

ONTARIO SCHOOL DISTRICT NO. 8C

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

For the Year Ended June 30, 2014

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
June 30, 2014

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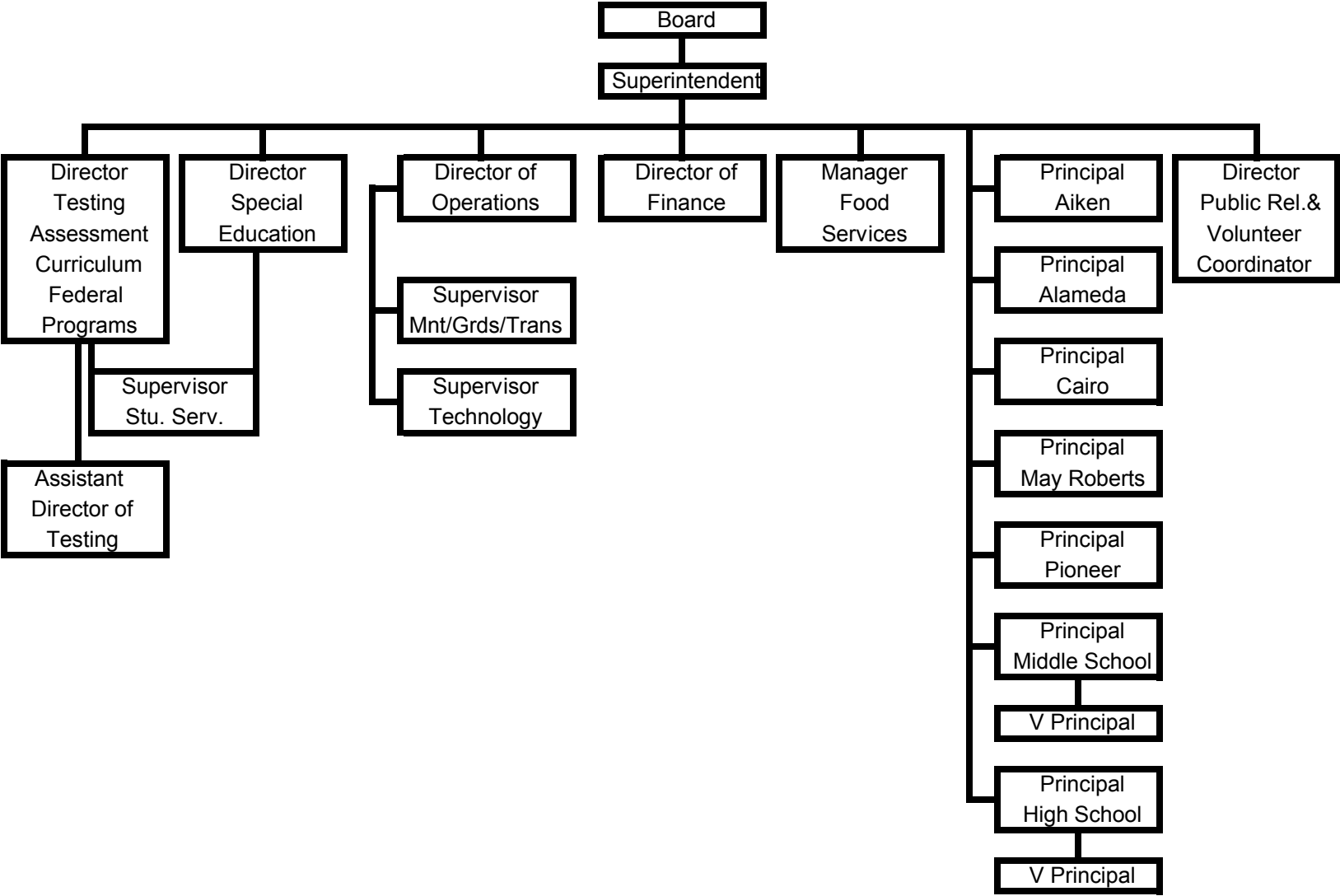
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INTRODUCTORY SECTION

Ontario School District Organizational Chart



ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
BOARD OF DIRECTORS AND OFFICIALS
June 30, 2014

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>
Dr. Ann Easley-DeBisschop Ontario, OR	Chairperson
Mike Blackaby Ontario, OR	Vice-Chairperson
Renae Corn Ontario, OR	Director
Dr. Paul Kraft Ontario, OR	Director
Doug Iwasa Ontario, OR	Director

OFFICIALS

Nicole Albisu	Superintendent
Mary Jo Evers	Director of Finance

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the internal service fund, each major fund, and the aggregate remaining fund information of Ontario School District No. 8C, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise Ontario School District No. 8C's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the internal service fund, each major fund and the aggregate remaining fund information for Ontario School District No. 8C, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

The budgetary comparison information for the General Fund and the major special revenue fund on pages 43 through 44 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This budgetary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

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

Reporting on Other Legal and Regulatory Requirements

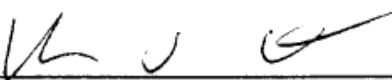
Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 17, 2014 on our consideration of Ontario School District No. 8C's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ontario School District No. 8C's internal control over financial reporting and compliance.

Reporting Required by Oregon Minimum Standards

In accordance with Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 17, 2014 on our consideration of Ontario School District No. 8C's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations in considering Ontario School District No. 8C's internal control over financial reporting and compliance.

Oster Professional Group, CPA's, LLP

By 

Burns, Oregon
December 17, 2014

ONTARIO SCHOOL DISTRICT NO. 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2014

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, 2014. Please read it in conjunction with the District's financial reports, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's government-wide financial statements reflect assets of \$39.6MM, deferred outflows of \$11.7MM and liabilities of \$31.4MM. Of the \$19.9MM in net position, \$8.9MM is invested in capital assets, \$3.5MM is restricted for debt service and \$6.5MM is unrestricted and available to meet the District's ongoing obligations.
- The District's Net Position increased by \$.9MM during the fiscal year.
- The District had \$29.9MM in expenses; \$7.0MM of these expenses were offset by program specific charges for services, grants or contributions. The remaining \$22.9MM is made up of general fund revenues which consist primarily of taxes, state school support and earnings on investments.
- The District's governmental funds report combined ending fund balance of \$8.71MM. This is an 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 position and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements also look at the District's most significant funds with all other non-major funds presented in total in a single column. The table below summarizes the main features of the District's financial statements.

Features of Government-Wide and Fund Financial Statements

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

ONTARIO SCHOOL DISTRICT NO. 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2014

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 43 – 44), Combining Balance Sheet – Nonmajor Governmental Funds, and Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance-Nonmajor Funds.

Modified Accrual Accounting vs. Full Accrual Accounting

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

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

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

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

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

ONTARIO SCHOOL DISTRICT NO. 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2014

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 2013-14 were the General Fund, the Federal Programs Fund, and the Bond Debt Service Fund. All other funds are combined into a single, aggregated presentation.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the governmental funds balance sheet and statement of activities is reconciled in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The district's net position increased \$.9MM for the period ending June 30, 2014 to \$19.9MM. This increase was attributed to an increase in assets restricted for debt service, an increase in the prepaid pension contribution due to market activity and offset by an increase in the accrued liability for payroll and payroll taxes as compared to the prior year.

The District's assets and deferred outflows totaled \$51.3MM. Prepaid pension contribution deferred outflows of \$11.7MM represent 23% of total assets and deferred outflows. Capital assets net of accumulated depreciation, which consist of the District's land, buildings, building improvements, vehicles, and equipment, total \$27.4MM and comprise 53% of total assets and deferred outflows. The remaining assets consist mainly of investments, cash, and receivables.

The District's total liabilities totaled \$31.4MM. The largest liability, \$18.5MM, is for the repayment of the Qualified School Construction bond. Current liabilities of \$3.0MM 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 position (45%) reflects its investment in capital assets (e.g. land, buildings, vehicles and equipment). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

ONTARIO SCHOOL DISTRICT NO. 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2014

ONTARIO SCHOOL DISTRICT NO. 8C			
NET ASSETS AS OF JUNE 30, 2014 and 2013			
	<u>Governmental Activities</u>		Increase (Decrease) from Fiscal
	<u>2014</u>	<u>2013</u>	<u>2013</u>
Current Assets	\$ 12,129,197	\$ 11,461,334	\$ 667,863
Long-Term Assets	89,412	72,321	17,091
Capital Assets, net of accumulated depreciation	27,423,163	27,520,794	(97,631)
Total Assets	<u>39,641,772</u>	<u>39,054,449</u>	<u>587,323</u>
Prepaid Pension Contribution	11,666,782	10,824,639	842,143
Total Deferred Outflows	<u>11,666,782</u>	<u>10,824,639</u>	<u>842,143</u>
Current Liabilities	2,989,283	2,295,286	693,997
Long-Term Debt	28,395,830	28,497,028	(101,198)
Total Liabilities	<u>31,385,113</u>	<u>30,792,314</u>	<u>592,799</u>
Unearned Grant Income	178	12,273	(12,095)
Total Deferred Inflows	<u>178</u>	<u>12,273</u>	<u>(12,095)</u>
Net Position:			
Net investment in capital assets	8,923,163	9,020,795	(97,632)
Restricted for debt service	3,512,385	2,554,571	957,814
Restricted for special programs	999,080	1,130,848	(131,768)
Unrestricted	6,488,635	6,368,287	120,348
Total Net Position	<u>\$ 19,923,263</u>	<u>\$ 19,074,501</u>	<u>\$ 848,762</u>

REVENUES AND EXPENSES

Key components of governmental revenues and expenses for the year ending June 30, 2014 are as follows:

- Revenue from the State School Fund comprises the largest portion of the District's revenue. Unrestricted revenue from the State School Fund was \$17.4MM in 2013-14 compared to \$16.3MM in fiscal year 2012-13.
- Operating grants decreased by \$381K due to the exhaustion of the School Improvement Grant funds. Charges for services increased \$397K, due to an increase in the indirect rate.
- Expenditures for government activities increased by \$1.6M or 5.7% over the prior year, due in part to the additional positions and results of negotiations.

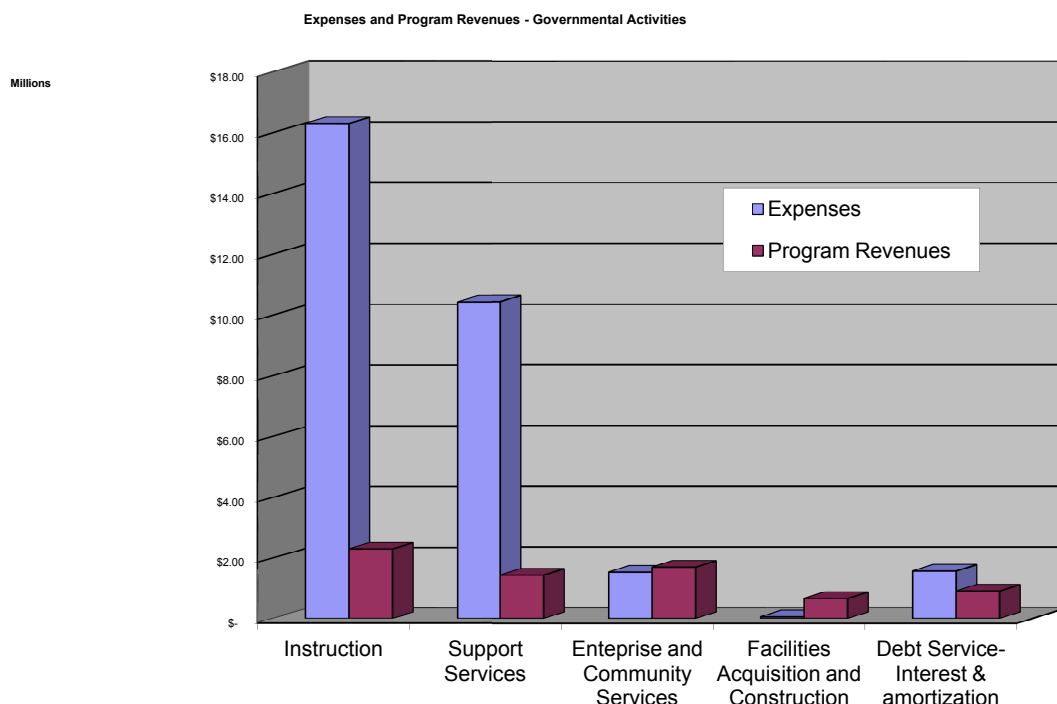
ONTARIO SCHOOL DISTRICT NO. 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2014

