

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19  
Myrtle Creek, Oregon**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2012**

**WITH  
INDEPENDENT AUDITOR'S REPORT**

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Myrtle Creek, Oregon**  
**June 30, 2012**

**BOARD OF DIRECTORS AS OF JUNE 30, 2012**

Jeff Johnson	Chairperson
Kathy Andersen	Vice-Chair
Robert Ankeny Jr.	Director
Judy Coleman	Director
David Stevens	Director
Pat O'Sullivan	Director
Jeannie Weakley	Director

**ADMINISTRATIVE STAFF**

**558 S.W. Chadwick Lane**  
**Myrtle Creek, Oregon 97457**

Steve Kelley	Superintendent-Clerk
Chris Davidson	Business Manager

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**

**Myrtle Creek, Oregon**

**Year Ended June 30, 2012**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Douglas County School District No. 19  
Myrtle Creek, Oregon

We have audited the accompanying financial statements of governmental activities and each major fund of Douglas County School District No. 19 (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Douglas County School District No. 19 as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated December 18, 2012, on our consideration of the District'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* and should be considered in assessing the results of our audit.

Board of Directors  
Douglas County School District No. 19  
Myrtle Creek, Oregon

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the General Fund and the Special Revenue Fund budgetary comparison information, and the Schedule of Funding Progress – Other Postemployment Benefits 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 the Management's Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits 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 General Fund and the Special Revenue Fund budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the Table of Contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as listed in the Table of Contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Stewart C. Famule CPA, Partner*

Michael L. Piels CPAs, LLP  
December 18, 2012

**DOUGLAS COUNTY SCHOOL DISTRICT No. 19**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2012**

As management of the Douglas County School District #19 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

**Financial Highlights**

- The District's financial status reflects a decrease in government-wide net assets for the 2012 fiscal year. Overall, net assets decreased by \$204,497 or 4.70% from the previous year.
- General revenues accounted for \$11.05 million in revenue, or 78.48% of all fiscal year revenues. Program specific revenues in the form of charges for services, grants and donations accounted for \$3.03 million or 21.52% of total fiscal 2012 revenues.
- The District had approximately \$14.28 million in expenses related to governmental activities; of which \$3.03 million were expenses offset by program specific charges for services, grants and donations. General revenues of \$11.05 million were inadequate to provide for the remaining costs of these programs and services causing a need to draw from other resources to cover the deficit which in turn accounts for the decrease in net assets.
- The General Fund had \$11.48 million in fiscal year 2012 revenues, which primarily consisted of state school support and property taxes. Expenditures totaled \$10.91 million. The General Fund's fund balance, before interfund transfers, increased \$567,139 from the previous year.
- The Special Revenue Fund, a District major fund, had \$2.57 million in fiscal year 2012 revenues and \$2.62 million in expenditures.
- The Debt Service Fund, another District major fund, had \$911,714 in fiscal year 2012 revenues and \$1.40 million in expenditures.
- The Capital Projects Fund is the last District major fund. It had revenues of \$877 for the fiscal year and \$545,783 in expenditures before transfers and proceeds from the sales of bonds.
- The District's total long-term debt decreased by \$305,493 during the current fiscal year.

**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**DOUGLAS COUNTY SCHOOL DISTRICT No. 19**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2012**

**Figure A-1: Major Features of the Government-Wide Fund Financial Statements**

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district not proprietary or fiduciary, such as special education and building maintenance.	Activities the district operates similar to private businesses	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets *Statement of cash flows	* Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

**DOUGLAS COUNTY SCHOOL DISTRICT No. 19**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2012**

Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses 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 the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the District's *net assets* and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's enrollment, which dictates the majority of revenue to be collected through the State Funding Formula, and the condition of school buildings and other facilities.

The *statement of activities* presents information showing the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

**DOUGLAS COUNTY SCHOOL DISTRICT No. 19**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2012**

The government-wide financial statements outline functions of the District that are principally supported by intergovernmental revenues (*State School Support*) and property tax revenues. The governmental activities of the District include instruction, instructional support services, operation and maintenance of plant facilities and services, student transportation, and non-instructional support services. The government-wide financial statements can be found on pages 1-2 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

*Governmental funds.* Governmental funds are used essentially to account for the ongoing activities of government that are financed with general government revenues in the form of taxes, license fees, grants and entitlements. They are also used to record the acquisition of general governmental assets. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's short-term financial requirements. Statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 4 and 6, respectively.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue Fund, Debt Service Fund, and Capital Projects Fund, which are all considered major funds. The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

*Fiduciary funds.* Fiduciary funds are used to account for assets held by the District as trustee or agent. Each trust fund is treated for accounting measurement purposes in a manner similar to either a governmental fund or a proprietary fund. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds and pension trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of these funds are *not* available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The District closed out all of its fiduciary funds during the previous fiscal year.

**DOUGLAS COUNTY SCHOOL DISTRICT No. 19**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2012**

**Notes to the Financial Statements**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. This information is essential to a full understanding of the data provided in this report. The notes to the financial statements can be found on pages 7 – 31 of this report.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the General Fund and the major Special Revenue Fund. Figure A-1 shows how the various parts of this annual report are arranged and related to one another. The required supplementary information can be found on pages 32 – 34 of this report.

Additionally, other major fund budget comparisons for the Debt Service Fund and Capital Projects Fund not required to be presented are included for further clarity and understanding. These fund schedules can be found on pages 35 and 36 of this report.

**Government-Wide Financial Analysis**

The District's combined net assets reflect a decrease of approximately 4.70% as of June 30, 2012. This decrease is primarily due to reduced income from the State combined with a slight increase in spending during the current year.

By far the largest portion of the District's net assets is reflected in its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**DOUGLAS COUNTY SCHOOL DISTRICT No. 19**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2012**

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2011 and June 30, 2012:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current Assets	\$ 3,360,001	\$ 3,715,287
Unamortized Fees	8,327,932	8,790,025
Capital Assets - Net	<u>7,523,005</u>	<u>7,388,125</u>
 Total Assets	 \$ <u>19,210,938</u>	 \$ <u>19,893,437</u>
 Current Liabilities	 \$ 606,251	 \$ 824,030
Long Term Liabilities	<u>14,432,969</u>	<u>14,693,192</u>
 Total Liabilities	 \$ <u>15,039,220</u>	 \$ <u>15,517,222</u>
 Invested in Capital Assets, Net of Related Debt	 \$ 4,524,965	 \$ 4,309,281
Unrestricted Net Assets	<u>(353,247)</u>	<u>66,934</u>
 Total Net Assets	 \$ <u>4,171,718</u>	 \$ <u>4,376,215</u>

The District's total revenues for the fiscal year ended June 30, 2012, were \$14.83 million. The total cost of programs and services was \$15.09 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2012:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Revenues		
Program Revenues		
Charges for Services	\$ 499,579	\$ 516,396
Operating Grants & Contributions	2,530,784	3,166,175
General Revenues		
Property Taxes	2,773,274	2,721,217
Earnings on Investments	22,321	19,787
Unrestricted State & Local Sources	335,623	246,558
State School Support	7,501,960	7,578,892
Federal Forest Fees	191,939	367,379
Miscellaneous Other Sources	224,519	211,895
Total Revenues	<u>14,079,999</u>	<u>14,828,299</u>
 Expenses		
Instruction	7,246,680	7,881,828
Support Services	5,409,718	5,580,395
Community Services	873,415	879,725
Facilities Acquisition & Construction	0	27,171
Interest on Long Term Debt	754,683	723,777
Total Expenses	<u>14,284,496</u>	<u>15,092,896</u>
 Increase/(Decrease) in Net Assets	 \$ <u>(204,497)</u>	 \$ <u>(264,597)</u>

**DOUGLAS COUNTY SCHOOL DISTRICT No. 19**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2012**

The cost of all governmental activities this year was \$14.28 million. Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues in the amount of \$3.03 million. The resulting net cost of governmental activities of \$11.25 million was financed by general revenues, which are primarily made up of state school support funds, property taxes, federal forest fees, and the utilization of reserves.

**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.

Governmental Funds: The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,569,541, a decrease of \$166,924 from the prior year. The fund balance constitutes unassigned, assigned, and restricted amounts. Of the current fund balance, \$1,309,666 is unassigned and available for spending at the District's discretion, \$72,463 is assigned for purposes defined by the federal Title grants, (\$8,934) is restricted for capital projects, and the remaining fund balance of \$1,196,346 is restricted for the payment of debt.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$55,069, a result of our conservative budgeting of revenues for the year combined with frugal spending practices. The combined fund balances of all other funds decreased by \$221,993 during the fiscal year. Bond proceeds being expended on the completion of projects led to a decrease in the Capital Projects Fund while a slight increase in the PERS UAL set aside led to an increase in the Debt Service Fund. These comprise the majority of the decrease in the other funds.

**Budgetary Highlights**

Revenues were budgeted and anticipated to be collected in the amount of \$12.47 million during the fiscal year. The national economic downturn continued to have a negative impact on the State of Oregon and its revenues from taxes, prompting the District to be conservative on its revenue and expenditure budgeting. The District received \$11.48 million in revenue during the fiscal year. Spending for the year was slightly less than the revenues received, allowing the District to have an increase in the General Fund ending balance of \$55,069.

**Capital Assets**

As of June 30, 2012, the District had invested \$26.93 million in capital assets, including school buildings, athletic facilities, land, vehicles, computers and other equipment and furnishings. This amount represents a net increase, prior to depreciation, of \$686,681 from last year. Total depreciation expense for the year was \$551,802. Additional information on the District's capital assets can be found in Note 1 and Note 5 on pages 13 and 18, respectively, of this report.

**DOUGLAS COUNTY SCHOOL DISTRICT No. 19**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2012**

**Economic Factors and Next Year's Budget and Rates**

A lot of time and effort went into the preparation of the District's 2012-13 budget. As the economic picture for Oregon and the nation continued to show little progress in turning around, the District continued with the conservative approach to budget preparation that has become the norm over the last few years. The District saw a slight increase in its State funding level estimates, but only due to the elimination of the Federal Forest Fees and because the District graduated an unusually small senior class, leading to the anticipation of a slight increase in enrollment. Employee contract and benefit costs also played a part in the District's conservatism, as the Classified contract was open in its entirety and the licensed were open for insurance benefits. The District also attempted to make rough budget projection three years out in an effort to judge the effects of enrollment trends, the economy, and collective bargaining agreements on the District's current and future resources and reserves.

Overall revenue in the District's budget was slightly increased for 2012-13, namely due to a projected increase in the ending fund balance. Outside of the State School Fund and the Federal Forest Fees, other revenues either remained the same or were projected to have slight increases or decreases. Based on these and other factors, the budgeted expenditures in the General Fund were increased 2.02% to \$12,721,721 for fiscal year 2012-13. The District continues to budget to spend its ending fund balance down to 3% of budgeted General Fund revenues.

The lack of an economic rebound in Oregon has continued to have a detrimental effect on the State's available revenues which trickles down to school funding. Based on the October 8, 2012 estimates from the Oregon Department of Education, for fiscal year 2012-13, the District is expected to receive only \$81,113 more from the State School Support Fund in comparison to the prior year. This increase is due to the State funding districts at a 50-50 split over the biennium as opposed to the usual 49-51 split, a reduction in the percentage of the State School Fund that goes to ESD's being transferred to schools, as well as a decrease in Federal Forest Fees and other local revenues creating the need for the State to backfill that decrease.

