

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Myrtle Creek, Oregon

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2013

**WITH
INDEPENDENT AUDITOR'S REPORT**

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Myrtle Creek, Oregon
June 30, 2013

BOARD OF DIRECTORS AS OF JUNE 30, 2013

David Stevens	Chairperson
Robert Ankeny Jr.	Vice-Chair
Jeff Johnson	Director
Judy Coleman	Director
Pat O'Sullivan	Director
Jeannie Weakley	Director
Steve Maniaci	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, 2013

Table of Contents

	<u>Page</u>
Independent Auditor's Report	A-1 – A-3
Management's Discussion and Analysis	B-1 – B-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to the Basic Financial Statements	7 – 30
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	31
Schedule of Revenues, Expenditures and Changes Fund Balance – Budget and Actual – Special Revenue Fund	32
Schedule of Funding Progress – Other Postemployment Benefits	33
Other Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	34
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	35
Schedule of Property Tax Transactions	36
School District Financial Accounting Summaries	37 – 42
Independent Auditor's Report Required by State Regulations	43 – 45

Table of Contents (continued)

	<u>Page</u>
Items Required by the Single Audit Act Amendments of 1996 for Federal Awards Programs:	
Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46 – 47
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	48 – 49
Schedule of Expenditures of Federal Awards	50 – 51
Schedule of Findings and Questioned Costs	52



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Douglas County School District No. 19 (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the presentation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund information of the District as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress (other postemployment benefits), and the General and major Special Revenue governmental funds budgetary comparison information as listed in the table of contents 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 applied certain limited procedures to 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 inquires 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 management's discussion and analysis and the schedule of funding progress (other postemployment benefits) because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The General and major Special Revenue governmental funds budgetary comparison information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General and major Special Revenue governmental funds budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

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 listed in the table of contents is presented for purposes of additional analysis and are not required as part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

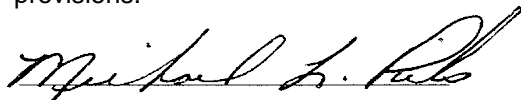
Other Supplementary Information (Continued)

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

Other Reporting Required by Government Auditing Standards and Oregon State Regulations

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

In accordance with Oregon State Regulation, we have also issued our report dated December 27, 2013 on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Michael L. Piels CPAs, LLP
Medford, Oregon
December 27, 2013

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2013

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, 2013. 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 position for the 2013 fiscal year. Overall, net position decreased by \$1,126,521 or 27% from the previous year.
- General revenues accounted for \$10.73 million in revenue, or 81.97% of all fiscal year revenues. Program specific revenues in the form of charges for services, grants and donations accounted for \$2.36 million or 18.03% of total fiscal 2013 revenues.
- The District had approximately \$14.22 million in expenses related to governmental activities; of which \$2.36 million were expenses offset by program specific charges for services, grants and donations. General revenues of \$10.73 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 position.
- The General Fund had \$10.83 million in fiscal year 2013 revenues, which primarily consisted of state school support and property taxes. Expenditures totaled \$11.17 million. The General Fund's fund balance, before interfund transfers, decreased \$337,139 from the previous year.
- The Special Revenue Fund, a District major fund, had \$2.22 million in fiscal year 2013 revenues and \$2.19 million in expenditures.
- The Debt Service Fund, another District major fund, had \$1.01 million in fiscal year 2013 revenues and \$1.49 million in expenditures before interfund transfers.
- The Capital Projects Fund is the last District major fund. It had revenues of \$28 for fiscal year 2013 and \$202,666 in expenditures before interfund transfers.
- The District's total long-term debt decreased by \$739,829 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.

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

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2013

	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 position * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net position *Statement of cash flows	* Statement of fiduciary net position *Statement of changes in fiduciary net position
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, 2013

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 position 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 position* and how they have changed. Net position, 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 position 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 position changed during the most recent fiscal year. All changes in net position 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, 2013

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, 2013

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 - 30 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 31 - 33 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 34 and 35 of this report.

Government-Wide Financial Analysis

The District's combined net position reflects a decrease of approximately 27% as of June 30, 2013. This decrease is primarily due to reduced income from the State and Federal governments combined with a slight increase in spending during the current year.

By far the largest portion of the District's net position 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, 2013

The following table presents a summary of the District's net position for the fiscal years ended June 30, 2012 and June 30, 2013:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current Assets	\$ 2,369,231	\$ 3,360,001
Unamortized Fees	7,810,574	8,327,932
Capital Assets - Net	<u>7,172,407</u>	<u>7,523,005</u>
 Total Assets	 <u>\$ 17,352,212</u>	 <u>\$ 19,210,938</u>
 Current Liabilities	 \$ 630,186	 \$ 606,251
Long Term Liabilities	<u>13,676,829</u>	<u>14,432,969</u>
 Total Liabilities	 <u>\$ 14,307,015</u>	 <u>\$ 15,039,220</u>
 Invested in Capital Assets, Net of Related Debt	 \$ 4,619,615	 \$ 4,524,965
Unrestricted Net Position	<u>(1,574,418)</u>	<u>(353,247)</u>
 Total Net Position	 <u>\$ 3,045,197</u>	 <u>\$ 4,171,718</u>