Changes in Net Position			
	<u>Governmental Activities</u>		Increase
	<u>2014</u>	<u>2013</u>	<u>(Decrease) from Fiscal 2013</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 1,225,231	\$ 827,848	\$ 397,383
Operating grants and contributions	5,113,446	5,495,395	(381,949)
Capital grants and contributions	671,713	759,772	(88,059)
General Revenues			
Property Taxes	4,648,687	4,580,497	68,190
State School Fund - General Support	17,383,917	16,317,155	1,066,762
State School Fund - Restricted	14,501	13,500	1,001
Other state and local sources	220,668	245,369	(24,701)
Earnings on Investments	905,093	772,288	132,805
Other	606,027	747,173	(141,146)
Total Revenues	<u>30,789,283</u>	<u>29,758,997</u>	<u>1,030,286</u>
Expenses:			
Instruction (Regular, Special, Adult, Summer)	16,300,460	15,536,379	764,081
Support Services	10,428,564	9,775,302	653,262
Enterprise and community services	1,534,599	1,379,819	154,780
Facilities acquisition and construction	54,798	23,817	30,981
Interest on long-term debt	1,569,077	1,541,132	27,945
Total Expenses	<u>29,887,498</u>	<u>28,256,449</u>	<u>1,631,049</u>
Gain (loss) on sale of capital assets	16,259	34,001	(17,742)
Change in net position	918,044	1,536,549	(618,505)
Net Position - July 1, before restatement	19,074,501	17,496,621	1,577,880
Restatements, see Notes for details	(69,282)	41,331	(110,613)
Net Position - July 1, after restatement	<u>19,005,219</u>	<u>17,537,952</u>	<u>1,467,267</u>
Net Position - June 30	<u>\$ 19,923,263</u>	<u>\$ 19,074,501</u>	<u>\$ (848,762)</u>

ONTARIO SCHOOL DISTRICT NO. 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2014



Revenue by Source - Governmental Activities

Capital grants and contributions	\$	671,713	2.5%
Charges for services		1,225,231	4.0%
Earnings on Investments		905,093	2.9%
Operating grants and contributions		5,113,446	16.6%
Other		622,286	2.0%
Other state and local sources		235,169	0.8%
Property Taxes		4,648,687	15.1%
State School Fund - General Support		17,383,917	56.4%
	\$	<u>30,805,542</u>	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing 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, 2014, the District's governmental funds reported combined ending fund balance of \$8.7MM, an increase of \$26K in comparison with the prior year. A decrease was in the Bond Debt Service Fund due to

ONTARIO SCHOOL DISTRICT NO. 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2014

completing projects and exhaustion of available bond funds. The General Fund also had a decrease due to the addition of several new staff positions. The Bond Debt Service Fund had an increase due to the required deposits made for future payments.

General Fund. The General Fund is the chief operating fund of the district. As of June 30, 2014, unassigned fund balance was \$2.1MM. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 13% of total General Fund expenditures, including transfers out and debt service. This fund balance percentage changed from 17% in 2012-13 and 15% in 2011-12.

The fund balance decreased by \$880K during the current fiscal year. This was due to General Fund expenditures related to an increase in number of employees and salary and benefit increases given to two of the bargaining units.

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, 2014, the fund had accounts receivable of \$776K and deferred revenues of \$178.

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 \$14K.

ONTARIO SCHOOL DISTRICT NO. 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

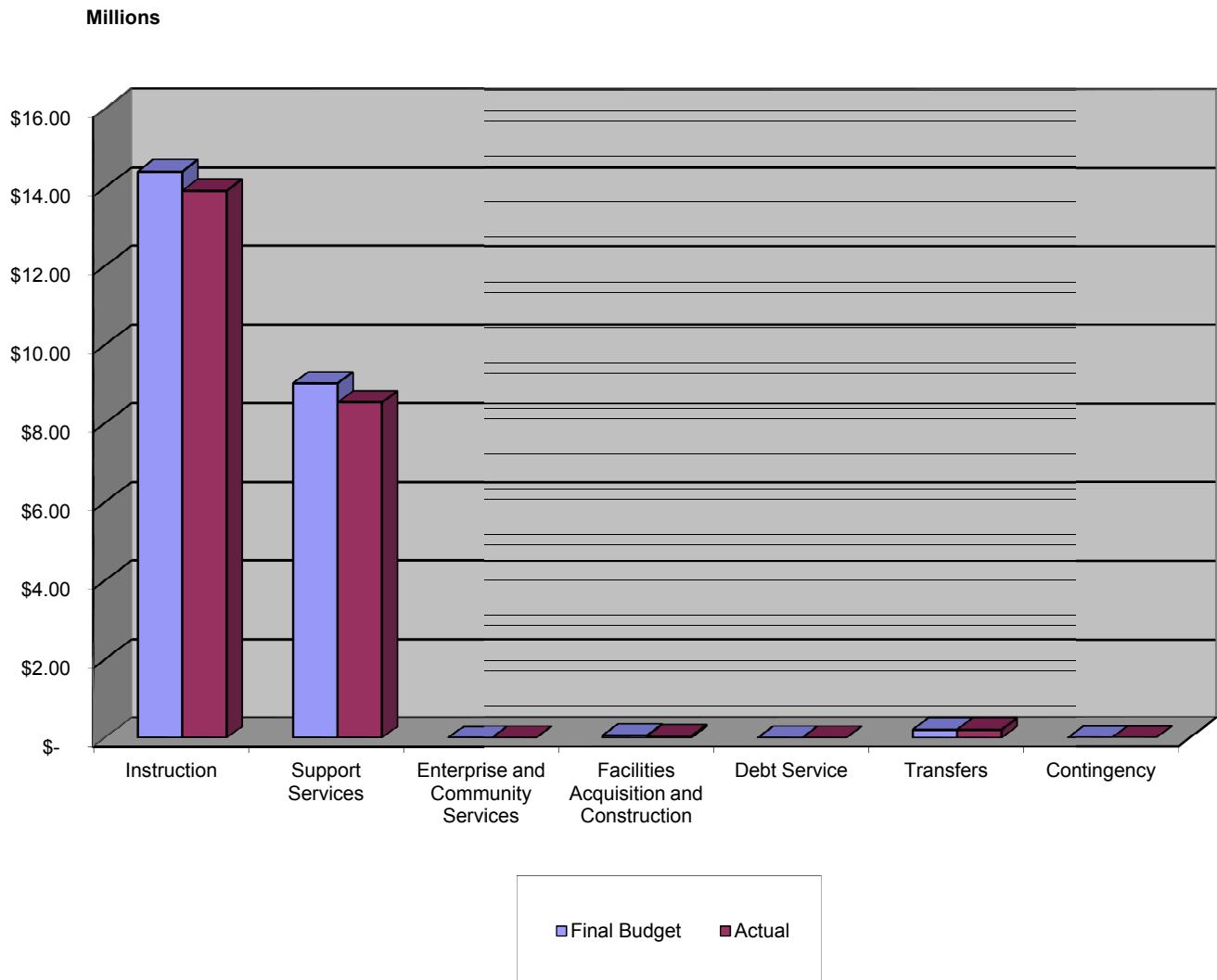
The District's budget is prepared according to Oregon law and is based on accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the 2013-14 fiscal year, the Board did adopt resolutions that affected the general fund budget. The most significant resolution allowed for a transfer to be made to the PERS Debt Service Fund to correct the negative fund balance from fiscal year 2012-13. The amount transferred was \$75K.

For the General Fund, the final budget revenue basis was \$22,659,141. The actual amount of revenue received was \$21,822,286.

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

Actual Expenditures vs. Final Budget - General Fund



ONTARIO SCHOOL DISTRICT NO. 8C

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2014

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, 2014 the District had invested approximately \$27.4MM in capital assets, net of depreciation, as shown in the following table.

ONTARIO SCHOOL DISTRICT NO. 8C			
Capital Assets (net of depreciation)			
	Governmental Activities		Increase (Decrease) from
	<u>2014</u>	<u>2013</u>	<u>Fiscal 2013</u>
Land	\$ 563,110	\$ 563,110	\$ -
Contruction in progress	146,344	28,025	118,319
Buildings & building improvements	33,711,148	33,008,137	703,011
Vehicles, furniture and equipment	4,843,909	4,495,780	348,129
Accumulated depreciation	(11,841,348)	(10,574,257)	(1,267,091)
TOTAL	<u><u>\$ 27,423,163</u></u>	<u><u>\$ 27,520,795</u></u>	<u><u>\$ (97,632)</u></u>

Debt administration. At the end of the current fiscal year, the District had total bonded debt outstanding of \$26.7MM, consisting of pension obligation bonds issued in October of 2002 to pay the unfunded actuarial liability to the Oregon Public Employees Retirement System, a partial redemption of the 2002 PERS Series B obligation bond referred to as the 2011 PERS Series B and Qualified School Construction Bonds issued in July 2010 to pay for school construction and renovations.

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

CURRENT FINANCIAL ISSUES AND CONCERNS

The most significant economic factor for the District remains the State of Oregon's State School fund. For the year ended June 30, 2014, the State School Fund – General Support, provided 56.4% of the District's program resources. During the 2013 legislative session, the Oregon Legislature adopted a \$6.75B K-12 budget, with a 49/51 allocation plan during the biennium. Additionally, Legislators approved \$100MM in additional funding during a special session to be added to the allocation received in fiscal year 2014-15.

The legislative changes made to PERS have been challenged in court by several PERS beneficiaries and future beneficiaries. The Oregon Supreme Court has been tasked with determining the lawfulness of the changes, which included a cap on cost of living adjustments and the elimination of additional benefits paid to offset Oregon tax for those beneficiaries not currently living within Oregon. The effect of the ruling will be seen with the setting of the employer PERS rates for the 2017-19 biennium.

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

ONTARIO SCHOOL DISTRICT NO. 8C
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2014

In conclusion, the Ontario School District has committed itself to financial excellence, not only in past, but future years. The District's system of financial planning, budgeting and internal financial controls are firmly in place and the District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Cash and investments	\$ 7,195,333
Receivables	
Taxes	349,412
Accounts	1,088,205
Restricted cash	3,496,247
Inventory	89,412
Capital assets	
Non-depreciable assets	
Land	563,110
Construction in progress	146,344
Depreciable assets	
Buildings and building improvements	33,711,148
Furniture and equipment	4,843,909
Accumulated depreciation	(11,841,348)
Total assets	<u>39,641,772</u>
DEFERRED OUTFLOWS OF RESOURCES	
Prepaid pension contribution	<u>11,666,782</u>
Total deferred outflows	<u>11,666,782</u>
LIABILITIES	
Accounts payable	76,214
Accrued liabilities	
Payroll, payroll taxes, insurance	2,635,543
Early retirement obligation - current portion	91,664
Early retirement obligation - due in more than one year	591,502
Other Post Employment Benefits liability	1,207,933
Bonds payable	
Due within one year	185,862
Due in more than one year	26,596,395
Total liabilities	<u>31,385,113</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred unearned grant income	<u>178</u>
Total deferred inflows	<u>178</u>
NET POSITION	
Net investment in capital assets	8,923,163
Restricted for debt service (expendable)	3,512,385
Restricted for special programs (expendable)	999,080
Unrestricted	6,488,635
Total net position	<u>\$ 19,923,263</u>

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended

June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Revenues and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Regular programs	\$ 9,842,966	\$ 151,195	\$ -	\$ 221,348	\$ (9,470,423)
Special programs	6,303,777	-	-	1,798,511	(4,505,266)
Summer school programs	153,717	-	-	132,304	(21,413)
Students	953,425	-	-	267,375	(686,050)
Instructional staff	916,695	30,234	-	211,299	(675,162)
General administration	347,636	-	-	-	(347,636)
School administration	1,991,232	-	-	16,138	(1,975,094)
Business services	3,464,443	29,848	-	37,225	(3,397,370)
Central activities	2,578,845	848,445	-	-	(1,730,400)
Supplemental retirement program	176,288	-	-	-	(176,288)
Enterprise & community services	1,534,599	165,509	-	1,524,492	155,402
Facilities acquisition & construction	54,798	-	671,713	-	616,915
Debt service-interest & amortization	1,569,077	-	-	904,754	(664,323)
Total governmental activities	<u>\$ 29,887,498</u>	<u>\$ 1,225,231</u>	<u>\$ 671,713</u>	<u>\$ 5,113,446</u>	<u>(22,877,108)</u>
GENERAL REVENUES					
Property taxes for general purposes					3,645,722
Property taxes for debt service					1,002,965
State school fund-general support					17,383,917
State school fund-restricted					14,501
Common school fund					220,668
Earnings on investments					905,093
Miscellaneous					606,027
Total general revenues					<u>23,778,893</u>
Gain (loss) on sale of capital assets					16,259
Change in net position					918,044
Net position - June 30, 2013, before restatement					19,074,501
Restatement - see Note 13					<u>(69,282)</u>
Net position - June 30, 2013, after restatement					<u>19,005,219</u>
Total net position - June 30, 2014					\$ 19,923,263

GOVERNMENTAL FUND
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Federal Programs	Bond Debt Service	Nonmajor Governmental Funds	Total
ASSETS AND DEFERRED OUTFLOWS					
Assets					
Cash and investments	\$ 4,534,006	\$ -	\$ -	\$ 2,229,177	\$ 6,763,183
Receivables					
Property tax	276,419	-	72,993	-	349,412
Grants	220,394	775,712	-	92,099	1,088,205
Interfund loan receivable	859,010	-	-	-	859,010
Restricted assets					
Cash	-	-	3,496,247	-	3,496,247
Total assets	5,889,829	775,712	3,569,240	2,321,276	12,556,057
Deferred outflows	-	-	-	-	-
Total assets and deferred outflows	\$ 5,889,829	\$ 775,712	\$ 3,569,240	\$ 2,321,276	\$ 12,556,057
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 60,707	\$ 5,220	\$ -	\$ 10,287	\$ 76,214
Accrued liabilities	2,635,543	-	-	-	2,635,543
Interfund loan payable	-	770,314	64,140	24,556	859,010
Total liabilities	2,696,250	775,534	64,140	34,843	3,570,767
Deferred inflows					
Unearned grant revenue	-	178	-	-	178
Deferred property tax revenues	218,947	-	57,786	-	276,733
Total deferred inflows	218,947	178	57,786	-	276,911
Fund balances					
Nonspendable	859,010	-	-	-	859,010
Spendable					
Restricted	-	-	3,447,314	1,064,152	4,511,466
Committed	-	-	-	1,222,281	1,222,281
Unassigned	2,115,622	-	-	-	2,115,622
Total fund balances	2,974,632	-	3,447,314	2,286,433	8,708,379
Total liabilities, deferred inflows and fund balances	\$ 5,889,829	\$ 775,712	\$ 3,569,240	\$ 2,321,276	\$ 12,556,057

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances	\$	8,708,379
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Capital assets are not financial resources and therefore, are not reported in the governmental funds.