District enrollment has continued its steady decline, but the 2011-12 drop was the lowest in 10 years. With the graduation of an unusually small senior class, the District actually hopes to see a slight increase in enrollment for 2012-13 so long as the incoming kindergarten classes are close to the recent average. As the funding for schools is based on a per student basis, this decline has continued to decrease the amount of funding from the State that the District may have received in prior years when enrollments were higher, so the hopes of a slight increase could help the District's budget. Until there are greater employment opportunities in our area, however, it is expected that this decline in enrollment may continue.

Looking ahead to 2013-14, there is much trepidation. The District continues to watch and wait, hoping for a turnaround both nationally and locally. The governor's initial budget calls for a reduction in ESD funding of nearly 45% to fund the creation of regional service centers. As the District receives nearly \$300,000 of direct special education and other supports from the ESD, these funding cuts to the ESD could lead to increase costs to the District if the District is forced into paying to continue those services. The District's PERS rates for the coming biennium are set to increase 2.88-4.88%, based on the employee tier. It is estimated this will increase the Districts cost by nearly \$250,000. Collective bargaining agreements for both bargaining groups will be open in one form or another and could further impact the 2013-14 budget.

The governor's budget did allocate an additional 7-11% for education, depending on the passage and legality of certain PERS reforms. This increase barely mitigates the PERS increases and other rollout costs the District is expecting. The District also anticipates spending its ending fund balance down by nearly \$1 million which is the same as a loss of revenue for 2013-14. Nothing in the governor's proposals looks to make up that loss. The District is doing all it can to preserve as much of its ending fund balance as possible during the course of 2012-13 in order to try to maintain current service levels in 2013-14.

**DOUGLAS COUNTY SCHOOL DISTRICT No. 19  
Management's Discussion and Analysis (MD&A)  
For the Fiscal Year Ended June 30, 2012**

**Contacting the District's Financial Management**

This financial report is designed to provide our constituents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of its resources. If you have any questions about this report or need additional information, contact the Business Office, South Umpqua School District No. 19, 558 S.W. Chadwick Lane, Myrtle Creek, Oregon 97457.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and investments	\$ 2,481,408
Receivables	835,242
Inventory	31,286
Prepaid expenses	12,065
Prepaid pension benefit obligation	8,123,799
Bond issuance costs, net	204,133
Capital assets, net	
Land	1,248,172
Land improvements	56,117
Buildings and improvements	5,776,487
Vehicles and equipment	442,229
	<u>19,210,938</u>
<b>TOTAL ASSETS</b>	
<b>LIABILITIES:</b>	
Accounts payable	96,519
Accrued salaries and benefits	334,810
Deferred revenue	6,717
Accrued compensated absences payable	81,256
Early retirement benefits	86,949
Bonds payable, net of unamortized premium/discount:	
Due within one year	755,346
Due in more than one year	13,677,623
	<u>15,039,220</u>
<b>TOTAL LIABILITIES</b>	
<b>NET ASSETS (DEFICIT):</b>	
Invested in capital assets, net of related debt	4,524,965
Unrestricted	(353,247)
	<u>4,171,718</u>
<b>TOTAL NET ASSETS</b>	
	<u>\$ 4,171,718</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 7,246,680	\$ 221,170	\$ 1,639,090	\$ -
Support services	5,409,718	56,340	285,010	-
Enterprise and community services	873,415	221,244	606,684	-
Facilities acquisition and construction	-	825	-	-
Interest on long-term debt	754,683	-	-	-
<b>Total government activities</b>	<b>\$ 14,284,496</b>	<b>\$ 499,579</b>	<b>\$ 2,530,784</b>	<b>\$ -</b>
General revenues:				
				2,773,274
				7,501,960
				122,368
				191,939
				335,623
				22,321
				(62)
				102,213
				<u>11,049,636</u>
<b>CHANGE IN NET ASSETS</b>				(204,497)
Net assets - July 1, 2011				<u>4,376,215</u>
Net Assets - June 30, 2012				<u>\$ 4,171,718</u>

**FUND FINANCIAL STATEMENTS**

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Project Fund</b>	<b>Total</b>
<b>ASSETS</b>					
Equity in pooled cash and investments	\$ 1,266,782	\$ -	\$ 1,196,346	\$ 18,280	\$ 2,481,408
Receivables	469,165	366,077	-	-	835,242
Inter-fund receivable	226,243	-	-	-	226,243
Prepaid expense	12,065	-	-	-	12,065
<b>TOTAL ASSETS</b>	<b>\$ 1,974,255</b>	<b>\$ 366,077</b>	<b>\$ 1,196,346</b>	<b>\$ 18,280</b>	<b>\$ 3,554,958</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 54,590	\$ 14,715	\$ -	\$ 27,214	\$ 96,519
Accrued salaries and benefits	288,871	45,939	-	-	334,810
Inter-fund payable	-	226,243	-	-	226,243
Deferred revenue	321,128	6,717	-	-	327,845
<b>TOTAL LIABILITIES</b>	<b>664,589</b>	<b>293,614</b>	<b>-</b>	<b>27,214</b>	<b>985,417</b>
Fund Balances:					
Non-spendable	-	-	-	-	-
Restricted for debt service	-	-	1,196,346	-	1,196,346
Restricted for capital projects	-	-	-	(8,934)	(8,934)
Assigned	-	72,463	-	-	72,463
Unassigned	1,309,666	-	-	-	1,309,666
Total fund balances	1,309,666	72,463	1,196,346	(8,934)	2,569,541
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,974,255</b>	<b>\$ 366,077</b>	<b>\$ 1,196,346</b>	<b>\$ 18,280</b>	<b>\$ 3,554,958</b>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET ASSETS  
JUNE 30, 2012**

<b>TOTAL FUND BALANCES</b>		\$	2,569,541
Inventory is not reported as a governmental fund asset under the purchase method of accounting for inventory.			31,286
Prepaid pension benefit obligations are not a financial resource and therefore are not reported in the governmental funds			8,123,799
The unamortized portion of issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds.			204,133
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost	\$	26,938,679	
Accumulated depreciation		<u>(19,415,674)</u>	7,523,005
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.			321,128
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 recognized as an expenditure when due. These liabilities consist of:			
Bonds payable, net		(14,432,969)	
Early retirement benefits		(86,949)	
Compensated absences payable		<u>(81,256)</u>	<u>(14,601,174)</u>
<b>TOTAL NET ASSETS</b>			<u>\$ 4,171,718</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>REVENUES</b>					
Local sources	\$ 2,954,043	\$ 409,485	\$ 911,714	\$ 877	\$ 4,276,119
Intermediate sources	68,860	-	-	-	68,860
State sources	7,952,591	5,306	-	-	7,957,897
Federal sources	503,656	2,156,604	-	-	2,660,260
<b>TOTAL REVENUES</b>	<u>11,479,150</u>	<u>2,571,395</u>	<u>911,714</u>	<u>877</u>	<u>14,963,136</u>
<b>EXPENDITURES</b>					
Current					
Instruction	5,986,404	1,286,921	-	-	7,273,325
Support services	4,925,607	416,699	-	-	5,342,306
Enterprise and community services	-	917,566	-	-	917,566
Facilities acquisition and construction	-	-	-	545,783	545,783
Debt service:					
Principal	-	-	689,659	-	689,659
Interest	-	-	712,671	-	712,671
<b>TOTAL EXPENDITURES</b>	<u>10,912,011</u>	<u>2,621,186</u>	<u>1,402,330</u>	<u>545,783</u>	<u>15,481,310</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>567,139</u>	<u>(49,791)</u>	<u>(490,616)</u>	<u>(544,906)</u>	<u>(518,174)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of fixed assets	1,250	-	-	-	1,250
Bond proceeds	-	-	-	350,000	350,000
Transfers from other funds	-	7,254	506,066	-	513,320
Transfers to other funds	(513,320)	-	-	-	(513,320)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(512,070)</u>	<u>7,254</u>	<u>506,066</u>	<u>350,000</u>	<u>351,250</u>
<b>NET CHANGE IN FUND BALANCES</b>	55,069	(42,537)	15,450	(194,906)	(166,924)
<b>FUND BALANCE, July 1, 2011</b>	<u>1,254,597</u>	<u>115,000</u>	<u>1,180,896</u>	<u>185,972</u>	<u>2,736,465</u>
<b>FUND BALANCE, June 30, 2012</b>					
Restricted	-	-	1,196,346	(8,934)	1,187,412
Assigned	-	72,463	-	-	72,463
Unassigned	1,309,666	-	-	-	1,309,666
<b>TOTAL FUND BALANCE, June 30, 2012</b>	<u>\$ 1,309,666</u>	<u>\$ 72,463</u>	<u>\$ 1,196,346</u>	<u>\$ (8,934)</u>	<u>\$ 2,569,541</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

**NET CHANGE IN FUND BALANCE** \$ (166,924)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds do not report inventory balances under the purchase method of accounting for inventory while the Statement of Net Assets does. This is the change in inventory in the current period. 18,708

Prepaid pension benefit obligations are reported as an asset on the Statement of Net Assets. These amounts are amortized in the Statement of Activities. (499,517)

Government 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 depreciation exceeded capital outlays in the current period.

Expenditures for capital assets	\$ 687,257	
Less current year depreciation	<u>(552,315)</u>	134,942

Governmental funds report the proceeds from the sale of capital assets as a revenue. However in the Statement of Activities the gain or loss on the sale/ disposal is recognized.

Loss on disposal of capital assets		(62)
------------------------------------	--	------

Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expenditure when earned.

7,645

Early retirement benefits are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities early retirement benefits are recognized as an expenditure when earned.

(3,722)

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

Long-term debt financing source	(2,775,000)	
Debt principal repaid	<u>3,114,659</u>	339,659

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

Amortization of issuance costs		37,424
Amortization of bond premium		(79,436)

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.

6,786

**CHANGE IN NET ASSETS** \$ (204,497)

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 1 – Summary of Significant Accounting Policies**

**The Reporting Entity**

Douglas County School District No. 19 (the District), Myrtle Creek, Oregon, was organized under provisions of Oregon Statutes pursuant to ORS Chapter 332 for the purpose of operating elementary and secondary schools. The District is governed by a separately elected seven-member Board of Education (Board) who approves the administrative officials. The daily functioning of the District is under the supervision of the Superintendent. As required by generally accepted accounting principles, all activities of the District have been included in the basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District does not have any component units which require inclusion in the combined financial statements.

The more significant of the District's accounting policies are described below.

**Basis of Presentation**

The financial statements of Douglas County School District No. 19 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Government-wide Financial Statements**

The Statement of Net Assets and the Statement of Activities display information about the District. These statements include the governmental financial activities of the overall District. 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.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 1 – Summary of Significant Accounting Policies (continued)**

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or others for tuition, fees, rentals, material, supplies or services provided, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

The District operates and reports only governmental and fiduciary funds. Therefore, financial statements have only been prepared for governmental and fiduciary funds.

**Fund Financial Statements**

The fund financial statements provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The District reports the following major governmental funds:

*General Fund* - This is the District's primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund.

*Special Revenue Fund* - This fund accounts for revenue sources that are legally restricted to expenditure for specific purposes. This fund accounts for the revenues and expenditures related to Federal and State grants, as well as those related to student body activities.

*Debt Service Fund* - This fund accounts for the servicing of general long-term debt not being financed by the General Fund. For the District, this includes the 2002, 2003 and 2012 PERS Bonds, the 2007 and 2012 Full Faith Obligation Bonds and the QZAB and QSCB Bonds. The principal source of revenues are earnings on investments and other local revenues.

*Capital Projects Fund* - This fund accounts for the acquisition, construction and maintenance of improvements within the District. Principal revenue source is investment earnings.