The District's total revenues for the fiscal year ended June 30, 2013, were \$13.09 million. The total cost of programs and services was \$14.22 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2012 and June 30, 2013:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Revenues		
Program Revenues		
Charges for Services	\$ 502,924	\$ 499,579
Operating Grants & Contributions	1,857,111	2,530,784
General Revenues		
Property Taxes	2,746,302	2,773,274
Earnings on Investments	15,468	22,321
Unrestricted State & Local Sources	18,528	335,623
State School Support	7,531,762	7,501,960
Federal Forest Fees	200,382	191,939
Miscellaneous Other Sources	215,994	224,519
Total Revenues	<u>13,088,471</u>	<u>14,079,999</u>
 Expenses		
Instruction	7,357,667	7,246,680
Support Services	5,380,114	5,409,718
Community Services	820,234	873,415
Facilities Acquisition & Construction	1,591	0
Interest on Long Term Debt	755,386	754,683
Total Expenses	<u>14,214,992</u>	<u>14,284,496</u>

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2013

Increase/(Decrease) in Net Position	\$ (1,126,521)	\$ (204,497)
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The cost of all governmental activities this year was \$14.22 million. Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues in the amount of \$2.36 million. The resulting net cost of governmental activities of \$11.86 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 \$1,584,378, a decrease of \$985,163 from the prior year. The fund balance constitutes unassigned, assigned, and restricted amounts. Of the current fund balance, \$443,811 is unassigned and available for spending at the District's discretion, \$115,678 is assigned for purposes defined by the federal Title grants, \$22,926 is restricted for capital projects, and the remaining fund balance of \$1,001,963 is restricted for the payment of debt.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$865,855, a result of our declining State and Federal revenues. The combined fund balances of all other funds decreased by \$119,308 during the fiscal year. A transfer from the PERS UAL Reserve in the Debt Service Fund to the General Fund led to a decrease in the Debt Service Fund of \$194,383. Slight gains in the Special Revenue Fund and the Capital Projects Fund helped to offset the decrease in the Debt Service Fund.

Budgetary Highlights

General Fund revenues were budgeted and anticipated to be collected in the amount of \$10.97 million during the fiscal year. State funding continued its weak trend following the economic downturn. Declining enrollment within the District also continued. This prompted the District to be conservative on its revenue and expenditure budgeting. The District received \$10.83 million in revenue during the fiscal year. Spending for the year exceeded the revenues received, leading to a decrease in the General Fund ending balance of \$865,855.

Capital Assets

As of June 30, 2013, the District had invested \$25.86 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 \$172,525 from last year. Total depreciation expense for the year was \$548,033. Additional information on the District's capital assets can be found in Note 1 and Note 5 on pages 7 and 21, respectively, of this report.

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2013

Economic Factors and Next Year's Budget and Rates

The State Legislature made a concerted effort to increase funding for schools for the 2013-15 biennium. The resulting increase did little for the District's budgetary woes. While the District had budgeted to spend down its ending fund balance of the past couple of years, frugality on the District's part had allowed the District to more or less maintain its healthy ending fund balance over that time. 2012-13 finally caught up with the District as the ending fund balance decreased over \$865,000 in the General Fund. The increase in funding merely helped fill the void left by the use of the District's reserves. Federal Forest Fees continue to be a topic of conversation in our nation's capital. The uncertainty of their continuation leaves the District uncertain of receiving further funds in the future. Because of these factors, the District continued with the conservative approach to budget preparation that has become the norm over the last few years. Employee contract and benefit costs also played a part in the District's conservatism, as the both union contracts were open for negotiation of the economic provisions.

The District also continued the trend started in the prior year of attempting 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. This process of looking forward helps the District understand implications that current budgets could have on future years.

Overall revenue in the District's General Fund budget was decreased for 2013-14 to \$12.53 million, namely due to the decrease in the ending fund balance. Outside of the State School Fund and the Federal Forest Fees, other revenues either remained relatively flat same or were projected to have slight increases or decreases. Based on these and other factors, the budgeted expenditures in the General Fund were decreased 1.54% to \$12,526,028 for fiscal year 2013-14. The District continues to budget to spend its ending fund balance down to 3% of budgeted General Fund revenues.

Based on the November 7, 2013 estimates from the Oregon Department of Education, for fiscal year 2013-14, the District is expected to receive \$295,573 more from the State School Support Fund in comparison to the prior year. This increase is due again to the conscious effort of the State Legislature to funnel more money to education this biennium. There is hope the economic downturn is over and that things have finally turned around in Oregon. The hope that the funding this biennium becomes the new floor and that funding will only increase in the future.

District enrollment has continued its steady decline. The increase anticipated for 2012-13 failed to materialize so the District continues to forecast a downward trend in our continued enrollment. 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. The District continues to hop that the downward trend will eventually level off and perhaps even turn up, but the District is cautiously optimistic in those thoughts. Until there are greater employment opportunities in our area, however, it is expected that this decline in enrollment may continue.

Looking ahead to 2014-15 is a slightly rosier outlook than we have seen in recent years. While we are unsure that Oregon's economy is truly on the rebound, the District continues to watch and wait, hoping for further signs of a turnaround both nationally and locally. The State Legislature passed legislation that reduced PERS costs to the District but the legislation is subject to an immediate judicial review so any savings seen may only be for the short term. The entire Licensed contract will be open for negotiation and the Classified contract will be open for all economic issues and will have an impact on the 2014-15 budget.

In all probability the District will end 2013-14 with a 3% ending fund balance. Increases in funding from the State and decreases in PERS costs are not enough to make up for the loss of the District's reserves. The District continues to budget to expend monies from its PERS UAL reserve to maintain District

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2013

programs and personnel. At current pace that reserve will be used up entirely in 3 years. The Coffenberry gym payment will cease at the same time that the PERS UAL reserve is projected to be used up. The thought is that the money previously going to the gym payment will fill the budget void left by the PERS UAL reserve being used up. The District anticipates also taking money from that gym payment and attempting to refill the PERS UAL reserve. If the District can maintain its 3% ending fund balance, bargain contracts that are reasonable and affordable, and continues on the conservative path it has been on in recent years then hopefully it can ride out Oregon's economic storm and start to see an upturn in its economic condition and return its reserves to a more appropriate level.

