<b>Aiken Elementary School</b>				
Assets				
Cash	\$ 882	\$ 2,109	\$ 1,927	\$ 1,064
Liabilities				
Due to student groups	\$ 882	\$ 2,109	\$ 1,927	\$ 1,064
<b>Alameda Elementary School</b>				
Assets				
Cash	\$ 3,305	\$ 6,475	\$ 7,880	\$ 1,900
Liabilities				
Due to student groups	\$ 3,305	\$ 6,475	\$ 7,880	\$ 1,900
<b>Cairo Elementary School</b>				
Assets				
Cash	\$ 1,391	\$ 3,164	\$ 3,894	\$ 661
Liabilities				
Due to student groups	\$ 1,391	\$ 3,164	\$ 3,894	\$ 661
<b>May Roberts Elementary School</b>				
Assets				
Cash	\$ 7,317	\$ 12,526	\$ 15,912	\$ 3,931
Liabilities				
Due to student groups	\$ 7,317	\$ 12,526	\$ 15,912	\$ 3,931
<b>Pioneer Elementary School</b>				
Assets				
Cash	\$ 7,099	\$ 11,279	\$ 14,510	\$ 3,868
Liabilities				
Due to student groups	\$ 7,099	\$ 11,279	\$ 14,510	\$ 3,868
<b>Totals</b>				
Assets				
Cash	\$ 103,746	\$ 1,281,955	\$ 1,297,808	\$ 87,893
Liabilities				
Due to student groups	\$ 103,747	\$ 1,281,955	\$ 1,297,808	\$ 87,893

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF CASH, CASH ITEMS, INVESTMENTS, AND COLLATERAL SECURITY**  
June 30, 2011

	All Funds	Total
Cash and cash items		
Sterling Savings Bank		
Demand accounts	\$ 638,243	
Total Sterling Savings Bank		\$ 638,243
Bank of the West		
Demand accounts	2,000	
Total Bank of the West		2,000
Bank of America		
Demand accounts	13,179	
Total Bank of America		13,179
JP Morgan Chase Bank		
Demand accounts	3,931	
Total JP Morgan Chase Bank		3,931
Intermountain Community Bank		
Demand accounts	3,542,480	
Total Intermountain Community Bank		3,542,480
U.S. Bank, N.A.		
Demand accounts	1,725	
Total U.S. Bank, N.A.		1,725
Total cash with banks		4,201,558
Cash-on-hand		1,370
Malheur County Treasurer		24
Total cash and cash items		4,202,952
Investments		
Oregon State Treasury Local Government Investment Pool		19,125,411
Total net investments		23,328,363
Less trust funds not included in statement of net assets		(87,893)
Total cash, cash items and investments		\$ 23,240,470

(Continued on next page)

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF CASH, CASH ITEMS, INVESTMENTS, AND COLLATERAL SECURITY**  
June 30, 2011

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

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

\*Qualified depository per Oregon State Treasurer  
Oregon LGIP is fully collateralized.



ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
For the Year Ended  
June 30, 2011

**GENERAL FUND**

Tax Year	Uncollected Taxes June 30, 2010	Current Assessment	(Abatement) and Adjustments	Rebates Allowed	Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes June 30, 2011
2010-11		\$ 3,624,480	\$ -	\$ (87,925)	\$ 1,724	\$ 3,331,066	\$ 3,332,790	\$ 205,489
2009-10	\$ 168,015	-	(4,328)	63	4,435	68,298	72,733	95,452
2008-09	91,255	-	(329)	8	5,083	37,424	42,507	53,510
2007-08	45,344	-	(263)	-	4,004	20,244	24,248	24,837
2006-07	16,275	-	(266)	-	3,482	14,786	18,268	1,223
2005-06	1,005	-	(161)	-	43	148	191	696
2004-05	436	-	(99)	-	63	167	230	170
2003-04	103	-	-	-	-	-	-	103
2002-03	158	-	-	-	-	-	-	158
2001-02	107	-	-	-	22	41	63	66
2000-01	72	-	-	-	38	72	110	-
	<u>\$ 322,770</u>	<u>\$ 3,624,480</u>	<u>\$ (5,446)</u>	<u>\$ (87,854)</u>	<u>\$ 18,894</u>	<u>\$ 3,472,246</u>	<u>\$ 3,491,140</u>	<u>\$ 381,704</u>