**Measurement Focus and Basis of Accounting**

Government-wide 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 receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 1 – Summary of Significant Accounting Policies (continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured, certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources, and early retirement benefits which are recorded when paid. 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.

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

Private sector standards of accounting and reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that these standards do not conflict or contradict the guidance of the Governmental Accounting Standards Board.

**Cash, Cash Equivalents and Investments**

The District's cash and cash equivalents consist of cash on hand, demand deposits, secured market deposit accounts, and short-term investments with original maturities of three months or less. Short-term investments are stated at cost which approximates fair value.

The District's investments, authorized under state statute, consist of banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). Banker's acceptances, commercial paper and U.S. Government Agency securities are stated at amortized cost which approximates fair value. The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895).

**Investment Income**

Investment income is composed of interest and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the fund financial statements, and is allocated monthly to all funds based on the fund's average cash balance.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Property Taxes Receivable**

Ad valorem property taxes are levied on all taxable property as of January 1 preceding the beginning of the fiscal year. Property taxes become a lien on July 1 for personal property and real property. Property taxes are levied on July 1. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are recorded on the Statement of Net Assets. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

**Accounts and Other Receivables**

Accounts and other receivables are comprised primarily of State school support and claims for reimbursement of costs under various federal and state grants. Due to the nature of the receivables and the likelihood of collection, no provision for uncollectibles has been made.

**Grants**

Unreimbursed grant expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as deferred revenue.

**Interfund Transactions**

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances (reported in "due from" asset accounts) are considered "available spendable resources".

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

**Inventories**

Inventories consist of supplies held for sale. Inventories are charged as expenditures when purchased and are stated at cost using the first-in, first-out (FIFO) method.

A portion of the inventory consists of donated United States Department of Agriculture (USDA) commodities. Commodities are recorded as expenditures when purchased and are stated at their fair market value based on guidelines provided by the USDA. Commodities on hand at year end are included on the Statement of Net Assets.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**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 year. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

- Land improvements - 20 to 25 years
- Buildings and improvements - 20 to 50 years
- Vehicles, furniture, and equipment - 5 to 15 years

**Retirement Plan**

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged as expenditures/expenses as funded.

**Compensated Absences**

The District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. The current and long term liabilities for vested or accumulated vacation leave, compensatory time, and retirement benefits are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave or resignation.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

**Long-term Debt**

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Equity**

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of net book value of all capital assets less the outstanding debt used to acquire, construct, or improve those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” and are not related to capital assets.

In the fund financial statements, governmental fund equity is classified in the following categories:

Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes items that are restricted by external creditors, grantors, or contributors, or restricted by legal constitutional provisions.

Committed – Includes items committed by the District’s Board of Directors, by formal board action.

Assigned – Includes items assigned for specific purposes, authorized by the District’s Superintendent and/or Director of Business Services

Unassigned – This is the residual classification used for those balances not included in another category.

It is the District’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

**Budget**

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. The budgetary basis of accounting is the same as accounting principles generally accepted in the United States of America for the governmental fund types, except capital outlay expenditures, including items below the District’s capitalization level, are budgeted by major function in governmental fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Appropriations are established at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detailed budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 1 – Summary of Significant Accounting Policies (continued)**

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers within a fund between the levels of control (major function levels) with Board approval. During the year there were no resolutions appropriating unanticipated resources. Appropriations lapse at the end of each fiscal year. The District did not exceed its authorized appropriations for the year ended June 30, 2012, except as follows:

Special Revenue Fund:	
Enterprise and Community Services	<u>\$ 80,277</u>

At fiscal year end, the Capital Fund had a deficit fund balance of \$8,934. The District expects to transfer funds to cover this deficit in the next fiscal year.

**Use of Estimates**

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Note 2 - Equity in Pooled Cash and Investments**

Cash and investments are comprised of the following as of June 30, 2012:

Petty Cash	\$ 150
Deposits with financial institutions:	
Demand Deposits	2,481,248
LGIP	<u>10</u>
Total deposits with financial institutions	<u>\$ 2,481,408</u>

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

Statement of Net Assets	
Equity in Cash and Investments	<u>\$ 2,481,408</u>

**Deposits.** The Governmental Accounting Standards Boards 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 credit risk assumed by the District at June 30, 2012. 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 that exists. Deposits with financial institutions are comprised of bank demand deposits. For the fiscal year ended June 30, 2012, the carrying amounts of the District's deposits in various financial institutions were \$2,481,248 and the bank balances were \$2,677,080. All deposits are held in the name of the District. Of the bank balance,

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 2 – Equity in Pooled Cash and Investments (continued)**

all is considered to be covered by federal depository insurance and the State of Oregon shared liability structure for participating bank depositories in Oregon.

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 the quarter-end public fund deposits if they are adequately capitalized, or 110% of the quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of governmental entities.

*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 does not have a formal deposit policy for custodial credit risk.

**Investments.** Douglas County School District No. 19 has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2012. The Oregon Short-term Fund is the local government investment pool for local governments and was established by the State Treasurer. It 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). Local Government Investment Pool (LGIP) is an external investment pool managed by the State Treasurer's office, which allow 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. LGIP is not rated.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' 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 State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the District's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

State of 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 State of Oregon Treasurer's Local Government Investment Pool. As of June 30, 2012 and for the year then ended, the District was in compliance with the aforementioned State of Oregon statutes.

*Credit Risk.* State Statutes authorize the District to invest primarily in general obligations of the U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker's acceptances, certain commercial papers, and the State Treasurer's Investment Pool, among others. The District has no formal investment policy that further restricts its investment choices.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 2 – Equity in Pooled Cash and Investments (continued)**

*Concentration of Credit Risk.* The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. 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.

<u>Investment Type</u>	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
State of Oregon Treasurer's Local Government Investment Pool	1 day	100%	<u>\$ 10</u>

**Note 3 – Receivables**

Receivables are comprised of the following as of June 30, 2012:

	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 376,933	\$ -	\$ 92,232	\$ 469,165
Special Revenue Fund	<u>-</u>	<u>366,077</u>	<u>-</u>	<u>366,077</u>
Total receivables	<u>\$ 376,933</u>	<u>\$ 366,077</u>	<u>\$ 92,232</u>	<u>\$ 835,242</u>

**Note 4 – Prepaid Pension Expense**

Payments for fees or services that will benefit periods beyond the fiscal year end are recorded as prepaid items. On October 31, 2002, and again on April 21, 2003, Douglas County School District No. 19 financed its unfunded actuarial retirement liability. As a result, the District has prepaid a significant portion of its pension expense. This prepaid amount reflects twenty-six years advance payment of the District's pension obligation. Therefore, the amounts are being amortized over a twenty-six year period utilizing the straight-line method.

	<u>Original Issue</u>	<u>Prepaid at June 30, 2011</u>	<u>Amortization</u>	<u>Prepaid at June 30, 2012</u>
Prepaid Pension Expense	<u>\$ 12,987,454</u>	<u>\$ 8,623,316</u>	<u>\$ 499,517</u>	<u>\$ 8,123,799</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 5 – Capital Assets**

The changes in capital assets for the year ended June 30, 2012, are as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated				
Land	\$ 1,248,172	\$ -	\$ -	\$ 1,248,172
Total capital assets not being depreciated	<u>1,248,172</u>	<u>-</u>	<u>-</u>	<u>1,248,172</u>
Capital assets being depreciated				
Land Improvements	140,724	-	-	140,724
Building & Improvements	22,356,005	651,553	(576)	23,006,982
Machinery/Equipment/Vehicles	<u>2,507,097</u>	<u>35,704</u>	<u>-</u>	<u>2,542,801</u>
Totals	<u>25,003,826</u>	<u>687,257</u>	<u>(576)</u>	<u>25,690,507</u>
Less accumulated depreciation for:				
Land Improvements	(78,226)	(6,381)	-	(84,607)
Building Improvements	(16,769,501)	(461,508)	514	(17,230,495)
Machinery/Equipment/Vehicles	<u>(2,016,146)</u>	<u>(84,426)</u>	<u>-</u>	<u>(2,100,572)</u>
Total	<u>(18,863,873)</u>	<u>(552,315)</u>	<u>514</u>	<u>(19,415,674)</u>
Total capital assets				
Land	1,248,172	-	-	1,248,172
Land Improvements	62,498	(6,381)	-	56,117
Building Improvements	5,586,504	190,045	(62)	5,776,487
Machinery/Equipment/Vehicles	<u>490,951</u>	<u>(48,722)</u>	<u>-</u>	<u>442,229</u>
Totals	<u>\$ 7,388,125</u>	<u>\$ 134,942</u>	<u>\$ (62)</u>	<u>\$ 7,523,005</u>

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

<u>Program</u>	
Instruction	\$ 304,296
Supporting Services	213,375
Community Services	<u>34,644</u>
Total	<u>\$ 552,315</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 6 – Other Postemployment Benefits**

***Postemployment Health Insurance Subsidy***

The District implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB) for the fiscal year ended June 30, 2009. The implementation allows the District to report its liability for other post employment benefits consistent with established generally accepted accounting principles and 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 does not issue a stand alone report for this plan.

***Plan Description.*** The District operates a single-employer defined benefit post retirement health benefits program. The District may pay all or a portion of a retiree's postemployment medical benefits until Medicare eligibility. This explicit benefit is required to be valued under GASB Statement 45. There are 146 active and 33 retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements and employment contracts.

Different contracts govern the employees. Eligible administrative and licensed staff must be at least 58 years of age and have at least fifteen years of service with the District. For 2008-2009 only, licensed retirees must be at least age 50 and have at least fifteen years of service with the District, and submit notice of intent to participate by March 20, 2009. Eligible classified staff, for 2008-2009 only, must be at least age 55 and have at least fifteen years of service with the District, and submit notice of intent to participate by March 20, 2009. Classified employees may defer retirement for up to one year. Eligible confidential/central office and supervisors/directors must be at least 58 years of age with at least fifteen years of service with the District. Monthly payments continue until the earlier of the retiree's age 62 (age 65 for classified retirees), or death. Total number of payments is not to exceed 120 (months).

Benefits for administrative and supervisors/directors include employee only medical coverage. Eligible classified participants are eligible for \$400 per month. Confidential/central office employees are eligible for full family medical, dental and vision coverage. Licensed participants are eligible for \$200 per month. Certain other retirees have special arrangements with the District for benefits. Administrative and licensed retirees are required to be available to volunteer fifteen days of work in order to receive full benefits.

In addition to the explicit medical benefits for certain retirees, continued medical coverage is offered to the District's eligible retirees and their spouses and dependents until Medicare eligibility. The active premium rate (whether paid by the District or by the retiree) still applies. However, in some cases the premium itself does not represent the full cost of covering these retirees (since they are older than the active population, retirees can be expected to generate higher medical claims and therefore higher premiums for the active population). This additional cost is called the "implicit subsidy", and is required to be valued under GASB Statement No. 45.

However, an implicit subsidy does not exist in arrangements that are deemed to be "community rated" by a qualified actuary. In general, a community rated situation is one in which the health care claims experience of the employer is not expected to impact the premiums being charged the employer. For example, the District participates in the Oregon Educators Benefit Board (OEBB) health plans, along with many other school districts, community colleges, and educational service districts. For plans in which the District's claims experience represents only a very small percentage of the total claims experience of the plans as a whole, the arrangement is deemed community related. The District's participation in ODS Health Plans constitutes a community rated arrangement; therefore, there is no implicit subsidy to value.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 6 – Other Postemployment Benefits (continued)**

This program was established in accordance with Oregon Revised Statutes (ORS) 243.303, which requires that all eligible retirees be allowed to continue receiving health insurance benefits, at their cost, until age 65 or they become otherwise eligible for Medicare. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based upon all plan members, including active members and retirees. Due to medical premium rates being determined by blending both active employee and retiree experience, there is an implicit medical benefit to retirees because the medical premium rates charged for coverage typically are less than actual expected retiree claim costs. Qualified spouses, domestic partners, and children may qualify for coverage. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution.