Cost	\$ 39,264,511	
Accumulated depreciation	<u>(11,841,348)</u>	27,423,163

Pension assets not included in fund financial statements		11,666,782
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Certain delinquent property taxes not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.		276,733
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Internal service funds		432,150
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Inventory not consumed within sixty days is not included in the fund financial statements.		89,412
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Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.

Bonds payable	(26,782,257)	
Early retirement obligation	(683,166)	
Other Post Employment Benefits liability	<u>(1,207,933)</u>	<u>(28,673,356)</u>

Total net position	\$	<u><u>19,923,263</u></u>
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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, 2014

	General	Federal Programs	Bond Debt Service	Nonmajor Governmental Funds	Total
Revenues					
Taxes	\$ 3,652,962	\$ -	\$ 1,004,277	\$ -	\$ 4,657,239
Local sources	353,160	-	16,878	1,289,556	1,659,594
State sources	17,605,238	-	-	34,290	17,639,528
Federal sources	24,941	2,672,800	904,754	1,490,510	5,093,005
Total revenues	21,636,301	2,672,800	1,925,909	2,814,356	29,049,365
Expenditures					
Current					
Instruction					
Regular programs	9,781,645	66,203	-	3,956	9,851,805
Special programs	4,137,024	1,882,441	-	284,313	6,303,778
Summer school programs	-	153,716	-	-	153,716
Support services					
Students	712,556	246,509	-	-	959,064
Improvement of instruction	667,533	217,228	-	31,936	916,697
General administration	347,636	-	-	-	347,636
School administration	1,970,355	20,876	-	-	1,991,231
Business services	3,658,358	37,985	126	3,505	3,699,973
Central activities	1,098,535	20,739	-	31,158	1,150,433
Supplemental retirement program	76,337	-	-	-	76,337
Food services	-	485	-	1,694,700	1,695,185
Community services	-	26,796	-	-	26,796
Facilities acquisition and construction	42,871	-	-	254,268	297,139
Debt service					
Principal	-	-	-	178,035	178,035
Interest	-	-	1,033,040	536,037	1,569,077
Total expenditures	22,492,850	2,672,978	1,033,166	3,017,908	29,216,901
Excess of revenues over (under) expenditures	(856,549)	(178)	892,743	(203,552)	(167,536)
Grant indirect charges	170,025	-	-	-	170,025
Sale of assets	15,960	-	-	7,725	23,685
Transfers in (out)	(210,000)	-	-	210,000	-
Total other financing sources (uses)	(24,015)	-	-	217,725	193,710
Net change in fund balances	(880,564)	(178)	892,743	14,173	26,174
Available fund balances, July 1, before restatement	3,924,478	178	2,554,571	2,272,260	8,751,487
Restatement - See Note 13	(69,282)	-	-	-	(69,282)
Available fund balances, July 1, after restatement	3,855,196	178	2,554,571	2,272,260	8,682,205
Available fund balances, June 30	\$ 2,974,632	\$ -	\$ 3,447,314	\$ 2,286,433	\$ 8,708,379

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, 2014

Net change in fund balances		\$ 26,174
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	\$ 1,342,674	
Less current year depreciation	<u>(1,440,306)</u>	(97,632)
Investment earnings/(losses) on prepaid pension asset, not recorded in fund financial statements.		842,143
Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position. This is the amount by which proceeds exceeded repayments.		
Debt principal repaid	<u>178,035</u>	178,035
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.		(99,950)
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.		(8,552)
Inventory not consumed within sixty days is not included in the fund financial statements.		17,091
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	64,588	
Internal service fund expense	<u>(3,853)</u>	<u>60,735</u>
CHANGE IN NET POSITION		<u><u>\$ 918,044</u></u>

PROPRIETARY FUND
FINANCIAL STATEMENTS

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
STATEMENT OF FUND NET POSITION
Proprietary Funds
June 30, 2014

	Internal Service Fund
ASSETS	
Current assets	
Cash and investments	\$ 432,150
Total assets	<u>432,150</u>
 DEFERRED OUTFLOWS	 <u>-</u>
 LIABILITIES	
Current liabilities	
Accounts payable	-
Total liabilities	<u>-</u>
 DEFERRED INFLOWS	 <u>-</u>
 NET POSITION	
Unrestricted	432,150
Total net position	<u><u>\$ 432,150</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
 Proprietary Funds
 For the Year Ended
 June 30, 2014

	Governmental Activities <u>Internal Service Fund</u>
Operating revenue	
Charges for services	<u>\$ 62,335</u>
Total operating revenue	<u>62,335</u>
Operating expenses	
Employee benefits	<u>3,853</u>
Total operating expenses	<u>3,853</u>
Operating income	58,482
Nonoperating income	
Earnings on investments	<u>2,253</u>
Total nonoperating income	<u>2,253</u>
Change in net position	60,735
Total net position - beginning	<u>371,415</u>
Total net position- ending	<u><u>\$ 432,150</u></u>

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
STATEMENT OF CASH FLOWS
 Proprietary Funds
 June 30, 2014

	Governmental Activities <u>Internal Service Fund</u>
Cash flows from operating activities	
Receipts from interfund services provided	\$ 62,335
Payments for employee benefits	<u>(10,606)</u>
Net cash provided(used) by operating activities	<u>51,729</u>
Cash flows from investing activities	
Interest received	<u>2,253</u>
Net cash provided(used) by investing activities	<u>2,253</u>
Net increase in cash and cash equivalents	53,982
Cash and cash equivalents - beginning	<u>378,168</u>
Cash and cash equivalents - ending	<u><u>\$ 432,150</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 58,482
Increase (decrease) in accounts payable	<u>(6,753)</u>
Net cash provided(used) by operating activities	<u><u>\$ 51,729</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, 2014

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

Unrestricted net position consist of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

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

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

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

Fund Financial Statements

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

The district reports the following major governmental funds:

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

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

Bond Debt Service Fund – The Bond Debt Service Fund accounts for the property taxes levied for school improvement projects. These funds are legally restricted to the repayment of the school improvement bonds.

Additionally, the district reports the following fund types:

Debt Service Fund - The debt service fund accounts for the payment of principal and interest on the district's bonds used for financing of unfunded actuarial liability pension debt. The principal source of revenue is general fund transfers.

Special Revenue Funds - Special revenue funds account for revenue sources that are legally restricted to expenditures for specified purposes (other than major capital projects).

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

The district reports the following proprietary fund:

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

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

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

C. Measurement Focus and Basis of Accounting

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the district gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the district funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the district's policy to first apply restricted cost-reimbursement grant resources to such programs and then to general revenues.

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

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

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.

D. Budgets and Budgetary Accounting

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

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

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

E. Property Taxes Receivable

Property taxes assessed in prior years, but not yet collected or accrued, are reported on the balance sheet, but are offset by deferred revenue accounts. The district levies taxes on a fiscal year from July 1 to June 30. The current levy becomes a lien on July 1. Taxes are due November 15, and become delinquent May 15. Foreclosure is started three years after taxes become delinquent. The district turns all tax collection duties over to Malheur County, Oregon.

Uncollected property taxes are recorded on the Statement of Net Position. Uncollected taxes are deemed to be substantially collected or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the district.

The government reports deferred revenues on its governmental fund balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the district before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the district has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

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.

J. Inventory

The costs of inventories that are not consumed within sixty days in governmental fund types are recorded as expenditures when purchased and as inventory in the government-wide statements. Inventories are valued at cost using the first in first out method. The inventory value at June 30, 2014 is \$89,412.

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K. Interfund Receivables and Payables

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

L. Interfund Transfers

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

M. Deferred Outflows

Deferred outflows of resources in the Statement of Net Position represent consumption of net position that is applicable to a future reporting period. The district showed a prepaid pension contribution as a deferred outflow of resources as of June 30, 2014.

N. Deferred Inflows

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

O. 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.

P. Use of Estimates

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

Q. Fund Balances

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

- *Nonspendable*—Includes items not immediately converted to cash, such as prepaid

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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 resolution.
- *Assigned*—Includes items assigned for specific uses, authorized by the district's superintendent and/or Director of Finance.
- *Unassigned*—This is the residual classification used for those balances not assigned to another category.

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

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

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

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

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

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

Funding Policy – Members of PERS are required to contribute 6% of their salary covered

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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, 2014 were 15.16% and 13.16% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost – The district’s contributions to PERS for the years ending June 30, 2012, 2013, and 2014 were \$3,101,326, \$2,797,701 and \$3,270,142 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, 2013 was \$11,666,782, being held in a side account at PERS.

Note 3. Accounts Receivable

Accounts receivable is comprised of the following at June 30, 2014:

Fund	Revenue Source	Amount
General Fund	Property Taxes	\$ 276,419
General Fund	Common school fund	110,334
General Fund	ESD Pass-through	58,510
General Fund	Miscellaneous	51,550
Federal Programs	Federal grants	775,712
Bond Debt Service Fund	Property Taxes	72,993
Non major funds	Grants	60,943
Non major funds	Miscellaneous	31,156
Total Accounts Receivable		<u>\$ 1,437,617</u>

Note 4. Interfund Transfers

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

From	To	Amount	Reason
General fund	Nonmajor fund	\$ 2,000	To pay for the district's share of SMILE expenses
General fund	Nonmajor fund	43,000	To fund future technological needs
General fund	Nonmajor fund	90,000	To fund future building improvements
General fund	Nonmajor fund	75,000	To fund deficit fund balance from prior year
Total		<u>\$ 210,000</u>	

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Interfund loan receivables and payables consist of the following at June 30, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Federal Programs Fund	\$ 770,314
General Fund	Bond Debt Service Fund	64,140
General Fund	Nonmajor Funds	24,556
Total		<u>\$ 859,010</u>

Note 5. Capital Assets

Capital assets activity for the year was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 563,110	\$ -	\$ -	\$ 563,110
Construction in progress	28,025	146,344	(28,025)	146,344
Total capital assets not being depreciated	<u>591,135</u>	<u>146,344</u>	<u>(28,025)</u>	<u>709,454</u>
Capital assets being depreciated				
Buildings and improvements	33,008,137	716,245	(13,234)	33,711,148
Equipment	2,051,922	268,070	(37,403)	2,282,589
Vehicles	2,443,858	280,850	(163,388)	2,561,320
Total capital assets being depreciated	<u>37,503,917</u>	<u>1,265,165</u>	<u>(214,025)</u>	<u>38,555,057</u>
Less accumulated depreciation	(10,574,257)	(1,440,306)	173,215	(11,841,348)
Total capital assets being depreciated, net	<u>26,929,660</u>	<u>(175,141)</u>	<u>(40,810)</u>	<u>26,713,709</u>
Total capital assets, net	<u>\$ 27,520,795</u>	<u>\$ (28,797)</u>	<u>\$ (68,835)</u>	<u>\$ 27,423,163</u>

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

Central activities \$1,440,306

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 position as cash and investments.

Cash and investments are comprised of the following at June 30, 2014:

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Deposits with banks	\$ 4,156,402
Investments	6,534,008
Cash on hand	1,170
	<u>\$ 10,691,580</u>

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

Statement of Net Position

Cash and investments	\$ 7,195,333
Restricted cash	3,496,247
	<u>\$ 10,691,580</u>

As of June 30, 2014, the district held the following investments and maturities:

Investment Type	Fair Value	% of Investment Portfolio
Local Government Investment Pool	\$ 6,534,008	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, 2014. 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, 2014 the carrying amount of the district's deposits (cash and certificates of deposit) in various financial institutions was \$4,156,402 and the bank balances were \$4,536,465. Of these deposits, all were covered by federal depository insurance. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance (FDIC) of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295.018 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the Oregon state treasurer's website. Qualifying depository banks must pledge securities with a particular value based on the banks level of capitalization. At June 30, 2014 and for the year then ended, the district's deposits were in compliance with the requirements of ORS 295.018.