**BOND DEBT SERVICE FUND**

Tax Year	Uncollected Taxes June 30, 2010	Current Assessment	(Abatement) and Adjustments	Rebates Allowed	Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes June 30, 2011
2010-11		\$ 949,319	\$ -	\$ (23,029)	\$ 10	\$ 872,469	\$ 872,479	\$ 53,821
	<u>\$ -</u>	<u>\$ 949,319</u>	<u>\$ -</u>	<u>\$ (23,029)</u>	<u>\$ 10</u>	<u>\$ 872,469</u>	<u>\$ 872,479</u>	<u>\$ 53,821</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, 2011

	Migrant Title IC	Migrant Summer School	Title IA Grant	Title X
Revenues				
Federal sources	\$ 301,962	\$ 130,961	\$ 1,129,042	\$ 6,791
Total revenues	<u>301,962</u>	<u>130,961</u>	<u>1,129,042</u>	<u>6,791</u>
Expenditures				
Instruction				
Regular programs	-	21,252	104,197	-
Special programs	87,844	-	712,748	6,766
Adult / continuing ed programs	-	-	-	-
Summer school programs	21,645	85,118	-	-
Supporting services				
Students	172,484	8,754	127,527	25
Improvement of instruction	2,056	2,662	192,774	-
General administration	-	-	-	-
School administration	-	-	-	-
Business services	2,697	17,473	1,816	-
Central activities	15,236	11	40,409	-
Supplemental retirement program	-	-	-	-
Food services	-	-	-	-
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>301,962</u>	<u>135,270</u>	<u>1,179,471</u>	<u>6,791</u>
Net change in fund balance	-	(4,309)	(50,429)	-
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	<u>\$ -</u>	<u>\$ (4,309)</u>	<u>\$ (50,429)</u>	<u>\$ -</u>

See accompanying independent auditor's report.

School Improvement Grants	Title II D	Title III
\$ 1,053,890	\$ 103,248	\$ 82,493
<u>1,053,890</u>	<u>103,248</u>	<u>82,493</u>
238,024	46,190	-
17,923	-	59,541
3,946	-	-
25,683	-	7,053
57,963	-	2,400
554,559	61,250	11,511
-	-	-
113,446	-	-
2,189	-	2,361
21,882	-	1,942
-	-	-
-	-	-
-	-	-
<u>1,035,615</u>	<u>107,440</u>	<u>84,808</u>
18,275	(4,192)	(2,315)
-	-	-
<u>\$ 18,275</u>	<u>\$ (4,192)</u>	<u>\$ (2,315)</u>

IDEA	Effective Behavioral & Instructional Support Systems	Title VI (B) Innovative Rural Ed
\$ 582,355	\$ 7,007	\$ 59,914
582,355	7,007	59,914
-	-	-
529,714	-	-
-	-	-
-	-	-
57,868	-	-
5,281	7,007	62,347
-	-	-
-	-	-
-	-	-
28	-	-
-	-	-
-	-	-
-	-	-
-	-	-
592,891	7,007	62,347
(10,536)	-	(2,433)
-	-	-
\$ (10,536)	\$ -	\$ (2,433)

Title II A	Drug and Alcohol Grant	Extended Assessment Grant	Totals
\$ 238,230	\$ 6,639	\$ -	\$ 3,702,532
238,230	6,639	-	3,702,532
-	-	-	409,663
-	-	-	1,414,536
-	-	-	3,946
-	-	-	139,499
-	-	-	427,021
249,913	6,639	-	1,155,999
-	-	-	-
-	-	-	113,446
-	-	-	26,536
-	-	-	79,508
-	-	-	-
-	-	-	-
-	-	-	-
249,913	6,639	-	3,770,154
(11,683)	-	-	(67,622)
-	-	-	-
\$ (11,683)	\$ -	\$ -	\$ (67,622)



ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT**  
For the year Ended  
June 30, 2011

<u>Public utilities</u>		
Idaho Power Co.	\$ 29,438,589	3.18%
Quest Corporation	5,419,600	0.59%
Union Pacific Railroad Co.	4,782,000	0.52%
Cascade Natural Gas Corp	3,898,000	0.42%
Cable One Inc.	2,617,198	0.28%
Northwest Pipeline Corp	2,750,000	0.30%
Level 3 Communications LLC	1,236,695	0.13%
US Cellular NW Operations	856,500	0.09%
Verizon Communications	796,194	0.09%
TTX Company	500,300	0.05%
<u>All other taxpayers</u>	<u>748,329,701</u>	<u>78.58%</u>
Total assessed value	<u>\$ 952,294,502</u>	<u>100.00%</u>