**Funding Policy.** The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the District to fund these benefits in advance. During fiscal year 2011-12 the District recognized, on a budgetary basis, expenditures of approximately \$66 thousand for the post-employment healthcare benefits.

**Annual OPEB Cost and Net OPEB Obligation.** The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution (ARC) and annual OPEB cost (expense)	\$ 66,114	
Less: Contributions made	(65,960)	
Increase in net OPEB obligation	154	
Net OPEB obligation - beginning of year	57,939	
Net OPEB obligation - end of year	\$ 58,093	

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012 are:

Fiscal year	Annual OPEB Cost	Contributions	Funded Ratio	Net OPEB Obligation
2012	\$ 66,114	\$ 65,960	100%	\$ 58,093

**Actuarial methods and assumptions.** Actuarial valuations 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. The actuarial assumptions included: (1) an assumed inflation rate of 4.00% and an assumed overall payroll growth rate of 4.00% per year, (2) annual premium increase rate which ranges from 10% in 2008-2009 to 5% in 2018-2019 and later, (3) turnover and disability rates by age and years of service, as developed by Oregon PERS, (4) range of retirement ages for employees with fewer, and more, than 30 years of service, (5) marital status, (6) coverage of eligible children, (7) retirees will work the full 15 days required in return for early retirement benefits, valued at the Substitute Rate, which for the 2009-10 fiscal

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 6 – Other Postemployment Benefits (continued)**

year was \$159.47 per day, and (8) and no investment return, due to lack of assets set aside to fund this program.

Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits. The schedule of funding progress is required to report the last three actuarial valuations, however, the July 1, 2008 and 2010 are the only valuations prepared to date.

For the District's initial valuation the Projected Unit Credit Method was the valuation method used to determine the District's OPEB liability. The Projected Unit Credit Method is comprised of two components: normal cost, and amortization payments. In its application of this method the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

The present value of benefits accrued in as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded actuarial accrued liability (UAAL). All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial data are amortized separately. In additions, all gains or losses may be amortized each year. The UAAL is being amortized as a level percentage of payroll over future open periods.

***Funded Status and Funding Progress.*** As of July 1, 2010 the actuarial accrued liability for benefits was \$188,668, and the actuarial value of assets was \$0, resulting in a UAAL of \$188,668. The covered payroll (annual payroll of active employees covered by the plan) was \$6.6 million for fiscal year 2012 and the ratio of the UAAL to the covered payroll was 2.8%. Using a 10-year amortization period the Annual Required Contribution (ARC) for 2012 has been actuarially determined to be \$29,506.

***STIPEND***

***Plan Description.*** The District provides a single-employer defined benefit early retirement supplement program for certain employees until the participants are eligible for full Social Security benefits. This pension-type benefit is required to be valued under GASB Statement 27.

Benefits and eligibility for members are established through the collective bargaining agreements and employment contracts. Different contracts govern the employees.

Eligible administrative and licensed retirees must be at least 58 years of age and have at least fifteen years of service with the District. For 2008-2009 only, licensed retirees must be at least age 50 and have at least fifteen years of service with the District, and submit notice of intent to participate by March 20, 2009.

For both classes of retirees, the eligible benefit amount is \$300 per month. However, retirees are required to be available to volunteer fifteen days of work in order to receive full benefits.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 6 – Other Postemployment Benefits (continued)**

For both classes of retirees, the last stipend payment is made in the month preceding the earlier of the participant's 62<sup>nd</sup> birthday, or death. Total number of payments is not to exceed 120 months.

Confidential and Classified employees are not eligible.

**Funding Policy.** The District pays for all the benefits. The contributions are financed on a pay-as-you-go basis. During fiscal year 2012 the District recognized, on a budgetary basis, expenditures of approximately \$26 thousand for the early retirement supplement program.

**Annual Pension Cost and Net Pension Obligation.** The District's annual pension cost (expense) is calculated on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 4 years. An amortization base of 4 years was used due to the large number of retirees currently receiving a stipend benefit. Given the current population, the District expects that number to decrease in future years. The following table shows the components of the District's annual pension cost for the year ending June 30, 2012, the amount actually contributed to the plan, and changes in the District's net pension obligation.

Annual required contribution (ARC) and annual pension cost (expense)	\$ 29,240	
Less: Contributions made	(25,672)	
Increase in net pension obligation	3,568	
Net pension obligation - beginning of year	25,288	
Net pension obligation - end of year	\$ 28,856	

The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation for 2012 are:

Fiscal year	Annual Required Contribution	Contributions	Funded Ratio	Net OPEB Obligation
2012	\$ 29,240	\$ 25,672	88%	\$ 28,856

**Actuarial methods and assumptions.** Actuarial valuations 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. The actuarial assumptions included: (1) an assumed inflation rate of 4.00% and an assumed overall payroll growth rate of 4.00% per year, (2) annual premium increase rate which ranges from 10% in 2008-2009 to 5% in 2018-2019 and later, (3) turnover and disability rates by age and years of service, as developed by Oregon PERS, (4) range of retirement ages for employees with fewer, and more, than 30 years of service, (5) marital status, (6) coverage of eligible children, (7) retirees will work the full 15 days required in return for early retirement benefits, valued at the Substitute Rate, which for the 2009-10 fiscal year is \$159.47 per day, and (8) and no investment return, due to lack of assets set aside to fund this program.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 6 – Other Postemployment Benefits (continued)**

Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits. The schedule of funding progress is required to report the last three actuarial valuations, however, the July 1, 2008 and 2010 are the only valuations prepared to date.

For the District's initial valuation the Projected Unit Credit Method was the valuation method used to determine the District's pension liability. The Projected Unit Credit Method is comprised of two components: normal cost, and amortization payments. In its application of this method the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

The present value of benefits accrued in as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded actuarial accrued liability (UAAL). All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial data are amortized separately. In additions, all gains or losses may be amortized each year. The UAAL is being amortized as a level percentage of payroll over future open periods.

***Funded Status and Funding Progress.*** As of July 1, 2011 the actuarial accrued liability for stipend benefits was \$72,897, and the actuarial value of assets was \$0, resulting in a UAAL of \$72,897. The covered payroll (annual payroll of active employees covered by the plan) was \$6.6 million for fiscal year 2012 and the ratio of the UAAL to the covered payroll was 1.1%. Using a 4-year amortization period the Annual Required Contribution (ARC) for 2012 has been actuarially determined to be \$41,084.

**Note 7 – Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. In addition, governmental funds report deferred revenue in connection with resources that have been received but not yet earned. At June 30, 2012, the various components of deferred revenue consisted of the following:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Property Taxes	\$ 321,128	\$ -	\$ 321,128
Special Revenue			
Grants	-	6,717	6,717
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 321,128</u>	<u>\$ 6,717</u>	<u>\$ 327,845</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 8 – Leases**

Operating Leases

The District leases copiers under noncancellable operating leases. Total costs for such leases were \$50,948 for the fiscal year ended June 30, 2012. The future minimum lease payments for these leases are as follows:

Fiscal Year ending June 30,	Amount
2013	\$ 43,494
2014	33,975
2015	17,136
2016	12,716
	\$ 107,321

**Note 9 – Long-Term Debt**

**Limited Tax Pension Bond - 2002**

On October 31, 2002, Douglas County School District No. 19 issued bonds as a part of the Oregon School Boards Association Limited Tax Pension Bond Pool. These bonds were issued pursuant to ORS 238.692 to 238.698 to finance the District's unfunded actuarial retirement liability as computed through December 31, 2000. The original amount of the 2002 issue was \$6,393,627 and will be repaid in semi-annual installments beginning June 30, 2003 and ending June 30, 2028. Interest shall be paid at a variable rate ranging from 2.06% to 6.10%.

On January 31, 2012, the District participated in a partial refunding of its Limited Tax Pension Bond - 2002, as part of the Oregon School Board Association's Limited Tax Pension Bond Pool. This partial refunding was for the 2021 year for \$450,000. The District represents 2.05% of the aggregate principal amount of the 2012 Obligation. The interest rate for this refunded portion is 2.75% versus 6.10%.

The Limited Tax Pension Bond - 2002 schedule does not include this refunding.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 9 – Long-Term Debt (continued)**

Year Ending June 30th	Principal	Interest	Total	Interest Rate
2013	\$ 115,910	\$ 323,738	\$ 439,648	5.18%
2014	121,388	343,261	464,649	5.36%
2015	125,582	364,066	489,648	5.51%
2016	128,078	386,570	514,648	5.55%
2017	129,327	410,322	539,649	5.61%
2018-2022	887,697	1,880,644	2,768,341	5.67 - 6.10%
2023-2027	3,450,000	725,612	4,175,612	5.50 - 5.55%
2027-2028	395,000	21,922	416,922	5.55%
Total	<u>\$ 5,352,982</u>	<u>\$ 4,456,135</u>	<u>\$ 9,809,117</u>	

The partial refunding of the Series 2002 bonds is as follows:

Fiscal Year Ended	Principal	Interest	Total	Interest Rate
2013	\$ -	\$ 12,375	\$ 12,375	2.75%
2014	-	12,375	12,375	2.75%
2015	-	12,375	12,375	2.75%
2016	-	12,375	12,375	2.75%
2017	-	12,375	12,375	2.75%
2018	-	12,375	12,375	2.75%
2019	-	12,375	12,375	2.75%
2020	-	12,375	12,375	2.75%
2021	450,000	12,375	462,375	2.75%
	<u>\$ 450,000</u>	<u>\$ 111,375</u>	<u>\$ 561,375</u>	

**Limited Tax Pension Bond - 2003**

On April 21, 2003, Douglas County School District No. 19 participated in a second Limited Tax Pension Bond Pool. These bonds were issued pursuant to ORS 238.692 to 238.698 to finance the District's additional unfunded actuarial retirement liability as computed through December 31, 2001. The original issue amount for the 2003 issue was \$6,776,652 and will be repaid in semi-annual installments beginning December 30, 2003 and ending June 30, 2028. Interest shall be paid at a variable rate ranging from 1.50% to 6.27%.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 9 – Long-Term Debt (continued)**

<u>Year Ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rate</u>
2013	\$ 178,671	\$ 322,788	\$ 501,459	5.15%
2014	183,163	348,296	531,459	5.33%
2015	182,339	374,120	556,459	5.54%
2016	183,194	403,264	586,458	5.63%
2017	183,592	432,867	616,459	5.71%
2018-2022	899,270	2,663,025	3,562,295	5.71 - 6.15%
2023-2027	3,303,237	1,207,916	4,511,153	5.68 - 6.22%
2028	<u>430,000</u>	<u>24,424</u>	<u>454,424</u>	5.68%
Total	<u>\$ 5,543,466</u>	<u>\$ 5,776,700</u>	<u>\$ 11,320,166</u>	

**Qualified Zone Academy Bonds – 2005**

On August 30, 2005, the District issued Qualified Zone Academy Bonds (QZAB) in the amount of \$500,000. The bonds were purchased by Bank of America in accordance with Section 1397E of the Internal Revenue Code, and as such qualified for tax credits relating to the transaction. The bond proceeds must be used to provide for facility preservation and major maintenance in accordance with the District's QZAB financing plan.