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

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

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Oregon public bank depositories is available to repay the deposits of public funds of governmental entities.

Investments

At June 30, 2014, the district held \$6,534,008 of investments, which is all classified as cash and investments on the Statement of Net Position. The district has no policy for managing interest rate risk or credit risk.

The district has invested funds in the Oregon Short-term Fund Local Government Investment Pool (LGIP) during fiscal year 2014. 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, 2014 and for the year then ended, the district was in compliance with the aforementioned Oregon statutes.

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

Concentration of Credit Risk – Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The district is required to provide

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information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the United States Government. The district has no such investments.

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

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

Note 7. Other Post Employment Benefits (OPEB)

Early Retirement Incentive Plan

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

Eligibility:

Retirees must meet the following criteria:

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

Benefits payable:

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

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

The district pays an additional 7.65% FICA tax on stipend benefits, unless the stipend is used to pay medical insurance premiums covered under the district's Section 125 cafeteria plan.

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

Annual Required Contribution and Net Pension Obligation

The district has chosen not to fund the net pension obligation, but rather will continue to pay retirees their benefits as the benefits become due. The actuarial present value of plan benefits is as follows. First, at June 30, 2014, the obligation is as follows:

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	June 30, 2014	June 30, 2013
Determination of Annual Required Contribution		
(1) Normal Cost at year end	\$ 33,593	\$ 33,593
(2) Amortization of UAAL	394,334	432,980
(3) Annual Required Contribution (ARC)	427,927	466,573
Determination of Net OPEB Obligation		
(4) Annual Required Contribution (ARC)	427,927	466,573
(5) Interest on prior year Net OPEB Obligation	23,229	22,321
(6) Adjustment to ARC	(349,360)	(335,712)
(7) Annual Pension Cost	101,796	153,182
Less		
(8) Expected Stipend Payments	82,313	127,254
(9) Increase in Net OPEB Obligation	19,483	25,928
(10) Net OPEB Obligation - beginning	663,683	637,755
(11) Net OPEB Obligation - ending	<u>\$ 683,166</u>	<u>\$ 663,683</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, 2012	\$ 72,120	94%	\$ 637,755
June 30, 2013	153,182	83%	663,683
June 30, 2014	101,796	81%	683,166

Health Care Benefits

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

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

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

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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, 2014	June 30, 2013
Determination of Annual Required Contribution		
(1) Normal Cost at year end	\$ 177,241	\$ 167,683
(2) Amortization of UAAL	<u>201,023</u>	<u>199,986</u>
(3) Annual Required Contribution (ARC)	<u>378,264</u>	<u>367,669</u>
Determination of Net OPEB Obligation		
(4) Annual Required Contribution (ARC)	378,264	367,669
(5) Interest on prior year Net OPEB Obligation	39,461	36,693
(6) Adjustment to ARC	<u>(75,164)</u>	<u>(69,892)</u>
(7) Annual Pension Cost	<u>342,561</u>	<u>334,470</u>
Less		
(8) Explicit Benefit Payments	-	-
(9) Implied Benefit Payments	<u>262,094</u>	<u>255,387</u>
(9) Increase in Net OPEB Obligation	<u>80,467</u>	<u>79,083</u>
(10) Net OPEB Obligation - beginning	<u>1,127,466</u>	<u>1,048,383</u>
(11) Net OPEB Obligation - ending	<u><u>\$ 1,207,933</u></u>	<u><u>\$ 1,127,466</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, 2012	\$ 522,259	52%	\$ 1,048,383
June 30, 2013	334,470	76%	1,127,466
June 30, 2014	342,561	77%	1,207,933

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

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methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the June 30, 2014 actuarial valuation "the projected unit credit cost method" was used. The actuarial assumption was a 3.5% investment rate of return (net of administrative expenses). Medical and prescription drugs premium increase of 7.5% in the first year, 6% in the second year, 5.75% in the third year through 13th year, 6.0% in the 14th through 15th year, 6.75% in the 16th year, 7.0% in the 17th through 22nd year, 6.75% for the 23rd year and then tapering down to an ultimate trend of 5.5%. The annual healthcare cost trend rate of 5.25% for dental and vision insurance premiums. The UAAL (Unfunded Actuarial Accrued Liability) is being amortized as a level percentage of projected payroll on a closed basis over a period of fifteen years.

Note 8. Long-term Debt Early Retirement Obligation

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

	Early Retirement Obligations
Balance 7/1/13	\$ 663,683
Additions	96,399
Payments & deletions	(76,916)
Balance 6/30/14	<u>\$ 683,166</u>

<u>Amounts Payable in Fiscal Year:</u>	Early Retirement Obligations
2014-15	\$ 91,664
2015-16	84,239
2016-17	68,950
2017-18	48,927
2013-14	33,264
2019 and thereafter	356,122
Total	<u>\$ 683,166</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

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

	PERS UAL
	Bonds
	<u>Payable</u>
Balance 7/1/13	\$ 7,795,292
Additions	-
Payments & deletions	<u>(178,035)</u>
Balance 6/30/14	<u><u>\$ 7,617,257</u></u>
Current portion	\$ 185,862

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

Fiscal Year Ending June 30,	Principal	Interest	Interest Rate
2015	\$ 185,862	\$ 575,770	5.51%
2016	190,953	610,679	5.67%
2017	193,991	647,642	5.82%
2018	198,149	688,484	5.93%
2019	200,945	730,688	6.02%
2020-2024	2,642,357	2,112,649	5.48% to 6.10%
2025-2028	<u>4,005,000</u>	<u>523,365</u>	5.55%
Total	<u><u>\$ 7,617,257</u></u>	<u><u>\$ 5,889,277</u></u>	

Interest expense for the year ended June 30, 2014 was \$543,597.

On August 11, 2011 the district participated in a partial redemption of the 2002 PERS Series B obligation bond. The district's portion of the bond refinance was \$655,000 and was refinanced over a ten year period beginning in the 2011-2012 fiscal year. The refinanced bond is referred to as the 2011 PERS Series B. The agreement will reduce the PERS debt by \$48,719 over the duration of the bonds. The debt service requirements to maturity on June 30, 2021 are as follows:

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Fiscal Year Ending June 30,	Principal	Interest	Interest Rate
2015	\$ -	\$ 27,365	4.12%
2016	-	27,365	4.12%
2017	-	27,365	4.12%
2018	-	27,365	4.12%
2019	-	27,365	4.12%
2020-2021	665,000	54,729	4.12%
Total	<u>\$ 665,000</u>	<u>\$ 191,554</u>	

Note 10. Qualified School Construction Bond

On May 18, 2010 the voters in the district approved a \$18,500,000 bond for new construction and capital improvements. The general obligation bonds were sold on July 21, 2010 using the Qualified School Construction Bond (QSCB) program. The bonds have a fixed interest rate of 5.584%, but the federal government will pay 5.27% of the interest cost on the bonds. Interest is due and payable on December 15th and June 15th of each year. Principal is due at maturity on June 15, 2027, funds are to be set aside in a dedicated account for this future principal payment. Future set aside amounts as of June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Deposit Requirement	Interest	Federal Subsidy for Interest	Total
2015	\$ 985,000	\$ 1,033,040	\$ (974,950)	\$ 1,043,090
2016	1,010,000	1,033,040	(974,950)	1,068,090
2017	1,035,000	1,033,040	(974,950)	1,093,090
2018	1,065,000	1,033,040	(974,950)	1,123,090
2019	1,090,000	1,033,040	(974,950)	1,148,090
2020-2024	5,900,000	5,165,200	(4,874,750)	6,190,450
2025-2027	3,925,000	3,099,120	(2,924,850)	4,099,270
Total	<u>\$ 15,010,000</u>	<u>\$ 13,429,520</u>	<u>\$ (12,674,350)</u>	<u>\$ 15,765,170</u>

Interest expense for the year ended June 30, 2014 was \$1,033,040.

At June 30, 2014, the Local Government Investment Pool account dedicated for the deposit of the set aside requirements had a balance of \$3,496,247. The required balance to be reserved was \$3,490,000.

Note 11. Risk Management

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

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Note 12. Fund Balance Classifications

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

Fund Balances	General Fund	Federal Programs	Bond Debt Service	Nonmajor Funds	Total
<u>Nonspendable</u>					
Interfund receivables	\$ 859,010	\$ -	\$ -	\$ -	\$ 859,010
	<u>859,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>859,010</u>
<u>Restricted</u>					
Education - Grants	-	-	-	54,938	54,938
Debt Service	-	-	3,447,314	65,071	3,512,385
Food Service	-	-	-	944,143	944,143
	<u>-</u>	<u>-</u>	<u>3,447,314</u>	<u>1,064,152</u>	<u>4,511,466</u>
<u>Committed to:</u>					
Building repairs and maint.	-	-	-	868,692	868,692
Equipment reserve	-	-	-	94,274	94,274
Technological equipment	-	-	-	122,034	122,034
Student body use	-	-	-	137,281	137,281
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,222,281</u>	<u>1,222,281</u>
<u>Unassigned</u>	<u>2,115,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,115,622</u>
TOTAL FUND BALANCES	<u><u>\$2,974,632</u></u>	<u><u>\$ -</u></u>	<u><u>\$3,447,314</u></u>	<u><u>\$ 2,286,433</u></u>	<u><u>\$8,708,379</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 19, 2014. Commitments of fund balances must be made prior to the end of the fiscal year.

Note 13. Restatement

In the prior year, the following were restated:

The General Fund beginning fund balance was decreased by \$69,282 to account for understated SAIF liability from prior year.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Note 14. Governmental Fund Leases

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

Operating leases include:

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

Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	<u>Total Future</u>
<u>June 30,</u>	<u>Minimum Lease</u>
	<u>Payments</u>
2015	\$ 54,127
2016	33,293
2017	12,898
Total	<u>\$ 100,318</u>

Note 15. New Accounting Pronouncements and Accounting Standards

GASB Statement No. 67 – Financial Reporting for Pension Plans

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

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

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

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

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

The district along with other local governments participate in a cost-sharing multiple employer

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

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

REQUIRED SUPPLEMENTARY
INFORMATION

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

For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ 3,560,000	\$ 3,560,000	\$ 3,652,962	\$ 92,962
Local sources	185,420	185,420	353,160	167,740
Intermediate sources	117,020	117,020	-	(117,020)
State sources	18,695,701	18,695,701	17,605,238	(1,090,463)
Federal sources	-	-	24,941	24,941
Total revenues	22,558,141	22,558,141	21,636,301	(921,840)
Expenditures				
Instruction				
Regular programs	10,269,623	10,087,923	9,781,645	306,278
Special programs	4,152,985	4,321,985	4,137,024	184,961
Support services				
Students	700,180	743,908	712,556	31,352
Improvement of instruction	917,730	684,584	667,533	17,051
General administration	453,378	453,378	347,636	105,742
School administration	1,680,355	1,970,765	1,970,355	410
Business services	3,881,493	3,892,993	3,658,358	234,635
Central activities	1,212,646	1,172,854	1,098,535	74,319
Supplemental retirement program	158,822	98,822	76,337	22,485
Facilities acquisition and construction	60,000	60,000	42,871	17,129
Total expenditures	23,487,212	23,487,212	22,492,850	994,362
Excess of revenues over (under) expenditures	(929,071)	(929,071)	(856,549)	72,522
Other financing sources (uses)				
Grant indirect charges	100,000	100,000	170,025	70,025
Sale of assets	1,000	1,000	15,960	14,960
Transfers in (out)	(135,000)	(210,000)	(210,000)	-
Total other financing sources (uses)	(34,000)	(109,000)	(24,015)	84,985
Net change in fund balance	(963,071)	(1,038,071)	(880,564)	157,507
Available fund balance, July 1, before restatement	4,000,000	4,000,000	3,924,478	(75,522)
Restatement - see note 13	-	-	(69,282)	(69,282)
Available fund balance, July 1, after restatement	4,000,000	4,000,000	3,855,196	(144,804)
Available fund balance, June 30	\$ 3,036,929	\$ 2,961,929	\$ 2,974,632	\$ 12,703

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, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Federal sources	\$ 3,338,203	\$ 3,543,496	\$ 2,672,800	\$ (870,696)
Total revenues	<u>3,338,203</u>	<u>3,543,496</u>	<u>2,672,800</u>	<u>(870,696)</u>
Expenditures				
Instruction				
Regular programs	327,275	10,491	66,203	(55,712)
Special programs	2,082,365	2,464,477	1,882,441	582,036
Summer school programs	159,146	332,196	153,716	178,480
Support services				
Students	363,725	301,123	246,509	54,614
Improvement of instruction	317,114	342,434	217,228	125,206
School administration	25,315	8,820	20,876	(12,056)
Business services	6,000	2,000	37,985	(35,985)
Central activities	24,067	41,759	20,739	21,020
Food services	-	485	485	-
Community services	33,196	39,711	26,796	12,915
Total expenditures	<u>3,338,203</u>	<u>3,543,496</u>	<u>2,672,978</u>	<u>870,518</u>
Net change in fund balance	-	-	(178)	(178)
Available fund balance, July 1	-	-	178	178
Available fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ONTARIO SCHOOL DISTRICT No. 8C
Ontario, Malheur County, Oregon
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
For the Year Ended
June 30, 2014

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, 2014, there were no expenditures that exceeded budget at the legal level of budgetary control.