Summary of General Fund Oregon State Revenue:

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

Computation of legal debt margin:

	Debt Limit	Net Bonded Debt	Legal Debt Margin
2002-2003	\$ 72,393,242	\$ 9,499,705	\$ 62,893,537
2003-2004	76,306,712	9,487,934	66,818,778
2004-2005	76,300,508	9,043,825	67,256,683
2005-2006	79,803,590	9,363,089	70,440,501
2006-2007	95,446,003	9,270,644	86,175,359
2007-2008	169,258,994	9,174,157	160,084,837
2008-2009	185,521,901	9,044,664	176,477,237
2009-2010	204,223,185	8,909,629	195,313,556
2010-2011	217,206,188	26,415,913	191,311,315

(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, 2011

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 600
<b>Revenue from Local Sources</b>					
1110 Ad Valorem Taxes	\$ 3,586,652	\$ -	\$ 892,690	\$ -	\$ -
1120 Local Option Taxes	-	-	-	-	-
1190 Penalties and Interest	305	-	78	-	-
1200 Revenue from Local Government Other Than District	70,020	-	-	-	-
1310 Regular Tuition	2,102	-	-	-	-
1320 Adult/Continuing Ed Tuition	-	-	-	-	-
1330 Summer School Tuition	-	-	-	-	-
1400 Transportation Fees	2,695	-	-	-	-
1500 Earnings on Investments	54,706	-	3,958	84,718	366
1600 Food Services	-	196,218	-	-	-
1700 Extracurricular Activities	62,742	-	-	-	-
1800 Community Services Activities	-	-	-	-	-
1910 Rentals	600	-	-	-	-
1920 Contributions and Donations	3,492	-	-	2,443	-
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	-	-	614,955	-	184,995
1980 Fees Charged to Grants	112,119	-	-	-	-
1990 Miscellaneous	50,069	35,257	-	1,054	-
<b>Total Revenue from Local Sources</b>	<b>3,945,502</b>	<b>231,475</b>	<b>1,511,681</b>	<b>88,215</b>	<b>185,361</b>
<b>Revenue from Intermediate Sources</b>					
2101 County School Funds	1,952	-	-	-	-
2102 ESD Apportionment	10,000	-	-	-	-
2105 Natural Gas, Oil and Mineral Receipts	-	-	-	-	-
2199 Other Intermediate Sources	-	-	-	-	-
2200 Restricted Revenue Intermediate Sources	-	-	-	-	-
2800 Revenue in Lieu of Taxes	-	-	-	-	-
2900 Revenue for/on Behalf of District	-	-	-	-	-
<b>Total Revenue from Intermediate Sources</b>	<b>11,952</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenue from State Sources</b>					
3101 State School Fund - General Support	15,697,874	-	-	-	-
3102 State School Fund - Lunch Match	-	12,984	-	-	-
3103 Common School Fund	221,566	-	-	-	-
3104 State Managed Timber	-	-	-	-	-
3199 Other Unrestricted Grants - State	-	-	-	-	-
3204 Driver Education	-	-	-	-	-
3222 SSSF Transportation	5,670	-	-	-	-
3299 Other Restricted Grants - State	67,513	26,673	-	19,053	-
3800 State Revenue in Lieu of Taxes	-	-	-	-	-
3900 State Revenue for/on Behalf of District	-	-	-	-	-
<b>Total Revenue from State Sources</b>	<b>15,992,623</b>	<b>39,657</b>	<b>-</b>	<b>19,053</b>	<b>-</b>
<b>Revenue from Federal Sources</b>					
4300 Restricted Revenue Direct from Federal Government	-	-	-	-	-
4500 Restricted Revenue from Federal Government Through the State	309,895	4,848,698	839,540	-	-
4900 Revenue for/on Behalf of the District	-	88,856	-	-	-
<b>Total Revenue from Federal Sources</b>	<b>309,895</b>	<b>4,937,554</b>	<b>839,540</b>	<b>-</b>	<b>-</b>
<b>Revenue from Other Sources</b>					
5100 Long-term Debt Financing	-	-	-	18,500,000	-
5200 Interfund Transfers	-	30,917	-	75,000	-
5300 Sale of or Compensation for Loss of Fixed Assets	150	-	-	22,745	-
5400 Beginning Fund Balance	2,920,366	727,839	1,839	96,108	16,709
<b>Total Revenue from Other Sources</b>	<b>2,920,516</b>	<b>758,755</b>	<b>1,839</b>	<b>18,693,853</b>	<b>16,709</b>
<b>Grand Totals</b>	<b>\$ 23,180,488</b>	<b>\$ 5,967,441</b>	<b>\$ 2,353,060</b>	<b>\$ 18,801,121</b>	<b>\$ 202,070</b>



ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF EXPENDITURES (BUDGET BASIS)**  
**GENERAL FUND**  
For the Year Ended  
June 30, 2011

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	\$ 1,483,848	\$ 753,941	\$ 11,139	\$ 62,191	\$ -	\$ -	\$ -	\$ 2,311,119
1112 Intermediate programs	870,875	426,586	10,845	51,914	-	-	-	1,360,220
1113 Elementary extracurricular	-	-	-	-	-	-	-	-
1121 Middle and junior high programs	1,580,299	782,059	14,969	72,624	-	-	-	2,449,951
1122 Middle and junior high school extracurricular	56,085	18,078	4,384	873	-	-	-	79,420
1131 High school programs	1,827,445	849,476	33,406	93,768	-	1,470	-	2,805,565
1132 High school extracurricular	169,598	50,504	57,073	3,246	-	6,944	-	287,365
1210 Programs for talented and gifted	6,625	2,114	-	1,031	-	-	-	9,770
1226 Home instruction	-	-	-	-	-	-	-	-
1233 Other designated programs	-	-	-	-	-	-	-	-
1250 Resource rooms	867,351	452,930	1,934	6,036	-	-	-	1,328,251
1271 Remediation	3,025	934	-	-	-	-	-	3,959
1283 District alternative programs	98,767	45,019	-	112	-	-	-	143,898
1288 Charter School	-	-	1,548,085	-	-	-	-	1,548,085
1291 English second language programs	368,746	164,013	226	3,675	-	-	-	536,660
1292 Teen parent programs	-	-	-	-	-	-	-	-
1299 Other programs	-	-	-	-	-	-	-	-
1430 High school summer school programs	-	-	-	-	-	-	-	-
<b>Total 1000 instruction</b>	<b>7,332,664</b>	<b>3,545,654</b>	<b>1,682,061</b>	<b>295,470</b>	<b>-</b>	<b>8,414</b>	<b>-</b>	<b>12,864,263</b>
<b>2000 Support services</b>								
2115 Student safety	5,071	200	48,152	-	-	-	-	53,423
2122 Counseling services	167,917	84,604	1,200	2,015	-	-	-	255,736
2134 Nurse services	-	-	43,591	-	-	-	-	43,591
2139 Other health services	-	-	-	624	-	-	-	624
2190 Student direction support	59,506	24,724	1,281	222	-	585	-	86,318
2213 Curriculum development	28,669	10,518	1,747	3,037	-	-	-	43,971
2219 Other improvement of instruction services	-	-	-	-	-	-	-	-
2222 Library media center	157,388	99,940	1,077	17,185	-	-	-	275,590
2223 Multimedia services	-	-	271	1,220	-	-	-	1,491
2230 Assessment and testing	103,215	55,538	6,758	804	-	-	-	166,315
2240 Instructional staff development	55,213	10,310	7,245	259	-	-	-	73,027
2310 Board of education	-	-	93,894	2,288	-	42,907	-	139,089
2321 Office of the superintendent services	167,535	71,631	4,769	1,093	-	988	-	246,016
2410 Office of the principal	985,128	436,545	21,154	20,363	-	5,711	-	1,468,901
2521 Fiscal services	82,067	34,988	51,033	7,726	-	2,162	-	177,976
2524 Payroll services	43,062	23,751	-	-	-	-	-	66,813
2525 Financial accounting services	22,712	14,296	-	-	-	-	-	37,008
2541 Operation and maintenance of plant services	53,398	25,441	-	-	-	-	-	78,839
2542 Care and upkeep of building services	657,705	372,448	636,542	133,192	-	79,769	-	1,879,656
2543 Care and upkeep of grounds	48,854	14,786	6,058	21,226	-	58	-	90,982
2551 Student transportation services	91,908	39,993	-	-	-	-	-	131,901
2552 Vehicle operation services	301,332	155,204	(32,307)	146,277	153,780	24,544	-	748,830
2559 Other student transportation services	-	-	48,360	-	-	-	-	48,360
2573 Warehouse and distribution	18,497	11,292	-	-	-	-	-	29,789
2620 Planning, research, development services	-	-	-	-	-	-	-	-
2626 Grant writing	-	-	-	-	-	-	-	-
2630 Information services	1,064	252	-	-	-	-	-	1,316
2633 Public information services	14,810	8,721	2,937	806	-	50	-	27,324
2640 Staff services	-	-	595	53	-	-	-	648
2641 Staff services-service area direction	42,392	22,718	1,442	1,060	-	2,252	-	69,864
2660 Technology services	330,235	167,538	9,827	260,062	43,652	800	-	812,114
2700 Supplemental retirement program	109,250	4,589	-	-	-	-	-	113,839
<b>Total 2000 support services</b>	<b>3,546,928</b>	<b>1,690,027</b>	<b>955,626</b>	<b>619,512</b>	<b>197,432</b>	<b>159,826</b>	<b>-</b>	<b>7,169,351</b>
<b>3000 Enterprise and community services</b>								
3300 Community services	-	-	162	-	-	-	-	162
<b>Total 3000 enterprise and community</b>	<b>-</b>	<b>-</b>	<b>162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>162</b>
<b>4000 Facilities acquisition and construction</b>								
4150 Building acquisition, construction and improvement services	-	-	10,043	-	41,191	-	-	51,234
<b>Total 4000 facilities acquisition and construction</b>	<b>-</b>	<b>-</b>	<b>10,043</b>	<b>-</b>	<b>41,191</b>	<b>-</b>	<b>-</b>	<b>51,234</b>
<b>5000 Other uses</b>								
5200 Transfer of funds	-	-	-	-	-	-	105,917	105,917
<b>Total 5000 other uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,917</b>	<b>105,917</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	\$ 10,879,592	\$ 5,235,681	\$ 2,647,892	\$ 914,982	\$ 238,623	\$ 168,240	\$ 105,917	\$ 20,190,927