To qualify for use of the QZAB proceeds, individual schools must qualify by meeting federal guidelines for certain economic demographics. The primary uses of the funds will be for renovations of the secondary schools in the District. In addition, initial funding for SB 1149 energy efficiency projects will be provided by QZAB proceeds so that projects can move forward in a timely manner. As SB 1149 funds become available in future years, they will then be utilized to repay a portion of the QZAB debt.

As a result of the structure of the QZAB issue and the Bank tax credits, the District will be required to repay \$412,864 in total payments over the 16-year term. The difference between the bond proceeds in the amount of \$500,000 and the repayment of \$412,864 was recognized during the year of issuance.

The District will make annual principal payments in the amount of \$25,804 through 2022. The agreement bears no interest and imputed interest of 2 percent was considered immaterial to the financial statements. The payments will be placed in escrow at the purchaser's discretion, and principal payments and guaranteed interest payments on the escrow will be applied to the District obligation.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 9 – Long-Term Debt (continued)**

<u>Year ending June 30th</u>	<u>QZAB Installment</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 25,804	\$ -
2014	25,804	-
2015	25,804	-
2016	25,804	-
2017	25,804	-
2018-2022	<u>129,020</u>	<u>-</u>
	<u>\$ 258,040</u>	<u>\$ -</u>

**Full Faith Obligation Bonds – 2007**

On August 16, 2007, the District issued Full Faith Obligation Bonds for the construction of a new gymnasium at the District's middle school and to pay the cost of issuance. The bonds were issued in the amount of \$3,000,000 and mature between 2010 and 2017. They bear interest rates ranging from 4% to 4.25%. These bonds are considered to be defeased at June 30, 2012 because on March 27, 2012, the District refinanced \$1,975,000 of the 2007 full Faith Obligation Bonds. These new bonds, Series 2012, are payable over five years with an interest rate of 2 – 3 %.

<u>Year Ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rate</u>
2013	\$ 375,000	\$ 46,900	\$ 421,900	2.00%
2014	380,000	39,400	419,400	2.00%
2015	390,000	31,800	421,800	2.00%
2016	395,000	24,000	419,000	3.00%
2017	<u>405,000</u>	<u>12,150</u>	<u>417,150</u>	3.00%
Total	<u>\$ 1,945,000</u>	<u>\$ 154,250</u>	<u>\$ 2,099,250</u>	

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 9 – Long-Term Debt (continued)**

**Qualified School Construction Bond (QSCB)**

On October 12, 2010, the District issued Qualified School Construction Bonds (QSCB) in the amount of \$500,000. The monies were used for repairs and upgrades and weatherization projects through the District. The QSCB's are eligible to receive subsidy payments from the United States Treasury. The District plans to apply any subsidy payments received to offset the interest component of the financing, but those subsidy payments are not pledged for this purpose. Interest is payable semi-annually each December 31 and June 30, commencing June 30, 2012. Final maturity on these bonds is June 30, 2017. The District will receive approximately \$212,000 in direct subsidy payments from the United States Treasury over the life of the bond.

**Qualified School Construction Bond (QSCB) (continued)**

<u>Year Ended</u>	<u>Principal</u>	<u>District's Interest Payments Net</u>	<u>Federal Interest Subsidy</u>	<u>Total</u>
2013	\$ 25,000	\$ 1,113	\$ 21,360	\$ 47,473
2014	30,000	1,050	20,160	51,210
2015	30,000	975	18,720	49,695
2016	30,000	900	17,280	48,180
2017	30,000	825	15,840	46,665
2018-2022	150,000	3,000	57,600	210,600
2023-2027	150,000	1,125	21,600	172,725
	<u>\$ 445,000</u>	<u>\$ 8,988</u>	<u>\$ 172,560</u>	<u>\$ 626,548</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 9 – Long-Term Debt (continued)**

**Qualified School Construction Bond (QSCB) 2012**

On January 19, 2012, the District issued Qualified School Construction Bonds (QSCB) in the amount of \$350,000. The monies are for repairs and weatherization projects throughout the District. Interest is payable semi-annually each December and June, commencing December 2012. The final maturity on these bonds is June 2030. The interest rate on these bonds is 4.80%.

	Sinking Fund Deposits	Interest	Total
2012-13	\$ 19,444	\$ 23,473	\$ 42,917
2013-14	19,444	16,800	36,244
2014-15	19,444	16,800	36,244
2015-16	19,444	16,800	36,244
2016-17	19,444	16,800	36,244
2017-22	97,220	84,000	181,220
2022-27	97,225	84,000	181,225
2027-30	58,335	50,400	108,735
	\$ 350,000	\$ 309,073	\$ 659,073

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 9 – Long-Term Debt (continued)**

The changes in long-term obligations for year ended June 30, 2012, are as follows:

Issue Date:	Outstanding July 1, 2011	Issued	Matured and Redeemed	Outstanding June 30, 2012	Due Within One Year
PERS Bonds					
October 31, 2002	\$ 5,886,552	\$ -	\$ (533,570)	\$ 5,352,982	\$ 115,910
April 30, 2003	5,718,751	-	(175,285)	5,543,466	178,671
January 31, 2012	-	450,000	-	450,000	-
Full Faith and Credit Obligation					
August 16, 2007	2,325,000		(2,325,000)	-	-
Full Faith and Credit Obligation					
March 7, 2012	-	1,975,000	(30,000)	1,945,000	375,000
<b>Total Bonds</b>	<b>13,930,303</b>	<b>2,425,000</b>	<b>(3,063,855)</b>	<b>13,291,448</b>	<b>669,581</b>
QZAB Installment	283,844	-	(25,804)	258,040	25,804
QSCB Agreement	470,000	350,000	(25,000)	795,000	44,444
<b>Total Liabilities</b>	<b>14,684,147</b>	<b>2,775,000</b>	<b>(3,114,659)</b>	<b>14,344,488</b>	<b>739,829</b>
Unamortized premium / (discount)	9,045	87,634	(8,198)	88,481	15,517
<b>Total</b>	<b>\$ 14,693,192</b>	<b>\$ 2,862,634</b>	<b>\$ (3,122,857)</b>	<b>\$ 14,432,969</b>	<b>\$ 755,346</b>

The annual debt service requirements on long-term debt outstanding as of June 30, 2012 are as follows:

Year Ending June 30th	Principal	Interest	Subsidized Interest	Total
2013	\$ 739,829	\$ 730,387	\$ 21,360	\$ 1,491,576
2014	759,799	761,182	20,160	1,541,141
2015	773,169	803,136	18,720	1,595,025
2016	781,520	843,909	17,280	1,642,709
2017	793,167	885,339	15,840	1,694,346
2018-2022	2,613,207	4,680,169	57,600	7,350,976
2023-2027	7,000,457	2,018,653	21,600	9,040,710
2028-2029	883,340	96,746	-	980,086
<b>Total</b>	<b>\$ 14,344,488</b>	<b>\$ 10,819,521</b>	<b>\$ 172,560</b>	<b>\$ 25,336,569</b>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 9 – Long-Term Debt (continued)**

The District also has the following changes in Long Term Debt:

	<u>Balance 7/1/2011</u>	<u>Earned</u>	<u>Used</u>	<u>Balance 6/30/12</u>	<u>Due Within 1 Year</u>
Compensated absences	\$ 88,901	\$ 57,479	\$ (65,124)	\$ 81,256	\$ 81,256

**Note 10 – Interfund Transactions**

Interfund transfers during the year ended June 30, 2012, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 513,320
Special Revenue	7,254	-
Debt Service Fund	506,066	-
Total Transfers for governmental funds	<u>\$ 513,320</u>	<u>\$ 513,320</u>

The District made transfers from the General Fund of \$513,320. The Special Revenue Fund received \$7,254 for the cafeteria on-going operations. Debt Service Fund received \$506,066 to pay Debt Service on the various debt issues. The transfers occurred to supplement current operations. All transfers were budgeted.

**Note 11 – Pension Plan**

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 29, 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, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Oregon Public Employees Retirement Board (OPERB) 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.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 11 – Pension Plan (continued)**

Covered employees are required by state statute to contribute 6.00% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. 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, 2012 were .37% and .37% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The District's contributions to PERS for the years ending June 30, 2012, 2011, and 2010 were \$405,660, \$417,720, and \$411,344, respectively, equal to the required contributions for each year. The District has included the prepaid pension assets in the Statement of Net Assets and will amortize the asset over 25 years effectively reducing the annual future pension required contribution to below the annual pension cost.

**Note 12 – Contingencies**

Amounts received or receivable from grantor agencies are subject to compliance audits by grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The School District has elected, under the State Unemployment Act of July 1, 1974, to reimburse the State Employment Department for any claims paid. Reimbursements are made from the District's Unemployment Insurance Fund. The District is unable to determine at this time the amount of the contingent liability for potential unemployment insurance claims.

**Note 13 – Current Vulnerability Due to Certain Concentrations**

The District's operations are concentrated within Douglas County. In addition, substantially all the District's revenues for continuing operations are from federal, state, and local government agencies. In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**Note 14 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the District has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years ending June 30, 2012.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2012**

**Note 15 – Economic Dependency**

Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenue. The Basic School Support funding provided by the state to all public school systems in Oregon is primarily based on student enrollment. The State provided \$7,957,897 to the District, which represents approximately 53.% of the District's total general revenues for the year.

**Note 16 – Subsequent Events**

Management of the District has evaluated events and transactions occurring after June 30, 2012 through the date of the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. There were no additional events and/or transactions that required recognition and disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Local sources	\$ 2,727,576	\$ 2,727,576	\$ 2,954,043	\$ 226,467
Intermediate sources	100,120	100,120	68,860	(31,260)
State sources	7,781,750	7,781,750	7,952,591	170,841
Federal sources	553,328	553,328	503,656	(49,672)
<b>TOTAL REVENUES</b>	<b>11,162,774</b>	<b>11,162,774</b>	<b>11,479,150</b>	<b>316,376</b>
<b>EXPENDITURES</b>				
Current				
Instruction	6,441,169	6,441,169	5,986,404	454,765
Support services	5,124,193	5,124,193	4,925,607	198,586
Community services	5,000	5,000	-	5,000
Contingency	374,108	374,108	-	374,108
<b>TOTAL EXPENDITURES</b>	<b>11,944,470</b>	<b>11,944,470</b>	<b>10,912,011</b>	<b>1,032,459</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(781,696)</b>	<b>(781,696)</b>	<b>567,139</b>	<b>1,348,835</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of fixed assets	2,500	2,500	1,250	(1,250)
Transfers from other funds	290,000	290,000	-	(290,000)
Transfers to other funds	(525,804)	(525,804)	(513,320)	12,484
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(233,304)</b>	<b>(233,304)</b>	<b>(512,070)</b>	<b>(278,766)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,015,000)</b>	<b>(1,015,000)</b>	<b>55,069</b>	<b>1,070,069</b>
<b>FUND BALANCE, July 1, 2011</b>	<b>1,015,000</b>	<b>1,015,000</b>	<b>1,254,597</b>	<b>239,597</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,309,666</b>	<b>\$ 1,309,666</b>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2012**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Local sources	\$ 540,250	\$ 540,250	\$ 409,485	\$ (130,765)
State sources	-	-	5,306	5,306
Federal sources	2,167,922	2,167,922	2,156,604	(11,318)
<b>TOTAL REVENUES</b>	<b>2,708,172</b>	<b>2,708,172</b>	<b>2,571,395</b>	<b>(136,777)</b>
<b>EXPENDITURES</b>				
Current				
Instruction	1,334,848	1,334,848	1,286,921	47,927
Support services	560,785	560,785	416,699	144,086
Enterprise & Community Services	837,289	837,289	917,566	(80,277)
Contingency	5,250	5,250	-	5,250
<b>TOTAL EXPENDITURES</b>	<b>2,738,172</b>	<b>2,738,172</b>	<b>2,621,186</b>	<b>116,986</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(30,000)</b>	<b>(30,000)</b>	<b>(49,791)</b>	<b>(19,791)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	10,000	10,000	7,254	(2,746)
<b>NET CHANGE IN FUND BALANCE</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>(42,537)</b>	<b>(22,537)</b>
<b>FUND BALANCE, July 1, 2011</b>	<b>20,000</b>	<b>20,000</b>	<b>115,000</b>	<b>95,000</b>
<b>FUND BALANCE, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 72,463</b>	<b>\$ 72,463</b>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19  
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2012**

Actuarial Valuation	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) unit credit (b)	Unfunded (funded) AAL (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll [(b - a) / c]
07/01/08	\$ -	\$ 435,782	\$ 435,782	0%	\$ 7,545,932	5.78%
07/01/10	-	261,565	261,565	0%	6,432,090	2.80%

The above table represents the most recent actuarial valuation for the District's other postemployment benefits and provides information that approximates the funding progress of the plan.