OTHER SUPPLEMENTARY INFORMATION

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Debt Service	Special Revenue Funds			
	Pension Bond Debt Service	Response to Intervention	Lowe's Grant- Aiken Elementary	Professional Learning Teams Grant	Educator Effectiveness Grant
ASSETS					
Cash	\$ 65,071	\$ -	\$ 1,416	\$ -	\$ -
Receivables					
Other	-	29,634	-	1,368	-
Total assets	<u>\$ 65,071</u>	<u>\$ 29,634</u>	<u>\$ 1,416</u>	<u>\$ 1,368</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	23,188	-	1,368	-
Total liabilities	<u>-</u>	<u>23,188</u>	<u>-</u>	<u>1,368</u>	<u>-</u>
Fund balances					
Spendable					
Restricted	65,071	6,446	1,416	-	-
Committed	-	-	-	-	-
Total fund balances	<u>65,071</u>	<u>6,446</u>	<u>1,416</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 65,071</u>	<u>\$ 29,634</u>	<u>\$ 1,416</u>	<u>\$ 1,368</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Special Revenue Funds		
Smile Grant	ASPIRE Grant	SB 622 School Technology
\$ 5,233	\$ 3,526	\$ 37,612
-	-	-
<u>\$ 5,233</u>	<u>\$ 3,526</u>	<u>\$ 37,612</u>
\$ -	\$ -	\$ -
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
5,233	3,526	37,612
-	-	-
<u>5,233</u>	<u>3,526</u>	<u>37,612</u>
<u>\$ 5,233</u>	<u>\$ 3,526</u>	<u>\$ 37,612</u>

Special Revenue Funds		
Challenge Day	Goldman Sachs Philanthropic	Student Body
\$ -	\$ 705	\$ 137,281
-	-	-
<u>\$ -</u>	<u>\$ 705</u>	<u>\$ 137,281</u>
\$ -	\$ -	\$ -
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	705	-
-	-	137,281
<u>-</u>	<u>705</u>	<u>137,281</u>
<u>\$ -</u>	<u>\$ 705</u>	<u>\$ 137,281</u>

Special Revenue Fund	Capital Projects Funds					
Food Services	Bond Projects	Equipment Replacement	Technology	Building Improvement	Totals June 30, 2014	
\$ 883,118	\$ -	\$ 94,274	\$ 122,034	\$ 878,907	\$ 2,229,177	
61,097	-	-	-	-	92,099	
<u>\$ 944,215</u>	<u>\$ -</u>	<u>\$ 94,274</u>	<u>\$ 122,034</u>	<u>\$ 878,907</u>	<u>\$ 2,321,276</u>	
\$ 72	\$ -	\$ -	\$ -	\$ 10,215	\$ 10,287	
-	-	-	-	-	24,556	
<u>72</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,215</u>	<u>34,843</u>	
944,143	-	-	-	-	1,064,152	
-	-	94,274	122,034	868,692	1,222,281	
<u>944,143</u>	<u>-</u>	<u>94,274</u>	<u>122,034</u>	<u>868,692</u>	<u>2,286,433</u>	
<u>\$ 944,215</u>	<u>\$ -</u>	<u>\$ 94,274</u>	<u>\$ 122,034</u>	<u>\$ 878,907</u>	<u>\$ 2,321,276</u>	

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR FUNDS

For the Year Ended

June 30, 2014

	Debt Service		Special Revenue Funds		
	Pension	Response		Professional	Educator
	Bond	to	Lowe's Grant-	Learning Teams	Effectiveness
	Debt Service	Intervention	Aiken Elementary	Grant	Grant
Revenues					
Local sources	\$ 777,253	\$ 31,884	\$ -	\$ -	\$ -
State sources	-	-	-	2,219	-
Federal sources	-	-	-	-	-
Total revenues	<u>777,253</u>	<u>31,884</u>	<u>-</u>	<u>2,219</u>	<u>-</u>
Expenditures					
Current					
Instruction					
Regular programs	-	-	-	-	-
Special programs	-	-	-	-	-
Support services					
Improvement of instruction	-	29,717	-	2,219	-
Business services	-	-	3,505	-	-
Central activities	121	-	-	-	-
Food services	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt service					
Principal	178,035	-	-	-	-
Interest	536,037	-	-	-	-
Total expenditures	<u>714,193</u>	<u>29,717</u>	<u>3,505</u>	<u>2,219</u>	<u>-</u>
Excess of revenues over (under) expenditures	63,060	2,167	(3,505)	-	-
Other financing sources (uses)					
Sale of assets	-	-	-	-	-
Transfers in (out)	75,000	-	-	-	-
Total other financing sources (uses)	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	138,060	2,167	(3,505)	-	-
Available fund balances, July 1	<u>(72,989)</u>	<u>4,279</u>	<u>4,921</u>	<u>-</u>	<u>-</u>
Available fund balance, June 30	<u>\$ 65,071</u>	<u>\$ 6,446</u>	<u>\$ 1,416</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Special Revenue Funds		
Smile Grant	ASPIRE Grant	SB 622 School Technology
\$ -	\$ -	\$ -
5,887	3,000	-
-	-	-
5,887	3,000	-
-	246	-
6,563	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
6,563	246	-
(676)	2,754	-
-	-	-
2,000	-	-
2,000	-	-
1,324	2,754	-
3,909	772	37,612
\$ 5,233	\$ 3,526	\$ 37,612

Special Revenue Funds		
Challenge Day	Goldman Sachs Philanthropic	Student Body
\$ 3,688	\$ -	\$ 298,992
-	-	-
-	-	-
3,688	-	298,992
3,710	-	-
-	-	277,750
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
3,710	-	277,750
(22)	-	21,242
-	-	-
-	-	-
-	-	-
(22)	-	21,242
22	705	116,039
\$ -	\$ 705	\$ 137,281

Special Revenue Fund	Capital Projects Funds				Totals June 30, 2014
Food Service	Bond Projects	Equipment Replacement	Technology	Building Improvement	
\$ 172,390	\$ 268	\$ 450	\$ 540	\$ 4,091	\$ 1,289,556
23,184	-	-	-	-	34,290
1,490,510	-	-	-	-	1,490,510
1,686,084	268	450	540	4,091	2,814,356
-	-	-	-	-	3,956
-	-	-	-	-	284,313
-	-	-	-	-	31,936
-	-	-	-	-	3,505
-	-	-	31,037	-	31,158
1,694,700	-	-	-	-	1,694,700
-	127,608	-	-	126,660	254,268
-	-	-	-	-	178,035
-	-	-	-	-	536,037
1,694,700	127,608	-	31,037	126,660	3,017,908
(8,616)	(127,340)	450	(30,497)	(122,569)	(203,552)
1,650	-	6,075	-	-	7,725
-	-	-	43,000	90,000	210,000
1,650	-	6,075	43,000	90,000	217,725
(6,966)	(127,340)	6,525	12,503	(32,569)	14,173
951,109	127,340	87,749	109,531	901,261	2,272,260
\$ 944,143	\$ -	\$ 94,274	\$ 122,034	\$ 868,692	\$ 2,286,433

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, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 688,762	\$ 688,762	\$ 777,253	\$ 88,491
Total revenues	<u>688,762</u>	<u>688,762</u>	<u>777,253</u>	<u>88,491</u>
Expenditures				
Support services				
Central activities	125	125	121	4
Debt service				
Principal	178,035	178,035	178,035	-
Interest	<u>536,038</u>	<u>536,038</u>	<u>536,037</u>	<u>1</u>
Total expenditures	<u>714,198</u>	<u>714,198</u>	<u>714,193</u>	<u>5</u>
Excess of revenues over (under) expend	(25,436)	(25,436)	63,060	88,496
Other financing sources (uses)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>(75,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>(75,000)</u>
Net change in fund balance	(25,436)	(25,436)	138,060	163,496
Available fund balance, July 1	<u>150,000</u>	<u>150,000</u>	<u>(72,989)</u>	<u>(222,989)</u>
Available fund balance, June 30	<u>\$ 124,564</u>	<u>\$ 124,564</u>	<u>\$ 65,071</u>	<u>\$ (59,493)</u>

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended

June 30, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ 26,810	\$ 31,884	\$ 5,074
Total revenues	-	26,810	31,884	5,074
Expenditures				
Support services				
Improvement of instruction	-	26,810	29,717	(2,907)
Total expenditures	-	26,810	29,717	(2,907)
Net change in fund balance	-	-	2,167	2,167
Available fund balance, July 1	-	-	4,279	4,279
Available fund balance, June 30	\$ -	\$ -	\$ 6,446	\$ 6,446

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended

June 30, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Support services				
Business services	5,000	5,000	3,505	1,495
Total expenditures	5,000	5,000	3,505	1,495
Net change in fund balance	(5,000)	(5,000)	(3,505)	1,495
Available fund balance, July 1	5,000	5,000	4,921	(79)
Available fund balance, June 30	\$ -	\$ -	\$ 1,416	\$ 1,416

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PROFESSIONAL LEARNING TEAMS GRANT FUND (BUDGET BASIS)**

For the Year Ended

June 30, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
State sources	\$ -	\$ 2,410	\$ 2,219	\$ (191)
Total revenues	-	2,410	2,219	(191)
Expenditures				
Support services				
Improvement of instruction	-	2,410	2,219	191
Total expenditures	-	2,410	2,219	191
Net change in fund balance	-	-	-	-
Available fund balance, July 1	-	-	-	-
Available fund balance, June 30	\$ -	\$ -	\$ -	\$ -

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - EDUCATOR EFFECTIVENESS GRANT FUND (BUDGET BASIS)**

For the Year Ended

June 30, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
State sources	\$ -	\$ 30,001	\$ -	\$ (30,001)
Total revenues	-	30,001	-	(30,001)
Expenditures				
Support services				
Improvement of instruction	-	30,001	-	30,001
Total expenditures	-	30,001	-	30,001
Net change in fund balance	-	-	-	-
Available fund balance, July 1				-
Available fund balance, June 30	\$ -	\$ -	\$ -	\$ -

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SMILE GRANT FUND (BUDGET BASIS)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
State sources	\$ 4,370	\$ 4,370	\$ 5,887	\$ 1,517
Total revenues	4,370	4,370	5,887	1,517
Expenditures				
Instruction				
Special programs	6,370	6,370	6,563	(193)
Total expenditures	6,370	6,370	6,563	(193)
Excess of revenues over (under) expenditures	(2,000)	(2,000)	(676)	1,324
Other financing sources (uses)				
Transfers in (out)	2,000	2,000	2,000	-
Total other financing sources (uses)	2,000	2,000	2,000	-
Net change in fund balance	-	-	1,324	1,324
Available fund balance, July 1	-	-	3,909	3,909
Available fund balance, June 30	\$ -	\$ -	\$ 5,233	\$ 5,233

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ASPIRE GRANT (BUDGET BASIS)
 For the Year Ended
 June 30, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
State sources	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Expenditures				
Instruction				
Regular programs	<u>3,000</u>	<u>3,000</u>	<u>246</u>	<u>2,754</u>
Total expenditures	<u>3,000</u>	<u>3,000</u>	<u>246</u>	<u>2,754</u>
Net change in fund balance	-	-	2,754	2,754
Available fund balance, July 1	<u>-</u>	<u>-</u>	<u>772</u>	<u>772</u>
Available fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,526</u></u>	<u><u>\$ 3,526</u></u>

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, 2014

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

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHALLENGE DAY (BUDGET BASIS)
 For the Year Ended
 June 30, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 3,000	\$ 3,000	\$ 3,688	\$ 688
Total revenues	3,000	3,000	3,688	688
Expenditures				
Instruction				
Regular programs	3,000	3,000	3,710	(710)
Total expenditures	3,000	3,000	3,710	(710)
Net change in fund balance	-	-	(22)	(22)
Available fund balance, July 1	-	-	22	22
Available fund balance, June 30	\$ -	\$ -	\$ -	\$ -