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF EXPENDITURES (BUDGET BASIS)**  
**SPECIAL REVENUE FUNDS**  
For the Year Ended  
June 30, 2011

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	\$ 74,096	\$ 38,841	\$ 7,335	\$ 2,449	\$ -	\$ -	\$ -	\$ 122,721
1112 Intermediate programs	-	-	-	-	-	-	-	-
1113 Elementary extracurricular	-	-	-	-	-	-	-	-
1121 Middle and junior high programs	-	-	-	46,724	-	-	-	46,724
1122 Middle and junior high school extracurricular	-	-	-	-	-	-	-	-
1131 High school programs	10,982	3,699	2,918	136,217	29,914	38,090	-	221,820
1132 High school extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten programs	12,304	3,380	-	5,127	-	441	-	21,252
1210 Programs for talented and gifted	-	-	-	-	-	-	-	-
1226 Home instruction	-	-	-	-	-	-	-	-
1233 Other designated programs	-	-	-	-	-	-	-	-
1250 Resource rooms	282,773	200,019	24,584	13,687	-	8,651	-	529,714
1271 Remedial programs	22,466	6,213	-	23,107	-	249	-	52,035
1272 Title I	344,433	193,184	-	34,919	-	43,030	-	615,566
1283 District alternative programs	-	-	-	-	-	-	-	-
1288 Charter school	-	-	69,835	-	-	-	-	69,835
1291 English second language programs	11,023	3,118	-	43,751	-	1,650	-	59,542
1292 Teen parent programs	-	-	-	-	-	-	-	-
1293 Migrant	46,451	18,494	7,659	10,863	-	4,377	-	87,844
1299 Other programs	10,700	2,917	-	483	-	-	-	14,100
1300 Adult Education	-	-	3,448	498	-	-	-	3,946
1400 Summer school	-	-	-	-	-	-	-	-
1420 Middle school	23,549	6,514	-	1,919	-	-	-	31,982
1430 High school	20,341	5,609	2,041	3,000	-	-	-	30,991
1440 Primary, K-3 program	34,447	9,297	279	32,503	-	-	-	76,526
<b>Total 1000 instruction</b>	<b>893,565</b>	<b>491,285</b>	<b>118,099</b>	<b>355,247</b>	<b>29,914</b>	<b>96,488</b>	<b>-</b>	<b>1,984,598</b>
<b>2000 Support services</b>								
2110 Social services	28,739	8,579	-	-	-	-	-	37,318
2117 Identification and recruitment	65,600	32,001	4,128	-	-	-	-	101,729
2122 Counseling services	83,702	44,100	5,871	2,218	-	5,350	-	141,241
2139 Other health services	-	-	4,633	-	-	-	-	4,633
2190 Student direction support	92,184	39,571	4,729	5,616	-	-	-	142,100
2213 Curriculum development	508,386	235,294	-	10,728	-	9,122	-	763,530
2219 Improvement of instruction services	943	970	19,968	3,924	-	-	-	25,805
2222 Library media center	1,234	345	931	152	-	-	-	2,662
2230 Assessment and testing	639	66	-	-	-	-	-	705
2240 Instructional staff development	118,134	25,577	186,514	35,628	-	4,646	-	370,499
2410 Office of the principal	53,300	19,972	32,887	7,287	-	-	-	113,446
2542 Care and upkeep of building services	3,261	501	4,750	-	-	-	-	8,512
2551 Service area direction	547	150	-	-	-	-	-	697
2552 Vehicle operation services	1,392	382	15,553	-	-	-	-	17,327