The AAL reported above is comprised of:

	07/01/08
Stipend	\$ 72,504
Explicit	363,278
Total	\$ 435,782

	07/01/10
Stipend	\$ 72,897
Explicit	188,668
Total	\$ 261,565

**OTHER SUPPLEMENTARY INFORMATION**

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Local sources	\$ 954,152	\$ 954,152	\$ 911,714	\$ (42,438)
<b>TOTAL REVENUES</b>	<u>954,152</u>	<u>954,152</u>	<u>911,714</u>	<u>(42,438)</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	689,659	689,659	689,659	-
Interest	740,628	740,628	712,671	27,957
Dues and Fees	2,000	2,000	-	2,000
Planned Reserve	847,669	847,669	-	847,669
<b>TOTAL EXPENDITURES</b>	<u>2,279,956</u>	<u>2,279,956</u>	<u>1,402,330</u>	<u>877,626</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(1,325,804)	-	(490,616)	835,188
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	515,804	515,804	506,066	(9,738)
Transfers to other funds	(290,000)	(290,000)	-	290,000
<b>NET CHANGE IN FUND BALANCE</b>	(1,100,000)	(1,100,000)	15,450	1,115,450
<b>FUND BALANCE, July 1, 2011</b>	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,180,896</u>	<u>80,896</u>
<b>FUND BALANCE, June 30, 2012</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,196,346</u>	<u>\$ 1,196,346</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources	\$ -	\$ -	\$ 877	\$ 877
<b>EXPENDITURES</b>				
Facilities acquisition and construction	-	550,000	545,783	4,217
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	(550,000)	(544,906)	5,094
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of bonds	-	350,000	350,000	-
<b>NET CHANGE IN FUND BALANCE</b>	-	(200,000)	(194,906)	5,094
<b>FUND BALANCE, July 1, 2011</b>	-	200,000	185,972	(14,028)
<b>FUND BALANCE, July 1, 2012</b>	\$ -	\$ -	\$ (8,934)	\$ (8,934)

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19  
SCHEDULE OF PROPERTY TAX TRANSACTIONS  
FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Tax Year</u>	<u>Uncollected July 1, 2011</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts and Adjustments</u>	<u>Interest</u>	<u>Collections Per Treasurer</u>	<u>Uncollected June 30, 2012</u>
<b><u>GENERAL FUND:</u></b>							
Current	2011-12		\$ 2,818,273	\$ (76,768)	\$ 1,745	\$ (2,564,441)	\$ 175,319
Prior	2010-11	\$ 181,580		6,157	6,400	(85,282)	96,055
	2009-10	95,276		10,384	6,757	(36,691)	62,212
	2008-09	53,370		9,381	8,431	(22,097)	32,223
	2007-08	22,782		4,353	4,270	(18,064)	4,801
	2006-07	2,809		125	386	(724)	1,824
	Prior	4,794		965	619	(641)	4,499
Total prior		360,611	-	31,365	26,863	(163,499)	201,614
<b>TOTAL GENERAL FUND</b>		<b>\$ 360,611</b>	<b>\$ 2,818,273</b>	<b>\$ (45,403)</b>	<b>\$ 28,608</b>	<b>\$ (2,727,940)</b>	<b>\$ 376,933</b>

**SCHOOL DISTRICT FINANCIAL**  
**ACCOUNTING SUMMARIES**

**2011-12 DISTRICT AUDIT ALL FUND REVENUE SUMMARY**

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
<b>Revenue from Local Sources</b>							
1110 Ad Valorem Taxes Levied by District	2,766,085						
1120 Local Option Ad Valorem Taxes Levied by District							
1190 Penalties and Interest on Taxes	402						
1200 Revenue from Local Gov't Units Other Than Districts							
1310 Regular Day School Tuition	1,614						
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition							
1400 Transportation Fees							
1500 Earnings on Investments	1,242		20,202	877			
1600 Food Service		221,244					
1700 Extracurricular Activities	31,315	205,404					
1800 Community Services Activities							
1910 Rentals	825						
1920 Contributions and Donations From Private Sources							
1930 Rental or Lease Payments From Private Contractors							
1940 Services Provided Other Local Education Agencies							
1950 Textbook Sales and Rentals							
1960 Recovery of Prior Years' Expenditure	38,421	1,992					
1970 Services Provided Other Funds			891,512				
1980 Fees Charged to Grants	52,000						
1990 Miscellaneous	62,139	(19,155)					
<b>Total Revenue from Local Sources</b>	<b>2,954,043</b>	<b>409,485</b>	<b>911,714</b>	<b>877</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Revenue from Intermediate Sources</b>							
2101 County School Funds	11,700						
2102 Education Service District Apportionment							
2105 Natural Gas, Oil, and Mineral Receipts							
2199 Other Intermediate Sources							
2200 Restricted Revenue	57,160						
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District							
<b>Total Revenue from Intermediate Sources</b>	<b>68,860</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Revenue from State Sources</b>							
3000 Miscellaneous							
3100 Unrestricted Grants-in-Aid							
3101 State School Fund - General Support	7,501,960						
3102 State School Fund - School Lunch Match							
3103 Common School Fund	122,368						
3104 State Managed County Timber							
3199 Other Unrestricted Grants-in-Aid							
3200 Restricted Grants-in-Aid							
3204 Driver Education	4,340						
3222 State School Fund (SSF) Transportation Equipment							
3299 Other Restricted Grants-in-Aid	323,923	5,306					
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District							
<b>Total Revenue from State Sources</b>	<b>7,952,591</b>	<b>5,306</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Revenue from Federal Sources</b>							
4100 Unrestricted Revenue Direct From the Federal Gov't							
4200 Unrest Rev From the Federal Gov't Through the State							
4300 Restricted Revenue From the Federal Government							
4500 Restricted Rev From the Fed Gov't Through the State	311,717	2,112,377					
4700 Grants-In-Aid From the Fed Gov't Through Intermediate							
4800 Revenue in Lieu of Taxes							
4801 Federal Forest Fees	191,939						
4802 Impact Aid to School Districts for Operation (PL 874)							
4803 Coos Bay Wagon Road Funds							
4899 Other Revenue in Lieu of Taxes							
4900 Revenue for/on Behalf of the District		44,227					
<b>Total Revenue from Federal Sources</b>	<b>503,656</b>	<b>2,156,604</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Revenue from Other Sources</b>							
5100 Long Term Debt Financing Sources				350,000			
5200 Interfund Transfers		7,254	506,066				
5300 Sale of or Compensation for Loss of Fixed Assets	1,250						
5400 Resources - Beginning Fund Balance	1,254,597	115,000	1,180,896	185,972			
<b>Total Revenue from Other Sources</b>	<b>1,255,847</b>	<b>122,254</b>	<b>1,686,962</b>	<b>535,972</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Totals</b>	<b>12,734,997</b>	<b>2,693,649</b>	<b>2,598,676</b>	<b>536,849</b>	<b>0</b>	<b>0</b>	<b>0</b>

**2011-12 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY**  
**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**

**Fund: 100 General Fund**

Code Expenditure Description	100		200		300		400		500		600		700	
	Total	Salaries	P/R Costs	Purchased Services	Materials	Capital Outlay	Other Objects	Transfers & Balances						
1111 Primary, K-3	1,917,209	1,216,627	596,958	61,158	42,466									
1112 Intermediate Programs	5,583	3,600	1,077		906									
1113 Elementary Extracurricular	0													
1121 Middle/Junior High Programs	1,212,832	762,055	387,671	52,863	10,243									
1122 Middle/Junior High Extracurricular	76,516	51,323	9,343	9,345	6,405		100							
1131 High School Programs	1,226,329	760,330	392,753	44,453	27,773		1,020							
1132 High School Extracurricular	165,759	95,232	21,902	28,756	14,396		5,473							
1140 Pre-Kindergarten Programs	0													
1210 Talented & Gifted	1,053		1,053											
1220 Restrict Prog for Students w/Disabilities	547,072	256,490	163,679	16,365	5,736	104,802								
1250 Less Restrict Prog Students w/Disabilities	783,167	490,910	279,012	10,369	2,876									
1260 Early Intervention	0													
1271 Remediation	22,629	17,063	3,958		1,608									
1272 Title I	0													
1280 Alternative Education	7,496			7,216			280							
1291 English as a Second Language	0													
1292 Teen Parent Program	0													
1293 Migrant Education	0													
1294 Youth Corrections Education	0													
1299 Other Programs	0													
1300 Adult/Continuing Education Programs	0													
1400 Summer School Programs	20,759	15,810	4,949											
<b>Total Instruction</b>	<b>5,986,404</b>	<b>3,669,440</b>	<b>1,862,355</b>	<b>230,525</b>	<b>112,409</b>	<b>104,802</b>	<b>6,873</b>	<b>0</b>						
2110 Attendance & Social Work Services	54,393	37,034	17,359											
2120 Guidance Services	216,014	158,283	57,608		123									
2130 Health Services	2,203			2,115	88									
2140 Psychological Services	81,977	52,930	26,244		2,803									
2150 Speech Pathology & Audiology	0													
2160 Other Treatment Services	0													
2190 Service Direction, Student Support	114,735	75,547	34,649	3,100	1,389		50							
2210 Improvement of Instruction	23,370	15,155	8,215											
2220 Educational Media Services	145,166	70,052	36,842	654	37,618									
2230 Assessment & Testing	0													
2240 Instructional Staff Development	23,633		23,403	230										
2310 Board of Education Services	151,947			45,182	1,820		104,945							
2320 Executive Administration Services	160,682	112,619	44,103	1,774	1,591		595							
2410 Office of the Principal Services	1,528,964	815,382	353,784	282,229	72,469		5,100							
2490 Other Support Services - School Admin	0													
2510 Direction of Business Support Services	0													
2520 Fiscal Services	284,738	154,938	46,309	55,463	5,452		22,576							
2540 Operation & Maint of Plant Services	715,788	274,066	169,805	117,384	118,875	35,272	386							
2550 Student Transportation Services	1,040,306			895,187	145,119									
2570 Internal Services	40,568			40,568										
2610 Direction of Central Support Services	0													
2620 Planning, Research, Development, Evaluation	0													
2630 Information Services	0													
2640 Staff Services	69,947	45,842	19,491	3,056	1,558									
2660 Technology Services	179,544			19,483	111,338	48,723								
2670 Records Management Services	0													
2690 Other Support Services	0													
2700 Supplemental Retirement Program	91,632	25,672	65,960											
<b>Total Support Services</b>	<b>4,925,607</b>	<b>1,837,520</b>	<b>903,772</b>	<b>1,466,425</b>	<b>500,243</b>	<b>83,995</b>	<b>133,652</b>	<b>0</b>						
3100 Food Services	0													
3200 Other Enterprise Services	0													
3300 Community Services	0													
3500 Custody & Care of Children Services	0													
<b>Total Enterprise and Community Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>						
4110 Service Area Direction	0													
4120 Site Acquisition & Development Services	0													
4150 Bldg Acquisition, Construction & Improvement	0													
4190 Other Facilities Construction Services	0													
<b>Total Facilities Acquisition and Construction</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>						
5100 Debt Service	0													
5200 Transfers to Other Funds	513,320												513,320	
5300 Apportionment of Funds by ESD	0													
6000 Contingencies	0													
7000 Unappropriated Ending Fund Balance	0													
<b>Total Requirements and Balances</b>	<b>11,425,331</b>	<b>5,506,960</b>	<b>2,766,127</b>	<b>1,696,950</b>	<b>612,652</b>	<b>188,797</b>	<b>140,525</b>	<b>513,320</b>						