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended

June 30, 2014

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

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STUDENT BODY (BUDGET BASIS)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 295,765	\$ 295,765	\$ 298,992	\$ 3,227
Total revenues	<u>295,765</u>	<u>295,765</u>	<u>298,992</u>	<u>3,227</u>
Expenditures				
Instruction				
Special programs	296,665	296,665	277,750	18,915
Total expenditures	<u>296,665</u>	<u>296,665</u>	<u>277,750</u>	<u>18,915</u>
Net change in fund balance	(900)	(900)	21,242	22,142
Available fund balance, July 1	<u>100,900</u>	<u>100,900</u>	<u>116,039</u>	<u>15,139</u>
Available fund balance, June 30	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 137,281</u>	<u>\$ 37,281</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FOOD SERVICES (BUDGET BASIS)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 201,000	\$ 201,000	\$ 172,390	\$ (28,610)
State sources	13,750	13,750	23,184	9,434
Federal sources	1,375,000	1,375,000	1,490,510	115,510
Total revenues	<u>1,589,750</u>	<u>1,589,750</u>	<u>1,686,084</u>	<u>96,334</u>
Expenditures				
Food services	<u>1,695,385</u>	<u>1,695,385</u>	<u>1,694,700</u>	<u>685</u>
Total expenditures	<u>1,695,385</u>	<u>1,695,385</u>	<u>1,694,700</u>	<u>685</u>
Net change in fund balance	(105,635)	(105,635)	(6,966)	98,669
Available fund balance, July 1	<u>855,000</u>	<u>855,000</u>	<u>951,109</u>	<u>96,109</u>
Available fund balance, June 30	<u>\$ 749,365</u>	<u>\$ 749,365</u>	<u>\$ 944,143</u>	<u>\$ 194,778</u>

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, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ 268	\$ 268
Total revenues	-	-	268	268
Expenditures				
Facilities acquisition and construction	-	127,608	127,608	-
Total expenditures	-	127,608	127,608	-
Net change in fund balance	-	(127,608)	(127,340)	268
Available fund balance, July 1	-	127,608	127,340	(268)
Available fund balance, June 30	\$ -	\$ -	\$ -	\$ -

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - EQUIPMENT REPLACEMENT (BUDGET BASIS)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ -	\$ -	\$ 450	\$ 450
Total revenues	-	-	450	450
Expenditures				
Support services				
Business services	30,000	30,000	-	30,000
Central activities	58,000	58,000	-	58,000
Total expenditures	88,000	88,000	-	88,000
Excess of revenues over (under) expenditures	(88,000)	(88,000)	450	88,450
Other financing sources (uses)				
Sale of assets	-	-	6,075	6,075
Total other financing sources (uses)	-	-	6,075	6,075
Net change in fund balance	(88,000)	(88,000)	6,525	94,525
Available fund balance, July 1	88,000	88,000	87,749	(251)
Available fund balance, June 30	\$ -	\$ -	\$ 94,274	\$ 94,274

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TECHNOLOGY (BUDGET BASIS)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 250	\$ 250	\$ 540	\$ 290
Total revenues	250	250	540	290
Expenditures				
Supporting services				
Central activities	153,250	153,250	31,037	122,213
Total expenditures	153,250	153,250	31,037	122,213
Excess of revenues over (under) expenditures	(153,000)	(153,000)	(30,497)	122,503
Other financing sources (uses)				
Transfers in (out)	43,000	43,000	43,000	-
Total other financing sources (uses)	43,000	43,000	43,000	-
Net change in fund balance	(110,000)	(110,000)	12,503	122,503
Available fund balance, July 1	110,000	110,000	109,531	(469)
Available fund balance, June 30	\$ -	\$ -	\$ 122,034	\$ 122,034

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, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Local sources	\$ 4,000	\$ 4,000	\$ 4,091	\$ 91
Total revenues	4,000	4,000	4,091	91
Expenditures				
Facilities acquisition and construction	994,000	994,000	126,660	867,340
Total expenditures	994,000	994,000	126,660	867,340
Excess of revenues over (under) expenditures	(990,000)	(990,000)	(122,569)	867,431
Other financing sources (uses)				
Transfers in (out)	90,000	90,000	90,000	-
Total other financing sources (uses)	90,000	90,000	90,000	-
Net change in fund balance	(900,000)	(900,000)	(32,569)	867,431
Available fund balance, July 1	900,000	900,000	901,261	1,261
Available fund balance, June 30	\$ -	\$ -	\$ 868,692	\$ 868,692

MAJOR DEBT SERVICE FUND

ONTARIO SCHOOL DISTRICT NO. 8C

Ontario, Malheur County, Oregon

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

For the Year Ended

June 30, 2014

	Original Budget	Final Budget	Actual	Variance Final Budget Positive (Negative)
Revenues				
Taxes	\$ 978,500	\$ 978,500	\$ 1,004,277	\$ 25,777
Local sources	14,730	14,730	16,878	2,148
Federal sources	974,950	974,950	904,754	(70,196)
Total revenues	1,968,180	1,968,180	1,925,909	(42,271)
Expenditures				
Support services				
Business services	140	140	126	14
Debt service				
Interest	1,033,040	1,033,040	1,033,040	-
Total expenditures	1,033,180	1,033,180	1,033,166	14
Net change in fund balance	935,000	935,000	892,743	(42,257)
Available fund balance, July 1	2,555,000	2,555,000	2,554,571	(429)
Available fund balance, June 30	\$ 3,490,000	\$ 3,490,000	\$ 3,447,314	\$ (42,686)

OTHER FINANCIAL SCHEDULES

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF CASH, CASH ITEMS, INVESTMENTS, AND COLLATERAL SECURITY
June 30, 2014

	All Funds	Total
Cash and cash items		
Umpqua Bank		
Demand accounts	\$ 525,528	
Total Umpqua Bank		\$ 525,528
Bank of the West		
Demand accounts	2,000	
Total Bank of the West		2,000
Washington Federal		
Demand accounts	26,590	
Total Washington Federal		26,590
JP Morgan Chase Bank		
Demand accounts	5,538	
Total JP Morgan Chase Bank		5,538
Intermountain Community Bank		
Demand accounts	3,593,118	
Total Intermountain Community Bank		3,593,118
U.S. Bank, N.A.		
Demand accounts	3,628	
Total U.S. Bank, N.A.		3,628
Total cash with banks		4,156,402
Cash-on-hand		1,170
Total cash and cash items		4,157,572
Investments		
Oregon State Treasury Local Government Investment Pool***		6,534,008
Total net investments		6,534,008
Total cash, cash items and investments		\$ 10,691,580

(Continued on next page)

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF CASH, CASH ITEMS, INVESTMENTS, AND COLLATERAL SECURITY
June 30, 2014

Collateral security**

*	Umpqua Bank-FDIC	\$	250,000
*	Bank of the West - FDIC		250,000
*	Washington Federal-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, 2014

GENERAL FUND

Tax Year	Uncollected Taxes June 30, 2013	Current Assessment	(Abatement) and Adjustments	Rebates Allowed	Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes June 30, 2014
2013-14		\$ 3,695,284	\$ -	\$ (93,218)	\$ 1,567	\$ 3,470,607	\$ 3,472,174	\$ 131,459
2012-13	\$ 130,699	-	(693)	-	3,301	57,924	61,225	72,082
2011-12	82,233	-	(378)	-	4,499	34,244	38,743	47,611
2010-11	53,218	-	(366)	-	6,433	31,457	37,890	21,395
2009-10	21,748	-	(360)	-	4,904	20,096	25,000	1,292
2008-09	2,678	-	(344)	-	403	1,256	1,659	1,078
2007-08	1,120	-	(324)	-	229	573	802	223
2006-07	1,584	-	-	-	153	305	458	1,279
	<u>\$ 293,280</u>	<u>\$ 3,695,284</u>	<u>\$ (2,465)</u>	<u>\$ (93,218)</u>	<u>\$ 21,489</u>	<u>\$ 3,616,462</u>	<u>\$ 3,637,951</u>	<u>\$ 276,419</u>

BOND DEBT SERVICE FUND

Tax Year	Uncollected Taxes June 30, 2013	Current Assessment	(Abatement) and Adjustments	Rebates Allowed	Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes June 30, 2014
2013-14		\$ 1,019,654	\$ -	\$ (25,722)	\$ 101	\$ 957,658	\$ 957,759	\$ 36,274
2012-13	\$ 33,370	-	(177)	-	51	14,789	14,840	18,404
2011-12	21,954	-	(101)	-	38	9,142	9,180	12,711
2010-11	13,939	-	(96)	-	1,685	8,239	9,924	5,604
	<u>\$ 69,263</u>	<u>\$ 1,019,654</u>	<u>\$ (374)</u>	<u>\$ (25,722)</u>	<u>\$ 1,875</u>	<u>\$ 989,828</u>	<u>\$ 991,703</u>	<u>\$ 72,993</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, 2014

	Migrant Title IC	Migrant Summer School	Migrant Preschool Program	Title IA Grant
Revenues				
Federal sources	\$ 289,800	\$ 115,311	\$ 29,077	\$ 1,173,875
Total revenues	<u>289,800</u>	<u>115,311</u>	<u>29,077</u>	<u>1,173,875</u>
Expenditures				
<i>Current</i>				
Instruction				
Regular programs	-	-	-	-
Special programs	83,550	-	29,077	1,091,649
Summer school programs	-	115,311	-	2,445
Support services				
Students	180,922	-	-	51,694
Improvement of instruction	-	-	-	-
School administration	6,244	-	-	-
Business services	-	-	-	-
Central activities	-	-	-	20,538
Food services	485	-	-	-
Community services	18,599	-	-	7,549
Total expenditures	<u>289,800</u>	<u>115,311</u>	<u>29,077</u>	<u>1,173,875</u>
Net change in fund balances	-	-	-	-
Available fund balances, July 1	-	-	-	-
Available fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

School Improvement Grants	Title III	IDEA
\$ 217,138	\$ 43,762	\$ 649,692
<u>217,138</u>	<u>43,762</u>	<u>649,692</u>

59,200	858	6,145
21,712	24,819	631,634
17,704	18,085	-
-	-	1,444
69,091	-	10,469
14,632	-	-
34,709	-	-
90	-	-
-	-	-
-	-	-
<u>217,138</u>	<u>43,762</u>	<u>649,692</u>
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Effective Behavioral & Instructional Support Systems	Title VI (B) Innovative Rural Ed	Title II A	Kindergarten Readiness	Child Development Block Grant	Totals
\$ 8,962	\$ (7)	\$ 128,794	\$ 671	\$ 15,725	\$ 2,672,800
8,962	(7)	128,794	671	15,725	2,672,800
-	-	-	-	-	66,203
-	-	-	-	-	1,882,441
-	171	-	-	-	153,716
-	-	-	-	12,449	246,509
8,962	-	128,035	671	-	217,228
-	-	-	-	-	20,876
-	-	-	-	3,276	37,985
-	-	111	-	-	20,739
-	-	-	-	-	485
-	-	648	-	-	26,796
8,962	171	128,794	671	15,725	2,672,978
-	(178)	-	-	-	(178)
-	178	-	-	-	178
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
 For the Year Ended
 June 30, 2014

2013-14 Assessed valuation of taxable property **\$ 989,037,218**

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

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

	Principal	Interest	Total Bonded Debt Services	General Fund Expenditures and Transfers	Ratio of Debt Service to General Fund Expenditures and transfers
2013-2014	\$ 178,035	\$ 1,569,077	\$ 1,747,112	\$ 22,702,850	7.70%

Ratio of net bonded debt to assessed value:

	Assessed Valuation	Net Bonded Debt (1)	Ratio of Net Bonded Debt to Assessed Value
2013-2014	\$ 989,037,218	\$ 23,269,872	2.35%

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

Principal taxpayers in Ontario School District 8C

	Assessed Valuation	Percent of Total Value
Private enterprises		
Heinz, H J Company LP	\$ 91,070,616	9.21%
Oregon Warehouse Partners	13,664,280	1.38%
Ontario Asset Holdings LLC	17,890,652	1.81%
Walmart Real Est Busuness Trs	9,888,880	1.00%
Murakami Farms Inc	8,996,774	0.91%
Ontario Capital, LLC	7,027,468	0.71%
TQ Tenth Street Hotel, LLC	6,192,250	0.63%
Home Depot USA, Inc	5,956,622	0.60%
Public utilities		
Idaho Power Co.	\$ 40,829,991	4.42%
Union Pacific Railroad Co.	5,610,006	0.61%
All other taxpayers	781,909,679	79.06%
Total assessed value	<u>\$ 989,037,218</u>	<u>100.00%</u>

ONTARIO SCHOOL DISTRICT NO. 8C
 Ontario, Malheur County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
 For the year Ended
 June 30, 2014

Summary of General Fund state revenue

	State Sources	State Sources as % of Total Revenues	Total Revenues
2013-14	\$ 17,605,238	60.60%	\$ 29,049,365

Computation of Legal Debt Margin:

Real market value	\$ 1,559,231,859
Allowable proportion	0.0795
Debt limit: 7.95% of real market value (1)	<u>123,958,933</u>

Amount of debt applicable to debt limit:

Bonded debt	\$ 26,782,257
Less: amount available in debt service funds	<u>(3,512,385)</u>
Amount of debt applicable to debt limit	<u>23,269,872</u>

Legal debt margin	<u><u>\$ 100,689,061</u></u>
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(1) ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Aggregates are governed by real market values of all taxable properties within the district based on the following:

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

Allowable percentage of real market value:

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

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
DISTRICT AUDIT REVENUE SUMMARY
For the Year Ended
June 30, 2014

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 600
Revenue from Local Sources					
1110 Ad Valorem Taxes	\$ 3,652,959	\$ -	\$ 1,004,277	\$ -	\$ -
1120 Local Option Taxes	-	-	-	-	-
1190 Penalties and Interest	3	-	1	-	-
1200 Revenue from Local Government Other Than District	73,020	-	-	-	-
1310 Regular Tuition	22,721	-	-	-	-
1320 Adult/Continuing Ed Tuition	-	-	-	-	-
1330 Summer School Tuition	-	-	-	-	-
1400 Transportation Fees	18,521	-	-	-	-
1500 Earnings on Investments	36,642	-	18,706	5,349	2,253
1600 Food Services	-	165,509	-	-	-
1700 Extracurricular Activities	49,986	298,992	-	-	-
1800 Community Services Activities	-	-	-	-	-
1910 Rentals	11,328	-	-	-	-
1920 Contributions and Donations	-	-	-	-	-
1930 Rental or Lease Payments from Private Contractors	-	-	-	-	-
1940 Services Provided Other LEAs	119,265	30,234	-	-	-
1950 Textbook Sales and Rentals	-	-	-	-	-
1960 Recovery of Prior Years' Expenditures	-	-	-	-	-
1970 Services Provided Other Funds	5,521	-	775,424	-	62,335
1980 Fees Charged to Grants	170,025	-	-	-	-
1990 Miscellaneous	16,156	12,219	-	-	-
Total Revenue from Local Sources	4,176,147	506,954	1,798,408	5,349	64,588
Revenue from Intermediate Sources					
2101 County School Funds	-	-	-	-	-
2102 ESD Apportionment	-	-	-	-	-
2105 Natural Gas, Oil and Mineral Receipts	-	-	-	-	-
2199 Other Intermediate Sources	-	-	-	-	-
2200 Restricted Revenue Intermediate Sources	-	-	-	-	-
2800 Revenue in Lieu of Taxes	-	-	-	-	-
2900 Revenue for/on Behalf of District	-	-	-	-	-
Total Revenue from Intermediate Sources	-	-	-	-	-
Revenue from State Sources					
3101 State School Fund - General Support	17,383,917	-	-	-	-
3102 State School Fund - Lunch Match	-	14,501	-	-	-
3103 Common School Fund	220,668	-	-	-	-
3104 State Managed Timber	-	-	-	-	-
3199 Other Unrestricted Grants - State	-	-	-	-	-
3204 Driver Education	-	-	-	-	-
3222 SSSF Transportation	-	-	-	-	-
3299 Other Restricted Grants - State	653	19,789	-	-	-
3800 State Revenue in Lieu of Taxes	-	-	-	-	-
3900 State Revenue for/on Behalf of District	-	-	-	-	-
Total Revenue from State Sources	17,605,238	34,290	-	-	-
Revenue from Federal Sources					
4300 Restricted Revenue Direct from Federal Government	-	-	-	-	-
4500 Restricted Revenue from Federal Government Through the State	24,941	4,092,207	904,754	-	-
4900 Revenue for/on Behalf of the District	-	71,103	-	-	-
Total Revenue from Federal Sources	24,941	4,163,310	904,754	-	-
Revenue from Other Sources					
5100 Long-term Debt Financing	-	-	-	-	-
5200 Interfund Transfers	-	2,000	75,000	133,000	-
5300 Sale of or Compensation for Loss of Fixed Assets	15,960	1,650	-	6,075	-
5400 Beginning Fund Balance	3,855,196	1,119,546	2,481,582	1,225,881	371,415
Total Revenue from Other Sources	3,871,156	1,123,195	2,556,582	1,364,956	371,415
Grand Totals	\$ 25,677,482	\$ 5,827,749	\$ 5,259,744	\$ 1,370,305	\$ 436,003

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
GENERAL FUND
For the Year Ended
June 30, 2014

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	700 Transfers	Total
1000 Instruction								
1111 Elementary	\$ 3,005,335	\$ 1,656,065	\$ 38,262	\$ 318,656	\$ -	\$ -	\$ -	\$ 5,018,318
1113 Elementary extracurricular	-	-	-	-	-	-	-	-
1121 Middle and junior high programs	962,453	508,300	15,249	67,175	-	-	-	1,553,177
1122 Middle and junior high school extracurricular	61,366	19,298	7,161	5,965	-	-	-	93,790
1131 High school programs	1,711,397	911,234	60,615	91,024	-	1,705	-	2,775,975
1132 High school extracurricular	171,684	56,242	54,898	45,088	-	12,473	-	340,385
1210 Programs for talented and gifted	7,945	3,291	665	3,097	-	-	-	14,998
1226 Home instruction	-	-	-	-	-	-	-	-
1233 Other designated programs	-	-	-	-	-	-	-	-
1250 Resource rooms	1,028,401	612,178	33,689	4,357	-	-	-	1,678,625
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title 1A/D	-	-	-	-	-	-	-	-
1283 District alternative programs	57,665	29,602	-	71	-	-	-	87,338
1288 Charter School	-	-	1,876,437	-	-	-	-	1,876,437
1291 English second language programs	282,952	161,802	7,465	27,407	-	-	-	479,626
1292 Teen parent programs	-	-	-	-	-	-	-	-
1299 Other programs	-	-	-	-	-	-	-	-
1430 High school summer school programs	-	-	-	-	-	-	-	-
Total 1000 instruction	7,289,198	3,958,012	2,094,441	562,840	-	14,178	-	13,918,669
2000 Support services								
2110 Attendance and social work services	-	-	-	-	-	-	-	-
2115 Student safety	2,357	24	116,389	-	-	-	-	118,770
2117 Identification and recruitment of migrant children	-	-	-	-	-	-	-	-
2119 Other attendance and social work services	30,618	20,043	-	-	-	-	-	50,661
2122 Counseling services	244,970	147,739	1,501	7,018	-	-	-	401,228
2134 Nurse services	-	-	45,236	-	-	-	-	45,236
2139 Other health services	-	-	-	1,047	-	-	-	1,047
2190 Student direction support	63,436	31,637	302	239	-	-	-	95,614
2213 Curriculum development	55,436	24,063	3,596	4,090	-	-	-	87,185
2219 Other improvement of instruction services	-	-	-	-	-	-	-	-
2222 Library media center	112,603	87,402	-	18,193	-	-	-	218,198
2223 Multimedia services	-	-	690	363	-	-	-	1,053
2230 Assessment and testing	121,628	63,808	3,709	1,643	-	179	-	190,967
2240 Instructional staff development	125,101	27,822	15,175	2,032	-	-	-	170,130
2310 Board of education	-	-	51,249	7,567	-	36,270	-	95,086
2321 Office of the superintendent services	163,118	81,910	4,850	1,432	-	1,240	-	252,550
2410 Office of the principal	1,056,755	556,458	31,438	31,187	-	7,937	-	1,683,775
2490 Other support services-school administration	189,388	97,192	-	-	-	-	-	286,580
2521 Fiscal services	92,992	42,338	43,458	6,621	-	1,920	-	187,329
2524 Payroll services	44,186	26,192	-	-	-	-	-	70,378
2525 Financial accounting services	30,474	19,293	-	-	-	-	-	49,767
2541 Operation and maintenance of plant services	81,162	46,257	-	-	-	-	-	127,419
2542 Care and upkeep of building services	612,759	398,724	614,301	130,412	30	147,060	-	1,903,286
2543 Care and upkeep of grounds	74,190	45,762	7,041	24,335	-	1,013	-	152,341
2551 Student transportation services	87,259	54,217	-	-	-	-	-	141,476
2552 Vehicle operation services	353,273	183,593	(1,367)	181,431	216,328	30,839	-	964,097
2559 Other student transportation services	-	-	39,372	-	-	-	-	39,372
2573 Warehouse and distribution	12,558	10,335	-	-	-	-	-	22,893
2620 Planning, research, development services	-	-	-	-	-	-	-	-
2626 Grant writing	-	-	-	-	-	-	-	-
2630 Information services	50,901	37,324	-	180	-	-	-	88,405
2633 Public information services	-	-	-	-	-	-	-	-
2640 Staff services	-	-	1,131	-	-	-	-	1,131
2641 Staff services-service area direction	93,590	50,885	7,842	2,732	-	1,673	-	156,722
2660 Technology services	316,592	184,440	19,595	271,565	59,785	300	-	852,277
2700 Supplemental retirement program	72,633	3,704	-	-	-	-	-	76,337
Total 2000 support services	4,087,979	2,241,162	1,005,508	692,087	276,143	228,431	-	8,531,310
3000 Enterprise and community services								
3300 Community services	-	-	-	-	-	-	-	-
Total 3000 enterprise and community	-	-	-	-	-	-	-	-
4000 Facilities acquisition and construction								
4150 Building acquisition, construction and improvement services	-	-	33,196	-	9,675	-	-	42,871
Total 4000 facilities acquisition and construction	-	-	33,196	-	9,675	-	-	42,871
5000 Other uses								
5110 Long-term debt service	-	-	-	-	-	-	-	-
5120 Short-term debt retirement	-	-	-	-	-	-	-	-
5200 Transfer of funds	-	-	-	-	-	-	210,000	210,000
Total 5000 other uses	-	-	-	-	-	-	210,000	210,000
6000 Contingencies								
6110 Operating contingency	-	-	-	-	-	-	-	-
Total 6000 contingencies	-	-	-	-	-	-	-	-
Total expenditures	\$ 11,377,177	\$ 6,199,174	\$ 3,133,145	\$ 1,254,927	\$ 285,818	\$ 242,609	\$ 210,000	\$ 22,702,850

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
SPECIAL REVENUE FUNDS
For the Year Ended
June 30, 2014

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	700 Transfers	Total
1000 Instruction								
1111 Elementary	\$ -	\$ -	\$ -	\$ 6,039	\$ -	\$ 964	\$ -	\$ 7,003
1113 Elementary extracurricular	-	-	-	-	-	-	-	-
1121 Middle and junior high programs	-	-	-	-	-	-	-	-
1122 Middle and junior high school extracurricular	-	-	-	-	-	-	-	-
1131 High school programs	8,133	2,220	10,695	31,957	1,901	8,250	-	63,156
1132 High school extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten programs	-	-	-	-	-	-	-	-
1210 Programs for talented and gifted	-	-	-	-	-	-	-	-
1226 Home instruction	-	-	-	-	-	-	-	-
1233 Other designated programs	-	-	-	-	-	-	-	-
1250 Resource rooms	313,023	225,455	14,175	46,289	-	32,693	-	631,635
1271 Remedial programs	8,399	2,970	5,000	5,343	-	-	-	21,712
1272 Title I	602,810	338,583	7,852	15,223	-	59,926	-	1,024,394
1283 District alternative programs	-	-	-	-	-	-	-	-
1288 Charter school	-	-	67,254	-	-	-	-	67,254
1291 English second language programs	5,992	1,941	12,363	4,523	-	-	-	24,819
1292 Teen parent programs	-	-	-	-	-	-	-	-
1293 Migrant	24,434	10,068	36,463	25,382	-	16,280	-	112,627
1299 Other programs	4,650	1,614	-	278,049	-	-	-	284,313
1300 Adult Education	-	-	-	-	-	-	-	-
1400 Summer school	11,719	3,969	3,703	6,847	-	6,197	-	32,435
1410 Elementary school	120	43	-	-	-	9	-	172
1420 Middle school	-	-	-	-	-	-	-	-
1430 High school	11,018	3,758	2,684	244	-	-	-	17,704
1440 Primary, K-3 program	74,056	23,981	5,368	-	-	-	-	103,405
Total 1000 instruction	1,064,354	614,602	165,557	419,896	1,901	124,310	-	2,390,629
2000 Support services								
2110 Social services	5,973	3,462	-	365	-	-	-	9,800
2117 Identification and recruitment	78,379	47,596	3,818	-	-	-	-	129,793
2119 Other attendance and social work services	-	-	-	-	-	-	-	-
2122 Counseling services	-	-	-	-	-	-	-	-
2132 Medical services	-	-	-	-	-	-	-	-
2139 Other health services	-	-	-	34	-	-	-	34
2190 Student direction support	61,128	30,464	2,961	3,518	8,812	-	-	106,883
2213 Curriculum development	3,552	1,224	2,219	222	-	6,234	-	13,451
2219 Improvement of instruction services	77,105	41,111	1,365	1,764	-	-	-	121,345
2222 Library media center	-	-	-	-	-	-	-	-
2230 Assessment and testing	-	-	-	-	-	-	-	-
2240 Instructional staff development	39,279	11,610	58,301	4,854	-	322	-	114,366
2410 Office of the principal	7,124	2,871	3,311	1,326	-	-	-	14,632
2490 Other support services - school administration	3,536	2,231	256	221	-	-	-	6,244
2541 Service area direction	-	-	-	-	-	-	-	-
2542 Care and upkeep of building services	597	59	3,276	3,505	15,210	-	-	22,647
2551 Service area direction	12,116	6,727	-	-	-	-	-	18,843
2552 Vehicle operation services	-	-	-	-	-	-	-	-
2626 Grant writing	-	-	-	-	-	-	-	-
2630 Parent center coordinator	11,536	4,744	2,606	1,742	-	-	-	20,628
2640 Staff services	-	-	-	111	-	-	-	111
2660 Technology services	-	-	-	-	-	-	-	-
2700 Supplemental retirement program	-	-	-	-	-	-	-	-
Total 2000 support services	300,327	152,100	78,113	17,662	24,022	6,556	-	578,777
3000 Enterprise and community services								
3110 Food services director	83,392	49,733	3,503	-	-	39,150	-	175,778
3120 Food preparation	316,401	216,273	24,052	738,417	187,545	-	-	1,482,688
3130 Food delivery	23,027	12,700	842	150	-	-	-	36,719
3300 Community services	17,453	5,277	1,348	2,718	-	-	-	26,796
Total 3000 enterprise and community	440,273	283,983	29,745	741,285	187,545	39,150	-	1,721,981
Total expenditures	<u>\$ 1,804,954</u>	<u>\$ 1,050,685</u>	<u>\$ 273,415</u>	<u>\$ 1,178,844</u>	<u>\$ 213,468</u>	<u>\$ 170,016</u>	<u>\$ -</u>	<u>\$ 4,691,387</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
DEBT SERVICE FUNDS
For the Year Ended
June 30, 2014