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 POSITION
JUNE 30, 2013

	Governmental Activities
ASSETS:	
Cash and investments	\$ 1,499,538
Receivables	845,539
Inventory	24,154
Prepaid pension benefit obligation	7,624,282
Bond issuance costs, net	186,292
Capital assets, net	
Land	1,248,172
Land improvements	49,736
Buildings and improvements	5,504,230
Vehicles and equipment	370,269
TOTAL ASSETS	17,352,212
LIABILITIES:	
Accounts payable	133,539
Accrued salaries and benefits	322,897
Accrued compensated absences payable	77,522
Early retirement benefits	96,228
Bonds payable, net of unamortized premium/discount:	
Due within one year	775,316
Due in more than one year	12,901,513
TOTAL LIABILITIES	14,307,015
NET POSITION (DEFICIT):	
Invested in capital assets, net of related debt	4,619,615
Unrestricted	(1,574,418)
TOTAL NET POSITION	\$ 3,045,197

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 7,357,667	\$ 224,165	\$ 1,472,941	\$ -	\$ (5,660,561)
Support services	5,280,114	25,292	339,337	-	(4,915,485)
Enterprise and community services	820,234	253,467	-	-	(566,767)
Facilities acquisition and construction	1,591	-	-	-	(1,591)
Interest on long-term debt	755,386	-	44,833	-	(710,553)
Total government activities	<u>\$ 14,214,992</u>	<u>\$ 502,924</u>	<u>\$ 1,857,111</u>	<u>\$ -</u>	<u>(11,854,957)</u>
General revenues:					
Property taxes levied for general purposes					2,746,302
State school fund - general support					7,531,762
Common School Funds					134,301
Federal forest fees					200,382
Unrestricted state and local sources					18,528
Earnings on investments					15,468
Loss on sale of capital assets					(3,640)
Miscellaneous					85,333
Total general revenues					<u>10,728,436</u>
CHANGE IN NET POSITION					(1,126,521)
Net Position - July 1, 2012					<u>4,171,718</u>
Net Position - June 30, 2013					<u><u>\$ 3,045,197</u></u>

FUND FINANCIAL STATEMENTS

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total
ASSETS					
Equity in pooled cash and investments	\$ 474,649	\$ -	\$ 1,001,963	\$ 22,926	\$ 1,499,538
Receivables	448,592	396,947	-	-	845,539
Inter-fund receivable	213,894	-	-	-	213,894
TOTAL ASSETS	\$ 1,137,135	\$ 396,947	\$ 1,001,963	\$ 22,926	\$ 2,558,971
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 107,532	\$ 26,007	\$ -	\$ -	\$ 133,539
Accrued salaries and benefits	281,529	41,368	-	-	322,897
Inter-fund payable	-	213,894	-	-	213,894
Deferred revenue	304,263	-	-	-	304,263
TOTAL LIABILITIES	693,324	281,269	-	-	974,593
Fund Balances:					
Restricted for debt service	-	-	1,001,963	-	1,001,963
Restricted for capital projects	-	-	-	22,926	22,926
Assigned	-	115,678	-	-	115,678
Unassigned	443,811	-	-	-	443,811
Total fund balances	443,811	115,678	1,001,963	22,926	1,584,378
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,137,135	\$ 396,947	\$ 1,001,963	\$ 22,926	\$ 2,558,971

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2013

TOTAL FUND BALANCES			\$ 1,584,378
Inventory is not reported as a governmental fund asset under the purchase method of accounting for inventory.			24,154
Prepaid pension benefit obligations are not a financial resource and therefore are not reported in the governmental funds			7,624,282
The unamortized portion of issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds.			186,292
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost	\$ 27,111,204		
Accumulated depreciation	<u>(19,938,797)</u>	7,172,407	
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.			304,263
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	(13,676,829)		
Early retirement benefits	(96,228)		
Compensated absences payable	<u>(77,522)</u>	<u>(13,850,579)</u>	
TOTAL NET POSITION			<u>\$ 3,045,197</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES					
Local sources	\$ 2,897,095	\$ 434,710	\$ 967,549	\$ 28	\$ 4,299,382
Intermediate sources	65,795	-	-	-	65,795
State sources	7,666,063	4,572	-	-	7,670,635
Federal sources	200,382	1,781,397	44,833	-	2,026,612
TOTAL REVENUES	10,829,335	2,220,679	1,012,382	28	14,062,424
EXPENDITURES					
Current					
Instruction	6,216,978	1,100,956	-	-	7,317,934
Support services	4,949,496	247,405	-	-	5,196,901
Enterprise and community services	-	836,401	-	-	836,401
Facilities acquisition and construction	-	-	-	202,666	202,666
Debt service	-	-	1,493,685	-	1,493,685
TOTAL EXPENDITURES	11,166,474	2,184,762	1,493,685	202,666	15,047,587
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(337,139)	35,917	(481,303)	(202,638)	(985,163)
OTHER FINANCING SOURCES (USES):					
Sale of fixed assets	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Transfers from other funds	174,252	7,298	495,670	234,498	911,718
Transfers to other funds	(702,968)	-	(208,750)	-	(911,718)
TOTAL OTHER FINANCING SOURCES (USES)	(528,716)	7,298	286,920	234,498	-
NET CHANGE IN FUND BALANCES	(865,855)	43,215	(194,383)	31,860	(985,163)
FUND BALANCE, July 1, 2012	1,309,666	72,463	1,196,346	(8,934)	2,569,541
FUND BALANCE, June 30, 2013					
Restricted	-	-	1,001,963	22,926	1,024,889
Assigned	-	115,678	-	-	115,678
Unassigned	443,811	-	-	-	443,811
TOTAL FUND BALANCE, June 30, 2013	\$ 443,811	\$ 115,678	\$ 1,001,963	\$ 22,926	\$ 1,584,378