**2011-12 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY**

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**

**Fund: 200 Special Revenue Fund**

Code Expenditure Description	Total	100	200	300	400	500	600	700
		Salaries	P/R Costs	Purchased Services	Materials	Capital Outlay	Other Objects	Transfers & Balances
1111 Primary, K-3	55,730				55,730			
1112 Intermediate Programs	0							
1113 Elementary Extracurricular	0							
1121 Middle/Junior High Programs	62,636	3,643	1,084	3,246	54,275		388	
1122 Middle/Junior High Extracurricular	0							
1131 High School Programs	151,755	7,186	2,144	7,442	124,982	10,001		
1132 High School Extracurricular	0							
1140 Pre-Kindergarten Programs	0							
1210 Talented & Gifted	0							
1220 Restrict Prog for Students w/Disabilities	70,144	38,628	26,836		4,680			
1250 Less Restrict Prog Students w/Disabilities	136,255	74,262	43,702	3,684	14,607			
1260 Early Intervention	0							
1271 Remediation	0							
1272 Title I	810,401	405,905	181,734	133,924	88,838			
1280 Alternative Education	0							
1291 English as a Second Language	0							
1292 Teen Parent Program	0							
1293 Migrant Education	0							
1294 Youth Corrections Education	0							
1299 Other Programs	0							
1300 Adult/Continuing Education Programs	0							
1400 Summer School Programs	0							
<b>Total Instruction</b>	<b>1,286,921</b>	<b>529,624</b>	<b>255,500</b>	<b>148,296</b>	<b>343,112</b>	<b>10,001</b>	<b>388</b>	<b>0</b>
2110 Attendance & Social Work Services	0							
2120 Guidance Services	575		575					
2130 Health Services	0							
2140 Psychological Services	0							
2150 Speech Pathology & Audiology	0							
2160 Other Treatment Services	0							
2190 Service Direction, Student Support	64,233	41,497	22,718		18			
2210 Improvement of Instruction	44,634	30,309	14,325					
2220 Educational Media Services	0							
2230 Assessment & Testing	0							
2240 Instructional Staff Development	221,791	59,029	20,629	130,908	11,225			
2310 Board of Education Services	0							
2320 Executive Administration Services	0							
2410 Office of the Principal Services	0							
2490 Other Support Services - School Admin	75,119	15,154	7,162	803			52,000	
2510 Direction of Business Support Services	0							
2520 Fiscal Services	0							
2540 Operation & Maint of Plant Services	0							
2550 Student Transportation Services	0							
2570 Internal Services	0							
2610 Direction of Central Support Services	0							
2620 Planning, Research, Development, Evaluation	0							
2630 Information Services	0							
2640 Staff Services	0							
2660 Technology Services	10,347				10,347			
2670 Records Management Services	0							
2690 Other Support Services	0							
2700 Supplemental Retirement Program	0							
<b>Total Support Services</b>	<b>416,699</b>	<b>145,989</b>	<b>65,409</b>	<b>131,711</b>	<b>21,590</b>	<b>0</b>	<b>52,000</b>	<b>0</b>
3100 Food Services	910,297	215,424	133,489	78,265	467,088	12,464	3,567	
3200 Other Enterprise Services	0							
3300 Community Services	7,269			815	6,454			
3500 Custody & Care of Children Services	0							
<b>Total Enterprise and Community Services</b>	<b>917,566</b>	<b>215,424</b>	<b>133,489</b>	<b>79,080</b>	<b>473,542</b>	<b>12,464</b>	<b>3,567</b>	<b>0</b>
4110 Service Area Direction	0							
4120 Site Acquisition & Development Services	0							
4150 Bldg Acquisition, Construction & Improvement	0							
4190 Other Facilities Construction Services	0							
<b>Total Facilities Acquisition and Construction</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
5100 Debt Service	0							
5200 Transfers to Other Funds	0							
5300 Apportionment of Funds by ESD	0							
6000 Contingencies	0							
7000 Unappropriated Ending Fund Balance	0							
<b>Total Requirements and Balances</b>	<b>2,621,186</b>	<b>891,037</b>	<b>454,398</b>	<b>359,087</b>	<b>838,244</b>	<b>22,465</b>	<b>55,955</b>	<b>0</b>

2011-12 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 300 Debt Service Fund

Code Expenditure Description	Total	100	200	300	400	500	600	700
		Salaries	P/R Costs	Purchased Services	Materials	Capital Outlay	Other Objects	Transfers & Balances
1111 Primary, K-3	0							
1112 Intermediate Programs	0							
1113 Elementary Extracurricular	0							
1121 Middle/Junior High Programs	0							
1122 Middle/Junior High Extracurricular	0							
1131 High School Programs	0							
1132 High School Extracurricular	0							
1140 Pre-Kindergarten Programs	0							
1210 Talented & Gifted	0							
1220 Restrict Prog for Students w/Disabilities	0							
1250 Less Restrict Prog Students w/Disabilities	0							
1260 Early Intervention	0							
1271 Remediation	0							
1272 Title I	0							
1280 Alternative Education	0							
1291 English as a Second Language	0							
1292 Teen Parent Program	0							
1293 Migrant Education	0							
1294 Youth Corrections Education	0							
1299 Other Programs	0							
1300 Adult/Continuing Education Programs	0							
1400 Summer School Programs	0							
<b>Total Instruction</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2110 Attendance & Social Work Services	0							
2120 Guidance Services	0							
2130 Health Services	0							
2140 Psychological Services	0							
2150 Speech Pathology & Audiology	0							
2160 Other Treatment Services	0							
2190 Service Direction, Student Support	0							
2210 Improvement of Instruction	0							
2220 Educational Media Services	0							
2230 Assessment & Testing	0							
2240 Instructional Staff Development	0							
2310 Board of Education Services	0							
2320 Executive Administration Services	0							
2410 Office of the Principal Services	0							
2490 Other Support Services - School Admin	0							
2510 Direction of Business Support Services	0							
2520 Fiscal Services	0							
2540 Operation & Maint of Plant Services	0							
2550 Student Transportation Services	0							
2570 Internal Services	0							
2610 Direction of Central Support Services	0							
2620 Planning, Research, Development, Evaluation	0							
2630 Information Services	0							
2640 Staff Services	0							
2660 Technology Services	0							
2670 Records Management Services	0							
2690 Other Support Services	0							
2700 Supplemental Retirement Program	0							
<b>Total Support Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
3100 Food Services	0							
3200 Other Enterprise Services	0							
3300 Community Services	0							
3500 Custody & Care of Children Services	0							
<b>Total Enterprise and Community Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
4110 Service Area Direction	0							
4120 Site Acquisition & Development Services	0							
4150 Bldg Acquisition, Construction & Improvement	0							
4190 Other Facilities Construction Services	0							
<b>Total Facilities Acquisition and Construction</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
5100 Debt Service	1,402,330						1,402,330	
5200 Transfers to Other Funds	0							
5300 Apportionment of Funds by ESD	0							
6000 Contingencies	0							
7000 Unappropriated Ending Fund Balance	0							
<b>Total Requirements and Balances</b>	<b>1,402,330</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,402,330</b>	<b>0</b>

**2011-12 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY  
DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**

**Fund: 400 Capital Projects Fund**

Code Expenditure Description	Total	100	200	300	400	500	600	700
		Salaries	P/R Costs	Purchased Services	Materials	Capital Outlay	Other Objects	Transfers & Balances
1111 Primary, K-3	0							
1112 Intermediate Programs	0							
1113 Elementary Extracurricular	0							
1121 Middle/Junior High Programs	0							
1122 Middle/Junior High Extracurricular	0							
1131 High School Programs	0							
1132 High School Extracurricular	0							
1140 Pre-Kindergarten Programs	0							
1210 Talented & Gifted	0							
1220 Restrict Prog for Students w/Disabilities	0							
1250 Less Restrict Prog Students w/Disabilities	0							
1260 Early Intervention	0							
1271 Remediation	0							
1272 Title I	0							
1280 Alternative Education	0							
1291 English as a Second Language	0							
1292 Teen Parent Program	0							
1293 Migrant Education	0							
1294 Youth Corrections Education	0							
1299 Other Programs	0							
1300 Adult/Continuing Education Programs	0							
1400 Summer School Programs	0							
<b>Total Instruction</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2110 Attendance & Social Work Services	0							
2120 Guidance Services	0							
2130 Health Services	0							
2140 Psychological Services	0							
2150 Speech Pathology & Audiology	0							
2160 Other Treatment Services	0							
2190 Service Direction, Student Support	0							
2210 Improvement of Instruction	0							
2220 Educational Media Services	0							
2230 Assessment & Testing	0							
2240 Instructional Staff Development	0							
2310 Board of Education Services	0							
2320 Executive Administration Services	0							
2410 Office of the Principal Services	0							
2490 Other Support Services - School Admin	0							
2510 Direction of Business Support Services	0							
2520 Fiscal Services	0							
2540 Operation & Maint of Plant Services	0							
2550 Student Transportation Services	0							
2570 Internal Services	0							
2610 Direction of Central Support Services	0							
2620 Planning, Research, Development, Evaluation	0							
2630 Information Services	0							
2640 Staff Services	0							
2660 Technology Services	0							
2670 Records Management Services	0							
2690 Other Support Services	0							
2700 Supplemental Retirement Program	0							
<b>Total Support Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
3100 Food Services	0							
3200 Other Enterprise Services	0							
3300 Community Services	0							
3500 Custody & Care of Children Services	0							
<b>Total Enterprise and Community Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
4110 Service Area Direction	0							
4120 Site Acquisition & Development Services	0							
4150 Bldg Acquisition, Construction & Improvement	545,783			47,426		490,857	7,500	
4190 Other Facilities Construction Services	0							
<b>Total Facilities Acquisition and Construction</b>	<b>545,783</b>	<b>0</b>	<b>0</b>	<b>47,426</b>	<b>0</b>	<b>490,857</b>	<b>7,500</b>	<b>0</b>
5100 Debt Service	0							
5200 Transfers to Other Funds	0							
5300 Apportionment of Funds by ESD	0							
6000 Contingencies	0							
7000 Unappropriated Ending Fund Balance	0							
<b>Total Requirements and Balances</b>	<b>545,783</b>	<b>0</b>	<b>0</b>	<b>47,426</b>	<b>0</b>	<b>490,857</b>	<b>7,500</b>	<b>0</b>

**SUPPLEMENTAL INFORMATION 2011-12**

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**

**A. Energy Bills for Heating - All Funds:**

Please enter your expenditures for electricity & heating fuel for these Functions & Objects

Objects 325 & 326	
Function 2540	\$ 243,471
Function 2550	\$ -

**B. Replacement of Equipment - General Fund:**

Include all General Fund Expenditures in Object 542, Except for the following exclusions:

\$ 12,464

Exclude these functions:

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

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

We have audited the basic financial statements of the Douglas County School District No. 19 as of and for the year ended June 30, 2012, and have issued our report thereon dated December 18, 2012. 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 of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Douglas County School District No. 19's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the 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 but were not limited to the following:

- Deposit of public funds with financial institutions under ORS Chapter 295.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Investments of surplus funds authorized under ORS Chapter 294.
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.
- Debt limitations under ORS Chapter 328.245

In connection with our audit, nothing came to our attention that caused us to believe Douglas County School District No. 19 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 Administration Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

## Accounting Systems and Internal Controls

The District's accounting and internal controls systems are adequate and the accounting records are properly maintained. The internal controls for the District are operating as designed and no material weaknesses were noted.