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	700 Transfers	Total
2000 Support services								
2521 Fiscal services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126	\$ -	\$ 126
2649 Other staff services	-	-	121	-	-	-	-	121
Total 2000 support services	-	-	121	-	-	126	-	247
5000 Other uses								
5110 Long-term debt service	-	-	-	-	-	1,747,112	-	1,747,112
Total 5000 other uses	-	-	-	-	-	1,747,112	-	1,747,112
Total expenditures	\$ -	\$ -	\$ 121	\$ -	\$ -	\$ 1,747,238	\$ -	\$ 1,747,359

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
CAPITAL PROJECTS FUNDS
For the Year Ended
June 30, 2014

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total
2000 Support services							
2660 Technology services	\$ -	\$ -	\$ -	\$ -	\$ 31,037	\$ -	\$ 31,037
Total 2000 support services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,037</u>	<u>-</u>	<u>31,037</u>
4000 Facilities acquisition and construction							
4150 Building acquisition, construction and improvement services	-	-	21,210	-	233,058	-	254,268
Total 4000 facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>21,210</u>	<u>-</u>	<u>233,058</u>	<u>-</u>	<u>254,268</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,210</u>	<u>\$ -</u>	<u>\$ 264,095</u>	<u>\$ -</u>	<u>\$ 285,305</u>

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES (BUDGET BASIS)
INTERNAL SERVICE FUND
For the Year Ended
June 30, 2014

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total
2000 Support services							
2649 Other Staff Services	\$ -	\$ 3,853	\$ -	\$ -	\$ -	\$ -	\$ 3,853
Total 2000 support services	<u>-</u>	<u>3,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,853</u>
Total expenditures	<u>\$ -</u>	<u>\$ 3,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,853</u>

Ontario School District No. 8C
 Ontario, Malheur County, Oregon
OREGON DEPARTMENT OF EDUCATION REQUIRED INFORMATION
FORM 581-3211 – SUPPLEMENTAL INFORMATION
 For the Year Ended
 June 30, 2014

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

	Objects 325 & 326
Function 2540	\$ 433,331
Function 2550	6,694

- 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

\$	44,925
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REPORTS REQUIRED BY OREGON
STATE REGULATIONS

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the internal service fund, each major fund, and the aggregate remaining fund information of Ontario School District No. 8C as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Ontario School District No. 8C's basic financial statements and have issued our report thereon dated December 17, 2014.

Compliance

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

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

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

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

OAR 162-10-230 Internal Control

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect misstatements and correct misstatements on a timely

basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the county's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

Oster Professional Group, CPA's, LLP

By 

Burns, Oregon
December 17, 2014

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON
June 30, 2014

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 17, 2014.

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 2013-14 and 2014-15 budgets indicate that the district has substantially complied with the local budget law in preparation, adoption and execution of the 2013-14 budget and the preparation and adoption of the 2014-15 budget. There were no over expenditures of budgeted appropriations for the year ended June 30, 2014.

Insurance and Fidelity Bond Coverage

We have examined the policies relating to insurance and fidelity bond coverage and ascertained such policies appear to be in force and that they appear to satisfy bond ordinances and other provisions. The district has complied with the provisions of Oregon statutes in respect to bonding of board members and employees. We are not competent, by training, to state whether the insurance policies in force at June 30, 2014 provide adequate coverage. We understand that the coverages are reviewed periodically with the district's agent of record and that such reviews have been made recently.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON
June 30, 2014

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, 2014, 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, 2014, the district did not receive state highway funds.

State School Fund

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

ONTARIO SCHOOL DISTRICT NO. 8C

SINGLE AUDIT

For the Year Ended June 30, 2014

ONTARIO SCHOOL DISTRICT NO. 8C
SINGLE AUDIT
June 30, 2014

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ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Subgrant Number	Receipts				Expenditures
			Reverse PY Accrual / Deferral	CY Collections	CY Accrual / Deferral	Net	
U.S. Department of Agriculture							
Passed through Oregon Department of Education							
National School Lunch Program, School Breakfast	10.553	*	N/A	\$ (6,778)	\$ 358,169	\$ -	\$ 351,391
National School Lunch Program, Sec 4 and 11	10.555	*	N/A	(16,750)	\$966,197.86	-	949,448
Summer Food Service Program	10.559	*	N/A	-	\$62,415.36	54,842	117,257
Total Child Nutrition Cluster		*		(23,528)	1,386,782	54,842	1,418,096
Fresh Fruit and Vegetable Program	10.582		N/A	-	\$66,876.00	5,538	72,414
Total Department of Agriculture				(23,528)	1,453,658	60,380	1,490,510
U.S. Department of Education							
Passed through Oregon Department of Education							
Elementary and Secondary Education Act - Title IA	84.010		22679	(1,144)	1,144	-	-
Elementary and Secondary Education Act - Title IA	84.010		28192	-	521,808	441,730	963,538
Elementary and Secondary Education Act - Title IA	84.010		25312	(121,874)	313,213	18,997	210,337
Elementary and Secondary Education Act - Title IA	84.010			(123,018)	836,165	460,727	1,173,875
Elementary and Secondary Education Act - Migrant Educaiton	84.011	*	31064	-	-	829	829
Elementary and Secondary Education Act - Migrant Educaiton	84.011	*	27290	(2,689)	115,665	-	112,976
Elementary and Secondary Education Act - Migrant Educaiton	84.011	*	25385	(3,551)	97,512	7,126	101,087
Elementary and Secondary Education Act - Migrant Educaiton	84.011	*	22189	(170)	170	-	-
Elementary and Secondary Education Act - Migrant Educaiton	84.011	*	29965	-	121,266	67,448	188,713
Elementary and Secondary Education Act - Migrant Educaiton	84.011	*	29984	-	-	349	349
Elementary and Secondary Education Act - Migrant Educaiton	84.011	*	25404	6,613	22,115	-	28,728
Elementary and Secondary Education Act - Migrant Education	84.011	*		203	356,727	75,752	432,683
Individuals with Disabilities Education Act, Part B	84.027		26763	(168,338)	447,286	-	278,948
Individuals with Disabilities Education Act, Part B	84.027		23662	(28,855)	28,855	-	-
Individuals with Disabilities Education Act, Part B	84.027		20343	-	262,526	94,749	357,276
Individuals with Disabilities Education Act, Part B	84.027		25847	-	1,942	648	2,590
Individuals with Disabilities Education Act, Part B	84.027		26541	(545)	2,147	2,652	4,254
Individuals with Disabilities Education Act, Part B	84.027		27675	-	479	-	479
Individuals with Disabilities Education Act, Part B	84.027			(197,738)	743,235	98,050	643,547
Individuals with Disabilities Education Act, Part B, Section 619	84.173		24262	-	4,913	-	4,913
Individuals with Disabilities Education Act, Part B, Section 619	84.173		26334	-	1,232	-	1,232
Individuals with Disabilities Education Act, Part B, Section 619	84.173			-	6,145	-	6,145
Total Special Education Cluster				(197,738)	749,380	98,050	649,692
Elementary and Secondary Education Act - Migrant Education	84.144		31064	-	-	1,505	1,505
State Personnel Development Grant	84.323		25086	(4,126)	4,126	-	-
State Personnel Development Grant	84.323		27766	-	-	6,000	6,000
State Personnel Development Grant	84.323		27785	-	-	2,962	2,962
State Personnel Development Grant	84.323			(4,126)	4,126	8,962	8,962
Elementary and Secondary Education Act-Title VI, Part B, Rural Education Act	84.358		29941	(20,768)	20,590	172	(7)
Elementary and Secondary Education Act-Title III-English Acquisition Grant	84.365		22999	(1,562)	1,562	-	-
Elementary and Secondary Education Act-Title III-English Acquisition Grant	84.365		30037	-	12,610	294	12,904
Elementary and Secondary Education Act-Title III-English Acquisition Grant	84.365		25151	-	28,425	2,433	30,858
Elementary and Secondary Education Act-Title III-English Acquisition Grant	84.365			(1,562)	42,597	2,727	43,762
Elementary and Secondary Education Act-Title IIA, Improving Teacher Quality	84.367		28710	-	67,822	50,611	118,433
Elementary and Secondary Education Act-Title IIA, Improving Teacher Quality	84.367		25540	(70,317)	80,133	545	10,361
Elementary and Secondary Education Act-Title IIA, Improving Teacher Quality	84.367			(70,317)	147,955	51,156	128,794
Elementary and Secondary Education Act-Title I, School Improvement	84.377		24896	-	21,060	55,538	76,598
Elementary and Secondary Education Act-School Improvement (ARRA)	84.388		24896	(251,469)	392,009	-	140,540
Child Care and Development Block Grant	93.575			-	2,766	12,959	15,725
Passed through Wallowa County ESD							
Elementary and Secondary Education Act, Title IIB	84.366		N/A	-	14,652	10,290	24,941
Total Department of Education				(668,795)	2,588,027	777,838	2,697,070
U.S. Department of Health and Human Services							
Passed through Oregon Department of Education							
ARRA - Head Start	93.708		27532	(829)	1,500	-	671
Total department of health and human services				(829)	1,500	-	671
Total federal assistance				\$ (693,152)	\$ 4,043,185	\$ 838,218	\$ 4,188,251

* Denotes program tested as major program

ONTARIO SCHOOL DISTRICT NO.8C
Ontario, Malheur County, Oregon
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended
June 30, 2014

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, 2014 is \$904,754.

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

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

Federal Awards

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

Internal control over major program compliance:

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

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

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

Identification of Major Programs

U.S. Department of Agriculture		
National School Lunch Program, School Breakfast	10.553	\$351,391
National School Lunch Program, Sec 4 and 11	10.555	949,448
Summer Food Service Program	10.559	117,257
U.S. Department of Education		
Elementary and Secondary Education Act - Migrant Education	84.011	432,683

ONTARIO SCHOOL DISTRICT NO. 8C
Ontario, Malheur County, Oregon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

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.

FINANCIAL STATEMENT FINDINGS

Current Year Findings

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

Prior Year Findings

The audit for the year ended June 30, 2013 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, 2014.

Prior Year Findings

The audit for the year ended June 30, 2013 did not report any findings and questioned costs.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the internal service fund, each major fund, and the aggregate remaining fund information of Ontario School District No. 8C as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Ontario School District No. 8C's basic financial statements and have issued our report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

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

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

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

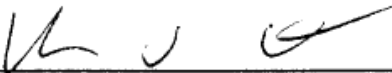
Compliance and Other Matters

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

Restriction of Use

This report is intended for the information of the board of commissioners, management and others within the district and federal and state regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Oster Professional Group, CPA's, LLP

By 

Burns, Oregon
December 17, 2014

**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 the compliance of Ontario School District No. 8C with the types of compliance requirements described in the U.S. *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Ontario School District No. 8C's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ontario School District No. 8C's management.

Auditor's Responsibility

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

We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. Those standards and OMB Circular A-133 require that we plan and perform the compliance audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. A compliance audit includes examining, on a test basis, evidence about Ontario School District No. 8C's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ontario School District No. 8C's compliance with those requirements.

Opinion

In our opinion, Ontario School District No. 8C complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Internal Control over Compliance

The management of Ontario School District No. 8C is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. In planning and performing our audit, we considered Ontario School District No. 8C's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ontario School District No. 8C's internal control over compliance.

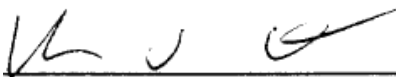
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of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

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

Restricted Use

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Oster Professional Group, CPA's, LLP

By 

Burns, Oregon
December 17, 2014