2626 Grant writing	-	-	-	-	-	-	-	-
2630 Parent center coordinator	47,265	25,395	1,388	5,459	-	-	-	79,507
2660 Technology services	-	-	12,254	-	-	-	-	12,254
<b>Total 2000 support services</b>	<b>1,005,328</b>	<b>432,904</b>	<b>293,606</b>	<b>71,012</b>	<b>-</b>	<b>19,118</b>	<b>-</b>	<b>1,821,965</b>
<b>3000 Enterprise and community services</b>								
3110 Food services director	58,843	28,662	272	-	-	-	-	87,777
3120 Food preparation	276,013	190,445	24,049	699,994	-	-	-	1,190,501
3130 Food delivery	20,231	11,681	905	3,375	-	-	-	36,192
<b>Total 3000 enterprise and community</b>	<b>355,087</b>	<b>230,788</b>	<b>25,226</b>	<b>703,369</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,314,471</b>
<b>4000 Facilities acquisition and construction</b>								
<b>Total 4000 facilities acquisition</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>and construction</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total expenditures	\$ 2,253,980	\$ 1,154,977	\$ 436,931	\$ 1,129,629	\$ 29,914	\$ 115,606	\$ -	\$ 5,121,034

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF EXPENDITURES (BUDGET BASIS)**  
**DEBT SERVICE FUNDS**  
For the Year Ended  
June 30, 2011

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>								
2521 Fiscal services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94	\$ -	\$ 94
2649 Other staff services	-	-	121	-	-	-	-	121
<b>Total 2000 support services</b>	-	-	121	-	-	94	-	215
<b>5000 Other uses</b>								
5110 Long-term debt service	-	-	-	-	-	1,506,195	-	1,506,195
<b>Total 5000 other uses</b>	-	-	-	-	-	1,506,195	-	1,506,195
Total expenditures	\$ -	\$ -	\$ 121	\$ -	\$ -	\$ 1,506,289	\$ -	\$ 1,506,410

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF EXPENDITURES (BUDGET BASIS)**  
**CAPITAL PROJECT FUNDS**  
For the Year Ended  
June 30, 2011

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	\$ -	\$ -	\$ 1,017,075	\$ -	\$ 398,933	\$ 91,678	\$ 1,507,686
<b>Total 4000 facilities acquisition and construction</b>	<u>-</u>	<u>-</u>	<u>1,017,075</u>	<u>-</u>	<u>398,933</u>	<u>91,678</u>	<u>1,507,686</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,075</u>	<u>\$ -</u>	<u>\$ 398,933</u>	<u>\$ 91,678</u>	<u>\$ 1,507,686</u>

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF EXPENDITURES (BUDGET BASIS)**  
**INTERNAL SERVICE FUND**  
For the Year Ended  
June 30, 2011

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	\$ -	\$ 107,781	\$ -	\$ -	\$ -	\$ -	\$ 107,781
<b>Total 2000 support services</b>	<u>-</u>	<u>107,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,781</u>
Total expenditures	<u>\$ -</u>	<u>\$ 107,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,781</u>