## Collateral

Based on our review of the District's records, the District was in compliance with the provisions of ORS Chapter 295. The banks used by the District were considered qualified financial institutions for the year ended June 30, 2012.

## Budget Compliance

We reviewed the preparation, adopting, and execution of the budget for the current year and the preparation and adoption of the ensuing year's budget. Based on our procedures, the District appears to have complied with statutory requirements for the current year and the ensuing year's budget.

A resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established by function Instruction, Supporting Services, Community Services, Facilities Acquisition and Construction, Debt Service, Transfers to other funds and Contingency). The District did exceed its authorized appropriations for the year ended June 30, 2012. It is as follows:

Special Revenue Fund	
Enterprise & Community Services	<u>\$ 80,277</u>

At fiscal year end, the Capital Fund had a deficit fund balance of \$8,934. The District expects to transfer funds to cover this deficit in the next fiscal year.

## Insurance and Fidelity Bond Coverage

We reviewed the District's insurance policies and determined that such policies appeared to be in force at June 30, 2012. We are not competent by training to comment on the adequacy of the insurance policies covering District owned property at June 30, 2012.

Based on the results of our tests, the District has complied with the provisions of ORS 332.525 regarding the bonding of District personnel.

## Indebtedness

The District's bonded indebtedness was in compliance with the provisions of ORS 328.245. The District was in compliance with all debt covenants and all payments were made on a timely basis.

## **Programs Funded From Outside Sources**

We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly or partially by other governmental agencies.

The results of our tests indicate, for the items tested, the District complied with the laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies, and for the items tested, financial reports and related data were in agreement with and supported by the accounting records.

Separate reports have been issued to report on compliance with appropriate laws and regulations pertaining to Federal Financial Assistance.

## **Investments**

Based on our procedures, it appears that the District was in compliance with the legal requirements of ORS Chapter 294 pertaining to the investment of public funds.

## **Public Contracts and Purchasing**

Based on our procedures and our review of the minutes, the District appears to have complied with the legal requirements pertaining to the awarding of public contracts and the construction of public improvements as contained in ORS Chapter 279.

## **State School Fund Distribution Factors**

Based on our procedures, the District appears to have complied with the 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.

## **Internal Control**

In planning and performing our audit, we considered the Douglas County School District No. 19 internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Douglas County School District No. 19's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Douglas County School District No. 19's internal control over financial reporting or over compliance.

No material weakness or significant deficiencies relating to the audit of the basic financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management of Douglas County School District No. 19 and the State of Oregon, Division of Audits and is not intended to be and should not be used by anyone other than these specified parties.



Michael L. Piels CPAs, LLP  
December 18, 2012

**Items required by the Single Audit Act  
Amendments of 1996 for Federal award programs**

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

Board of Directors  
Douglas County School District No. 19  
Myrtle Creek, Oregon

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Douglas County School District No. 19 (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Board of Directors  
Douglas County School District No. 19  
Myrtle Creek, Oregon

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

However, we noted certain matters that we reported to management of the District in a separate letter dated December 18, 2012.

This report is intended solely for the information and use of management; Board of Directors, the State of Oregon, Secretary of State, Division of Audits, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

 Stewart C. Farnelle CPA, Partner

Michael L. Piels CPAs, LLP  
December 18, 2012

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**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  
Douglas County School District No. 19  
Myrtle Creek, Oregon

Compliance

We have audited Douglas County School District No. 19 (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District 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, 2012.

Board of Directors  
Douglas County School District No. 19  
Myrtle Creek, Oregon

### Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District'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 the internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Directors, management, the State of Oregon, Secretary of State, Division of Audits, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Stewart C. Parnelle CPA, Partner*

Michael L. Piels CPAs, LLP  
December 18, 2012

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Award				(Receivable)/ Deferred Balance
				Balance June 30, 2011	Receipts	Expenditures	June 30, 2012
<u>U.S. Department of Education:</u>							
Passed Through Oregon Department of Education:							
TITLE I - TIER III MC - ARRA	84.389	20520	\$ 34,669	\$ (8,061)	\$ 8,061	\$ -	\$ -
TITLE I - TIER III TC - ARRA	84.389	20532	34,669	(34,669)	34,669	-	-
Program total				(42,730)	42,730	-	-
TITLE I	84.010	16650	735,676	-	488,696	(683,193)	(194,497)
TITLE I	84.010	16650	736,310	(108,362)	259,485	(151,123)	-
TITLE I - SIF	84.010	19027	25,000	(8,876)	9,706	(830)	-
TITLE I - TIER III MC	84.010	24388	48,650	-	34,201	(40,965)	(6,764)
TITLE I - TIER III MC	84.010	21692	57,200	(19,096)	57,200	(38,104)	-
TITLE I - TIER III TC	84.010	24409	45,650	-	13,111	(27,888)	(14,777)
TITLE I - TIER III TC	84.010	21706	51,600	(16,791)	51,600	(34,809)	-
Program total				(153,125)	913,999	(976,912)	(216,038)
Special Education Grants - IDEA	84.027	23696	316,394	-	222,672	(274,558)	(51,886)
Special Education Grants - IDEA	84.027	20373	334,807	(24,951)	25,354	(403)	-
Special Education Grants - IDEA	84.027	21882	8,067	-	8,067	(8,067)	-
Special Education Grants - IDEA Enhancement	84.027	23911	2,652	-	-	-	-
Special Education Grants - IDEA Enhancement	84.027	21421	2,568	(823)	2,568	(1,745)	-
Special Education Grants-SPRI	84.027	23184	2,530	-	109	(1,464)	(1,355)
Special Education Grants-SPRI	84.027	20062	2,530	(955)	955	-	-
Program total				(26,729)	259,725	(286,237)	(53,241)
Special Education Grants - IDEA	84.173	24293	1,382	-	1,382	(1,382)	-
Special Education Grants - IDEA	84.173	22066	1,094	-	1,095	(1,095)	-
Special Education Grants - IDEA	84.173	21882	1,028	-	1,028	(1,028)	-
Program total				-	3,505	(3,505)	-
Special Education Grants - IDEA ARRA	84.387	15294	363,879	(36,650)	36,650	-	-
Program total				(36,650)	36,650	-	-
Title IIA Improving Teacher Quality	84.367	22908	122,312	-	61,570	(108,153)	(46,583)
Title IIA Improving Teacher Quality	84.367	19720	142,526	(49,846)	71,460	(21,614)	-
Program total				(49,846)	133,030	(129,767)	(46,583)
Title VI Rural and Low-Income Schools	84.358	23487	32,135	-	32,135	(32,135)	-
Title VI Rural and Low-Income Schools	84.358	20457	39,442	(35,843)	38,939	(3,096)	-
Program total				(35,843)	71,074	(35,231)	-
Accelerated College Credit Program	99.998	24787	2,000	-	-	-	-
Program total				-	-	-	-
Education Jobs Fund - ARRA	84.410	20888	311,717	-	311,717	(311,717)	-
Program total				-	311,717	(311,717)	-
State Fiscal Stabilization Fund	84.394	21096	169,304	(169,304)	169,304	-	-
State Fiscal Stabilization Fund	84.394	17223	432,785	(432,785)	432,785	-	-
Program total				(602,089)	602,089	-	-

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Award				(Receivable)/ Deferred Balance
				Balance June 30, 2011	Receipts	Expenditures	June 30, 2012
Passed through Umpqua Community College:							
Perkins Basic	84.048	UCC	32,882	-	23,426	(32,882)	(9,456)
Perkins Basic	84.048	UCC	32,841	(26,079)	26,079	-	-
Program total				\$ (26,079)	\$ 49,505	\$ (32,882)	\$ (9,456)
Passed through University of Oregon/Oregon University System:							
Gear Up	84.334S	U of O	38,760	\$ -	\$ 25,978	\$ (38,760)	\$ (12,782)
Gear Up	84.334S	U of O	143,176	(60,452)	62,848	(2,396)	-
Program total				(60,452)	88,826	(41,156)	(12,782)
<b>Total Department of Education</b>				<b>\$ (1,033,543)</b>	<b>2,512,850</b>	<b>(1,817,407)</b>	<b>(338,100)</b>
<u>U.S. Department of Agriculture:</u>							
Passed Through Oregon Department of Education:							
Food Distribution Program	10.550	2011-12	44,227	\$ -	44,227	(44,227)	\$ -
School Breakfast Program	10.553	2011-12	192,102	(29,393)	221,495	(192,102)	-
National School Lunch	10.555	2011-12	382,690	(56,356)	439,046	(382,690)	-
National School Lunch - Summer	10.559	2011-12	31,895	(5,900)	32,418	(31,895)	(5,377)
Program total				(91,649)	737,186	(650,914)	(5,377)
Passed through Douglas ESD:							
Federal Forest Fees	10.666	2011-12	191,939	-	191,939	(191,939)	-
Program total				-	191,939	(191,939)	-
<b>Total Department of Agriculture</b>				<b>(91,649)</b>	<b>929,125</b>	<b>(842,853)</b>	<b>(5,377)</b>
<b>Total Federal Financial Assistance</b>				<b>\$ (98,311)</b>	<b>\$ 3,441,975</b>	<b>\$ (2,660,260)</b>	<b>\$ (343,477)</b>

Note A - Significant accounting policies

The accompanying schedule of expenditures of federal award is a summary of the activity of the District's federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some information presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

Note B - Food distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**SECTION I: SUMMARY OF AUDIT RESULTS**

Financial statements

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Douglas County School District No. 19.
2. No significant deficiencies or material weakness in internal controls were disclosed by the audit of the basic financial statements of Douglas County School District No. 19.
3. No instances of noncompliance material to the financial statements of Douglas County School District No. 19 were disclosed during the audit.

Federal Awards

4. No significant deficiencies or material weakness in internal control over major programs were disclosed by the audit process.
5. The auditor's report on compliance for the major federal award programs for Douglas County School District No. 19 expresses an unqualified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:
  - U.S. Department of Education
    - Education Jobs - ARRA CFDA # 84.410
  - U.S Department of Agriculture – Audited as a cluster
    - School breakfast Program CFDA # 10.553
    - School Lunch Program CFDA # 10.555
    - School Lunch Program – Summer CFDA # 10.559
8. The threshold for distinguishing Types A and B Programs was \$300,000.
9. Douglas County School District No. 19 was determined to be a low-risk auditee under the criteria specified in OMB Circular A-133.

**SECTION II: FINANCIAL STATEMENT FINDINGS**

None

**SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None