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
FISCAL YEAR ENDED JUNE 30, 2013

NET CHANGE IN FUND BALANCE \$ (985,163)

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 Position does. This is the change in inventory in the current period. (7,132)

Prepaid pension benefit obligations are reported as an asset on the Statement of Net Position. 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	\$ 201,075	
Less current year depreciation	<u>(548,033)</u>	(346,958)

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 (3,640)

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. 3,734

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. (9,279)

Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position. These are the principal repayments. 739,829

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		(17,841)
Amortization of bond premium		16,311

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. (16,865)

CHANGE IN NET POSITION \$ (1,126,521)

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2013

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 Position 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, 2013

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 property taxes, interest subsidies 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, 2013

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, 2013

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 Position. 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 Position.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2013

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 Position. 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, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position/Fund Balance

In the government-wide financial statements, equity is classified as net position 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 position – 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 position – All other remaining net position that does not meet the definition of “restricted”.

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 position prior to the use of unrestricted net position when an expenditure is incurred for purposes for which both restricted and unrestricted net position 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, 2013

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, 2013.

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, 2013:

Petty Cash	\$ 149
Deposits with financial institutions:	
Demand Deposits	987,073
LGIP	<u>512,316</u>
Total deposits with financial institutions	<u>\$ 1,499,538</u>

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

Statement of Net Assets	
Equity in Cash and Investments	<u>\$ 1,499,538</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 deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295. For the fiscal year ended June 30, 2013, the carrying amounts of the District deposits in various qualifying financial institutions were \$1,201,186. The bank balances at June 30, 2013 were \$1,193,942. Of this balance, FDIC covered \$250,000 and the remainder was considered un-collateralized, however, these funds were deposited in an approved depository as identified by the State's Treasurer.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2013

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

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, 2013 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, 2013

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	1 day	100%	<u>\$ 512,316</u>

Note 3 – Receivables

Receivables are comprised of the following as of June 30, 2013:

	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 355,932	\$ -	\$ 92,660	\$ 448,592
Special Revenue Fund	<u>-</u>	<u>396,947</u>	<u>-</u>	<u>396,947</u>
Total receivables	<u>\$ 355,932</u>	<u>\$ 396,947</u>	<u>\$ 92,660</u>	<u>\$ 845,539</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, 2012</u>	<u>Amortization</u>	<u>Prepaid at June 30, 2013</u>
Prepaid Pension Expense	<u>\$ 12,987,454</u>	<u>\$ 8,123,799</u>	<u>\$ 499,517</u>	<u>\$ 7,624,282</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2013

Note 5 – Capital Assets

The changes in capital assets for the year ended June 30, 2013, are as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
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	23,006,982	201,075	(28,550)	23,179,507
Machinery/Equipment/Vehicles	2,542,801	-	-	2,542,801
Totals	<u>25,690,507</u>	<u>201,075</u>	<u>(28,550)</u>	<u>25,863,032</u>
Less accumulated depreciation for:				
Land Improvements	(84,607)	(6,381)	-	(90,988)
Building Improvements	(17,230,495)	(469,692)	24,910	(17,675,277)
Machinery/Equipment/Vehicles	(2,100,572)	(71,960)	-	(2,172,532)
Total	<u>(19,415,674)</u>	<u>(548,033)</u>	<u>24,910</u>	<u>(19,938,797)</u>
Total capital assets				
Land	1,248,172	-	-	1,248,172
Land Improvements	56,117	(6,381)	-	49,736
Building Improvements	5,776,487	(268,617)	(3,640)	5,504,230
Machinery/Equipment/Vehicles	442,229	(71,960)	-	370,269
Totals	<u>\$ 7,523,005</u>	<u>\$ (346,958)</u>	<u>\$ (3,640)</u>	<u>\$ 7,172,407</u>

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

<u>Program</u>	
Instruction	\$ 301,936
Supporting Services	211,721
Community Services	<u>34,376</u>
Total	<u><u>\$ 548,033</u></u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2013

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, 2013

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 2012-13 the District recognized, on a budgetary basis, expenditures of approximately \$29 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, 2013, 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)	\$ 30,245
Less: Contributions made	<u>(29,351)</u>
Increase in net OPEB obligation	894
Net OPEB obligation - beginning of year	<u>58,093</u>
Net OPEB obligation - end of year	<u><u>\$ 58,987</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013 are:

<u>Fiscal year</u>	<u>Annual OPEB Cost</u>	<u>Contributions</u>	<u>Funded Ratio</u>	<u>Net OPEB Obligation</u>
2013	\$ 30,245	\$ 29,351	99.77%	\$ 58,987

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, 2013

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 2013 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 \$30,245.

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, 2013

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 62nd 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 \$20 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, 2013, 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)	\$ 28,785
Less: Contributions made	<u>(20,400)</u>
Increase in net pension obligation	8,385
Net pension obligation - beginning of year	<u>28,856</u>
Net pension obligation - end of year	<u><u>\$ 37,241</u></u>

The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation for 2013 are:

<u>Fiscal year</u>	<u>Annual Required Contribution</u>	<u>Contributions</u>	<u>Funded Ratio</u>	<u>Net OPEB Obligation</u>
2013	\$ 28,785	\$ 20,400	87.80%	\$ 37,241

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, 2013

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, 2010 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 2013 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 \$28,785.