Ontario School District No. 8C  
 Ontario, Malheur County, Oregon  
 OREGON DEPARTMENT OF EDUCATION REQUIRED INFORMATION  
 FORM 581-3211 – SUPPLEMENTAL INFORMATION  
 June 30, 2011

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

	Objects 325 & 326
Function 2540	\$ 403,177
Function 2550	8,980

- 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

\$	10,573
----	--------

REPORTS REQUIRED BY OREGON  
STATE REGULATIONS

### INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited the basic financial statements of Ontario School District No. 8C as of and for the year ended June 30, 2011, and have issued our report thereon dated December 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

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

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

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

In connection with our testing nothing came to our attention that caused us to believe Ontario School District No. 8C was not in substantial compliance with certain provisions of 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.

#### OAR 162-10-230 Internal Control

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

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



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

We noted certain matters that we reported to management of Ontario School District No. 8C in a separate letter dated December 23, 2011.

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

*Oster Professional Group, CPA's, PC*

By  \_\_\_\_\_

Burns, Oregon  
December 23, 2011

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON**  
June 30, 2011

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

Accounting Systems and Control Structure

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

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

As we have stated in the following report on compliance and on internal control over financial reporting in accordance with *Government Auditing Standards*, we do not express an opinion on the district's effectiveness in those areas. However, we did note certain matters that we reported to management in a separate letter dated December 23, 2011.

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 2010-2011 and 2011-2012 budgets indicate the district has substantially complied with local budget law during the preparation and adoption of those budgets. The district appropriates its budget at the function level for legal purposes. During the year ended June 30, 2011, we noted a procedural budget violation where appropriations were added for the new voter approved Bond Projects Fund; however, the board of directors did not approve a resolution creating the appropriations. In addition, there were also the following budget violations due to overexpenditure:

Debt Service Funds	
Other uses	\$386,662
Supporting services	90

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON**  
June 30, 2011

### 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, 2011 provide adequate coverage. We understand that the coverages are reviewed periodically with the district's agent of record and that such reviews have been made recently.

### Programs Funded from Outside Sources

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

### Public Contracts and Purchasing

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

### Collateral

Ontario School District No. 8C bank balances of deposit at June 30, 2011, 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, 2011, 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, 2010 to June 30, 2011

Total Revenues and/or Receipts - All Funds		\$ 29,491,198
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		\$ 29,491,198
Total Expenditures and/or Disbursements - All Funds		\$ 28,671,431
Less:		
Expenditures of Component Units included in report	-	
Turnovers to other municipal corporations		
Taxes and Assessments	-	
Other Distributions	-	
Net Expenditures and/or Disbursements		\$ 28,671,431

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	...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.
5,000,000	5,000,000	250	
10,000,000	10,000,000	300	
50,000,000	50,000,000	350	
		400	
			<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

ONTARIO SCHOOL DISTRICT NO. 8C

**SINGLE AUDIT**

For the Year Ended June 30, 2011



ONTARIO SCHOOL DISTRICT NO. 8C  
**SINGLE AUDIT**  
June 30, 2011

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ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
June 30, 2011