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, 2013, the various components of deferred revenue consisted of the following:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Property Taxes	<u>\$ 304,263</u>	<u>\$ -</u>	<u>\$ 304,263</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2013

Note 8 – Leases

Operating Leases

The District leases copiers under noncancellable operating leases. Total costs for such leases were \$51,087 for the fiscal year ended June 30, 2013. The future minimum lease payments for these leases are as follows:

Fiscal Year ending June 30,	Amount
2013	\$ 50,373
2014	33,171
2015	22,270
2016	12,410
	<u>\$ 118,224</u>

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, 2013

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>
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	132,099	437,549	569,648	5.67%
2019-2023	1,300,598	1,656,067	2,956,665	5.67 - 6.10%
2024-2028	<u>3,300,000</u>	<u>534,465</u>	<u>3,834,465</u>	5.50 - 5.55%
Total	<u>\$5,237,072</u>	<u>\$4,132,300</u>	<u>\$ 9,369,372</u>	

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

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rate</u>
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	<u>450,000</u>	<u>12,375</u>	<u>462,375</u>	2.75%
	<u>\$450,000</u>	<u>\$ 99,000</u>	<u>\$ 549,000</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, 2013

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>
2014	\$ 183,163	\$ 348,296	\$ 531,459	5.33%
2015	182,339	374,120	556,459	5.54%
2016	183,194	403,265	586,459	5.63%
2017	183,592	432,867	616,459	5.71%
2018	182,339	464,120	646,459	5.71%
2019-2023	895,168	2,842,126	3,737,294	5.71 - 6.15%
2024-2028	<u>3,555,000</u>	<u>589,119</u>	<u>4,144,119</u>	5.68 - 6.22%
Total	<u>\$ 5,364,795</u>	<u>\$ 5,453,913</u>	<u>\$ 10,818,708</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, 2013

Note 9 – Long-Term Debt (continued)

Year ending June 30th	<u>QZAB Installment</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 25,804	\$ -
2015	25,804	-
2016	25,804	-
2017	25,804	-
2018	25,804	-
2019-2022	103,216	-
	<u>\$ 232,236</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>
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>\$ 1,570,000</u>	<u>\$ 107,350</u>	<u>\$ 1,677,350</u>	

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2013

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, 2013. 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.

<u>Year Ended</u>	<u>Principal</u>	<u>District's Interest Payments Net</u>	<u>Federal Interest Subsidy</u>	<u>Total</u>
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	30,000	750	14,400	45,150
2019-2023	150,000	2,625	50,400	203,025
2024-2027	<u>120,000</u>	<u>750</u>	<u>14,400</u>	<u>135,150</u>
	<u>\$ 420,000</u>	<u>\$ 7,875</u>	<u>\$ 151,200</u>	<u>\$ 579,075</u>

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%.

<u>Year Ended</u>	<u>Sinking Fund Deposits</u>	<u>Federal Interest Subsidy</u>	<u>Total</u>
2014	19,444	16,800	36,244
2015	19,444	16,800	36,244
2016	19,444	16,800	36,244
2017	19,444	16,800	36,244
2018	19,444	16,800	36,244
2019-2023	97,223	84,000	181,223
2024-2028	97,223	84,000	181,223
2029-2030	<u>38,890</u>	<u>33,600</u>	<u>72,490</u>
	<u>\$ 330,556</u>	<u>\$ 285,600</u>	<u>\$ 616,156</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2013

Note 9 – Long-Term Debt (continued)

The changes in long-term obligations for year ended June 30, 2013, are as follows:

Issue Date:	Outstanding July 1, 2012	Issued	Matured and Redeemed	Outstanding June 30, 2013	Due Within One Year
PERS Bonds					
October 31, 2002	\$ 5,352,982	\$ -	\$ (115,910)	\$ 5,237,072	\$ 121,388
April 30, 2003	5,543,466	-	(178,671)	5,364,795	183,163
January 31, 2012	450,000	-	-	450,000	-
Full Faith and Credit Obligation					
March 7, 2012	<u>1,945,000</u>	<u>-</u>	<u>(375,000)</u>	<u>1,570,000</u>	<u>380,000</u>
Total Bonds	<u>13,291,448</u>	<u>-</u>	<u>(669,581)</u>	<u>12,621,867</u>	<u>684,551</u>
QZAB Installment	<u>258,040</u>	<u>-</u>	<u>(25,804)</u>	<u>232,236</u>	<u>25,804</u>
QSCB Agreement	<u>795,000</u>	<u>-</u>	<u>(44,444)</u>	<u>750,556</u>	<u>49,444</u>
Total Liabilities	14,344,488	-	(739,829)	13,604,659	759,799
Unamortized premium / (discount)	<u>88,481</u>	<u>-</u>	<u>(16,311)</u>	<u>72,170</u>	<u>15,517</u>
Total	<u>\$ 14,432,969</u>	<u>\$ -</u>	<u>\$ (756,140)</u>	<u>\$ 13,676,829</u>	<u>\$ 775,316</u>

The annual debt service requirements on long-term debt outstanding as of June 30, 2013 are as follows:

Year Ending June 30th	Principal	Interest	Subsidized Interest	Total
2014	\$ 759,799	\$ 744,382	\$ 36,960	\$ 1,541,141
2015	773,169	783,336	35,520	1,592,025
2016	781,520	827,109	34,080	1,642,709
2017	793,167	868,539	32,640	1,694,346
2018	389,686	914,795	31,200	1,335,681
2019-2023	2,996,205	4,537,943	134,400	7,668,548
2024-2028	7,072,223	1,124,334	98,400	8,294,957
2029	<u>38,890</u>	<u>-</u>	<u>33,600</u>	<u>72,490</u>
Total	<u>\$ 13,604,659</u>	<u>\$ 9,800,438</u>	<u>\$ 436,800</u>	<u>\$ 23,841,897</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2013

Note 9 – Long-Term Debt (continued)

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

	Balance 7/1/2012	Earned	Used	Balance 6/30/2013	Due Within 1 Year
Compensated absences	<u>\$ 81,256</u>	<u>\$ 93,181</u>	<u>\$ (96,915)</u>	<u>\$ 77,522</u>	<u>\$ 77,522</u>

Note 10 – Interfund Transactions

Interfund transfers during the year ended June 30, 2013, were as follows:

	Transfers In	Transfers Out
General Fund	\$ 174,252	702,968
Special Revenue Fund	7,298	-
Debt Service Fund	495,670	208,750
Capital Projects Fund	<u>234,498</u>	<u>-</u>
Total Transfers for governmental funds	<u>\$ 911,718</u>	<u>\$ 911,718</u>

The District made transfers from the General Fund of \$528,716. The Special Revenue Fund received \$7,298 for the cafeteria on-going operations. Debt Service Fund received \$286,920 to pay Debt Service on the various debt issues. The Capital Projects Fund received \$234,498 to pay for various construction and repair projects. 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, 2013

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, 2013 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, 2013, 2012, and 2011 were \$407,713, \$405,660, and \$417,720, respectively, equal to the required contributions for each year. The District has included the prepaid pension assets in the Statement of Net Position 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, 2013.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2013

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 \$7,670,635 to the District, which represents approximately 55% 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, 2013 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
FISCAL YEAR ENDED JUNE 30, 2013

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources	\$ 2,771,307	\$ 2,771,307	\$ 2,897,095	\$ 125,788
Intermediate sources	63,624	63,624	65,795	2,171
State sources	8,135,700	8,135,700	7,666,063	(469,637)
Federal sources	-	-	200,382	200,382
TOTAL REVENUES	10,970,631	10,970,631	10,829,335	(141,296)
EXPENDITURES				
Current				
Instruction	6,477,977	6,477,977	6,216,978	260,999
Support services	5,153,769	5,153,769	4,949,496	204,273
Community services	5,000	5,000	-	5,000
Contingency	381,652	381,652	-	381,652
TOTAL EXPENDITURES	12,018,398	12,018,398	11,166,474	851,924
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,047,767)	(1,047,767)	(337,139)	710,628
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	2,500	2,500	-	(2,500)
Transfers from other funds	276,590	276,590	174,252	(102,338)
Transfers to other funds	(703,323)	(703,323)	(702,968)	381,652
TOTAL OTHER FINANCING SOURCES (USES)	(424,233)	(424,233)	(528,716)	276,814
NET CHANGE IN FUND BALANCE	(1,472,000)	(1,472,000)	(865,855)	606,145
FUND BALANCE, July 1, 2012	1,472,000	1,472,000	1,309,666	(162,334)
FUND BALANCE, June 30, 2013	\$ -	\$ -	\$ 443,811	\$ 443,811

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FISCAL YEAR ENDED JUNE 30, 2013

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources	\$ 540,250	\$ 540,250	\$ 434,710	\$ (105,540)
State sources	-	-	4,572	4,572
Federal sources	2,001,127	2,001,127	1,781,397	(219,730)
TOTAL REVENUES	2,541,377	2,541,377	2,220,679	(320,698)
		550,000		
EXPENDITURES				
Current				
Instruction	1,265,354	1,265,354	1,100,956	164,398
Support services	431,961	431,961	247,405	184,556
Enterprise & community services	869,230	869,230	836,401	32,829
Contingency	5,000	5,000	-	5,000
TOTAL EXPENDITURES	2,571,545	2,571,545	2,184,762	386,783
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(30,168)	(30,168)	35,917	66,085
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	10,000	10,000	7,298	(2,702)
NET CHANGE IN FUND BALANCE	(20,168)	(20,168)	43,215	63,383
FUND BALANCE, July 1, 2012	20,168	20,168	72,463	52,295
FUND BALANCE, June 30, 2013	\$ -	\$ -	\$ 115,678	\$ 115,678

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2013

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]
7/1/2008	\$ -	\$ 435,782	\$ 435,782	0%	\$ 7,550,000	5.77%
7/1/2010	-	261,565	261,565	0%	6,636,019	3.94%

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:

	7/1/2008
Stipend	\$ 72,504
Explicit	363,278
Total	<u>\$ 435,782</u>

	7/1/2010
Stipend	\$ 72,897
Explicit	188,668
Total	<u>\$ 261,565</u>

OTHER SUPPLEMENTARY INFORMATION

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
FISCAL YEAR ENDED JUNE 30, 2013

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources	\$ 969,483	\$ 969,483	\$ 967,549	\$ (1,934)
Federal sources	-	44,833	44,833	-
TOTAL REVENUES	<u>969,483</u>	<u>1,014,316</u>	<u>1,012,382</u>	<u>(1,934)</u>
EXPENDITURES				
Debt service	1,459,806	1,504,639	1,493,685	10,954
Contingency	<u>826,410</u>	<u>826,410</u>	<u>-</u>	<u>826,410</u>
TOTAL EXPENDITURES	<u>2,286,216</u>	<u>2,331,049</u>	<u>1,493,685</u>	<u>837,364</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,316,733)</u>	<u>(1,316,733)</u>	<u>(481,303)</u>	<u>835,430</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	493,323	493,323	495,670	2,347
Transfers to other funds	<u>(276,590)</u>	<u>(276,590)</u>	<u>(208,750)</u>	<u>67,840</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>216,733</u>	<u>216,733</u>	<u>286,920</u>	<u>70,187</u>
NET CHANGE IN FUND BALANCE	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>(194,383)</u>	<u>905,617</u>
FUND BALANCE, July 1, 2012	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,196,346</u>	<u>96,346</u>
FUND BALANCE, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,001,963</u>	<u>\$ 1,001,963</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FISCAL YEAR ENDED JUNE 30, 2013