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Receipts				Expenditures
		Reverse PY Accrual / Deferral	CY Collections	CY Accrual / Deferral	Net	
<u>U.S. Department of Agriculture</u>						
Passed through Oregon Department of Education						
Child Nutrition Programs-Commodity Distribution	* 10.555	\$ -	\$ 88,619	\$ -	\$ 88,619	\$ 88,619
Child Nutrition Programs-Summer Commodity Distribution	* 10.559	-	237	-	237	237
National School Lunch Program, School Breakfast	* 10.553	-	260,571	30,036	290,607	290,607
National School Lunch Program, Sec 4 and 11	* 10.555	-	643,090	71,908	714,998	714,998
Summer Food Service Program	* 10.559	-	10,281	38,233	48,514	48,514
Fresh Fruit and Vegetable Program	* 10.582	(15,268)	86,497	20,818	92,047	92,047
Total Department of Agriculture		(15,268)	1,089,295	160,995	1,235,022	1,235,022
<u>U.S. Department of Education</u>						
Passed through Oregon Department of Education						
Elementary and Secondary Education Act - Title IA	* 84.010	6,314	732,585	330,168	1,069,067	1,049,402
Elementary and Secondary Education Act - Migrant Education	* 84.011	(234)	359,547	73,610	432,923	437,232
Individuals with Disabilities Education Act, Part B	* 84.027	(500)	251,773	113,596	364,869	375,405
Elementary and Secondary Education Act - Title IV - Safe and Drug Free Schools	84.186	-	6,639	-	6,639	6,639
Elementary and Secondary Education Act-Title IID, Enhancing Ed Thru Tech	84.318	-	322	381	703	702
State Personnel Development Grant	84.323	(702)	6,881	828	7,008	7,007
Elementary and Secondary Education Act-Title VI, Part B, Rural Education Act	84.358	-	40,588	19,326	59,914	62,347
Elementary and Secondary Education Act-Title III-English Acquisition Grant	84.365	-	48,211	34,283	82,493	84,808
Elementary and Secondary Education Act-Title IIA, Improving Teacher Quality	84.367	-	180,701	57,529	238,230	249,913
Elementary and Secondary Education Act-Title I, School Improvement	84.377	-	19,646	-	19,646	19,646
Enhancing Ed Thru Tech - ARRA	84.386	10,207	56,016	36,322	102,545	106,738
Title X, Homeless Children and Youth - ARRA	84.387	-	5,824	967	6,791	6,791
Title I - Grants to State - ARRA	* 84.389	-	84,250	26,172	110,422	110,422
School Improvement Grant - ARRA	* 84.388	-	714,954	268,842	983,796	1,035,615
Special Education Grants to States - American Recovery Reinvestment Act	* 84.391	-	86,952	130,535	217,486	217,486
State Fiscal Stabilization Fund - American Recovery Reinvestment Act	* 84.394	-	231,228	78,667	309,895	309,895
		15,085	2,826,117	1,171,226	4,012,427	4,080,048
Total Department of Education		15,085	2,826,117	1,171,226	4,012,427	4,080,048
Total federal assistance		\$ (183)	\$ 3,915,412	\$ 1,332,221	\$ 5,247,449	\$ 5,315,070
* Denotes program tested as major program						

\* Denotes program tested as major program



ONTARIO SCHOOL DISTRICT NO.8C  
Ontario, Malheur County, Oregon  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For Years Ended June 30, 2011

Note A. Basis of Presentation

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

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

The Internal Revenue Service pays a portion of the interest due on the Qualified School Construction Bonds. This amount is considered federal revenue; however, it does not have a CFDA number and therefore, is not included on the Schedule of Expenditures of Federal Awards. The amount of revenue and corresponding interest for the fiscal year ending June 30, 2011 is \$839,540.

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2011

**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)

School Lunch Cluster	CFDA Numbers 10.553, 10.555, 10.559, and 10.582	\$1,235,022
Title IA	84.010	1,049,402
Individuals with Disabilities Education Act, Part B	84.027	375,405
Title III – Migrant Education	84.011	437,232
Title I – ARRA	84.389	110,422
School Improvement Fund	84.388	1,035,615
IDEA – ARRA	84.391	217,486
State Fiscal Stabilization Fund	84.394	309,895

ONTARIO SCHOOL DISTRICT NO. 8C  
Ontario, Malheur County, Oregon  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2011

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, 2011.

Prior Year Findings

The audit for the year ended June 30, 2010 did not report any findings and questioned costs.

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

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

We have audited the financial statements of the governmental activities, the internal service fund, each major fund, and the aggregate remaining fund information of Ontario School District No. 8C, as of and for the year ended June 30, 2011, which collectively comprise Ontario School District No. 8C's basic financial statements and have issued our report thereon dated December 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Ontario School District No. 8C, in a separate letter dated December 23, 2011.

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

***Oster Professional Group, CPA's, PC***

By  \_\_\_\_\_

Burns, Oregon  
December 23, 2011

**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, 2011. Ontario School District No. 8C's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ontario School District No. 8C's management. Our responsibility is to express an opinion on Ontario School District No. 8C's compliance based on our audit.

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

In our opinion, Ontario School District No. 8C, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Ontario School District No. 8C is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Ontario School District No. 8C's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of Ontario School District No. 8C's internal control over compliance.

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

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

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

***Oster Professional Group, CPA's, PC***

By  \_\_\_\_\_

Burns, Oregon  
December 23, 2011

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