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local Sources	\$ -	\$ -	\$ 28	\$ 28
EXPENDITURES				
Facilities acquisition and construction	220,000	220,000	202,666	17,334
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(220,000)	(220,000)	(202,638)	17,362
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	200,000	200,000	234,498	34,498
NET CHANGE IN FUND BALANCE	(20,000)	(20,000)	31,860	51,860
				(34,498)
FUND BALANCE, July 1, 2012	20,000	20,000	(8,934)	(28,934)
FUND BALANCE, June 30, 2013	\$ -	\$ -	\$ 22,926	\$ 22,926

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF PROPERTY TAX TRANSACTIONS
FISCAL YEAR ENDED JUNE 30, 2013

	Tax Year	Uncollected July 1, 2012	Levy as Extended by Assessor	Discounts and Adjustments	Interest	Collections Per Treasurer	Uncollected June 30, 2013
<u>GENERAL FUND:</u>							
Current	2012-13		\$ 2,786,504	\$ (71,298)	\$ 1,570	\$ (2,559,080)	\$ 154,556
Prior	2011-12	\$ 175,319		7,641	5,601	(88,439)	88,920
	2010-11	96,055		12,612	6,318	(40,887)	61,462
	2009-10	62,212		18,694	9,075	(35,212)	36,619
	2008-09	32,223		13,855	6,606	(33,227)	6,245
	2007-08	4,801		1,291	785	(2,354)	2,953
	Prior	6,323		1,822	979	(1,989)	5,177
Total prior		376,933	-	55,915	29,364	(202,108)	201,376
TOTAL GENERAL FUND		\$ 376,933	\$ 2,786,504	\$ (15,383)	\$ 30,934	\$ (2,761,188)	\$ 355,932

OTHER FINANCIAL SCHEDULES

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

2012-13 DISTRICT AUDIT ALL FUND REVENUE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Revenue from Local Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
1110 Ad Valorem Taxes Levied by District	2,762,625						
1120 Local Option Ad Valorem Taxes Levied by District							
1190 Penalties and Interest on Taxes	542						
1200 Revenue from Local Gov't Units Other Than Districts							
1310 Regular Day School Tuition	437						
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition							
1400 Transportation Fees							
1500 Earnings on Investments	1,339		14,101	28			
1600 Food Service		231,152					
1700 Extracurricular Activities	24,411	198,899					
1800 Community Services Activities							
1910 Rentals	760						
1920 Contributions and Donations From Private Sources		1,357					
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	76,145						
1970 Services Provided Other Funds			953,448				
1980 Fees Charged to Grants	24,950						
1990 Miscellaneous	5,886	3,302					
Total Revenue from Local Sources	2,897,095	434,710	967,549	28	0	0	0

Revenue from Intermediate Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
2101 County School Funds	17,171						
2102 Education Service District Apportionment							
2105 Natural Gas, Oil, and Mineral Receipts							
2199 Other Intermediate Sources							
2200 Restricted Revenue	48,624						
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District							
Total Revenue from Intermediate Sources	65,795	0	0	0	0	0	0

Revenue from State Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3000 Miscellaneous							
3100 Unrestricted Grants-in-Aid							
3101 State School Fund - General Support	7,531,762						
3102 State School Fund - School Lunch Match							
3103 Common School Fund	134,301						
3104 State Managed County Timber							
3199 Other Unrestricted Grants-in-Aid							
3200 Restricted Grants-in-Aid							
3204 Driver Education							
3222 State School Fund (SSF) Transportation Equipment							
3299 Other Restricted Grants-in-Aid							
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District		4,572					
Total Revenue from State Sources	7,666,063	4,572	0	0	0	0	0

Revenue from Federal Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
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		1,750,984					
4700 Grants-In-Aid From the Fed Gov't Through Intermediate							
4800 Revenue in Lieu of Taxes							
4801 Federal Forest Fees	200,382						
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		30,413	44,833				
Total Revenue from Federal Sources	200,382	1,781,397	44,833	0	0	0	0

Revenue from Other Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5100 Long Term Debt Financing Sources							
5200 Interfund Transfers	174,252	7,298	495,670	234,498			
5300 Sale of or Compensation for Loss of Fixed Assets							
5400 Resources - Beginning Fund Balance	1,309,666	72,463	1,196,346	(8,934)			
Total Revenue from Other Sources	1,483,918	79,761	1,692,016	225,564	0	0	0

Grand Totals

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
Grand Totals	12,313,253	2,300,440	2,704,398	225,592	0	0	0

2012-13 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 100 General Fund

	100	200	300	400	500	600	700
			Purchased		Capital	Other	Transfers
Code Expenditure Description	Total	Salaries	Costs	Services	Outlay	Objects	& Balances
1111 Elementary Programs	1,983,865	1,265,583	582,808	81,714	53,760		
1113 Elementary Extracurricular	0						
1121 Middle/Junior High Programs	1,326,123	834,397	421,386	59,639	10,701		
1122 Middle/Junior High Extracurricular	71,180	53,525	11,216	2,506	3,933		
1131 High School Programs	1,290,298	816,691	367,324	68,328	37,298	657	
1132 High School Extracurricular	182,361	100,918	24,259	27,074	23,614	6,496	
1140 Pre-Kindergarten Programs	0						
1210 Talented & Gifted	0						
1220 Restrict Prog for Students w/Disabilities	506,194	310,247	158,927	31,047	5,973		
1250 Less Restrict Prog Students w/Disabilities	836,278	538,437	271,957	20,059	5,825		
1260 Early Intervention	0						
1271 Remediation	0						
1272 Title I	1,586		1,586				
1280 Alternative Education	550					550	
1291 English as a Second Language	57			57			
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	18,486	14,030	4,385		71		
Total Instruction	6,216,978	3,933,828	1,843,848	290,367	141,232	0	7,703
2110 Attendance & Social Work Services	70,255	47,250	23,005				
2120 Guidance Services	259,849	165,159	59,871	34,537	282		
2130 Health Services	1,459			1,316	143		
2140 Psychological Services	82,679	54,346	26,897		1,436		
2150 Speech Pathology & Audiology	0						
2160 Other Treatment Services	0						
2190 Service Direction, Student Support	115,117	77,006	33,841	2,893	782	595	
2210 Improvement of Instruction	22,877	15,539	7,338				
2220 Educational Media Services	154,358	76,642	43,730	667	33,319		
2230 Assessment & Testing	0						
2240 Instructional Staff Development	17,877		17,684	193			
2310 Board of Education Services	182,078			63,677	540	117,861	
2320 Executive Administration Services	169,103	117,730	45,399	4,439	940	595	
2410 Office of the Principal Services	1,455,768	726,427	342,760	289,720	90,394	6,467	
2490 Other Support Services - School Admin	0						
2510 Direction of Business Support Services	0						
2520 Fiscal Services	287,098	158,309	77,230	36,928	2,642	11,989	
2540 Operation & Maint of Plant Services	792,245	276,178	155,897	199,681	136,053	24,022	414
2550 Student Transportation Services	1,057,451			917,521	139,930		
2570 Internal Services	39,739	39,739					
2610 Direction of Central Support Services	0						
2620 Planning, Research, Development, Evaluation	0						
2630 Information Services	0						
2640 Staff Services	73,781	47,199	20,178	2,021	4,383		
2660 Technology Services	118,011			37,540	57,808	22,663	
2670 Records Management Services	0						
2690 Other Support Services	0						
2700 Supplemental Retirement Program	49,751		49,751				
Total Support Services	4,949,496	1,801,524	903,581	1,591,133	468,652	46,685	137,921
3100 Food Services	0						
3200 Other Enterprise Services	0						
3300 Community Services	0						
3500 Custody & Care of Children Services	0						
Total Enterprise and Community Services	0	0	0	0	0	0	0
4110 Service Area Direction	0						
4120 Site Acquisition & Development Services	0						
4150 Bldg Acquisition, Construction & Improvement	0						
4190 Other Facilities Construction Services	0						
Total Facilities Acquisition and Construction	0	0	0	0	0	0	0
5100 Debt Service	0						
5200 Transfers to Other Funds	702,968						702,968
5300 Apportionment of Funds by ESD	0						
6000 Contingencies	0						
7000 Unappropriated Ending Fund Balance	0						
Total Requirements and Balances	11,869,442	5,735,352	2,747,429	1,881,500	609,884	46,685	145,624

2012-13 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 200 Special Revenue 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	44,110				44,110		
1113	Elementary Extracurricular	0						
1121	Middle/Junior High Programs	65,203	5,878	1,755	3,754	53,816		
1122	Middle/Junior High Extracurricular	136,177	5,177	1,520	2,380	127,100		
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	72,384	47,644	23,670		1,070		
1250	Less Restrict Prog Students w/Disabilities	130,776	79,566	29,940	421	20,849		
1260	Early Intervention	0						
1271	Remediation	0						
1272	Title I	652,306	403,628	171,716	16,510	60,452		
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						
Total Instruction		1,100,956	541,893	228,601	23,065	307,397	0	0
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	62,371	41,891	20,296	184			
2210	Improvement of Instruction	45,754	31,079	14,675				
2220	Educational Media Services	0						
2230	Assessment & Testing	0						
2240	Instructional Staff Development	91,453	34,837	15,168	39,912	1,536		
2310	Board of Education Services	0						
2320	Executive Administration Services	0						
2410	Office of the Principal Services	0						
2490	Other Support Services - School Admin	47,827	15,539	7,338			24,950	
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						
Total Support Services		247,405	123,346	57,477	40,096	1,536	0	24,950
3100	Food Services	832,372	232,459	144,639	16,479	437,215		1,580
3200	Other Enterprise Services	0						
3300	Community Services	4,029			59	3,970		
3500	Custody & Care of Children Services	0						
Total Enterprise and Community Services		836,401	232,459	144,639	16,538	441,185	0	1,580
4110	Service Area Direction	0						
4120	Site Acquisition & Development Services	0						
4150	Bldg Acquisition, Construction & Improvement	0						
4190	Other Facilities Construction Services	0						
Total Facilities Acquisition and Construction		0	0	0	0	0	0	0
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						
Total Requirements and Balances		2,184,762	897,698	430,717	79,699	750,118	0	26,530

2012-13 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 300 Debt Service Fund

		100	200	300	400	500	600	700	
				Purchased		Capital	Other	Transfers	
Code	Expenditure Description	Total	Salaries	P/R Costs	Services	Materials	Outlay	Objects	& 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							
Total Instruction		0	0	0	0	0	0	0	0
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							
Total Support Services		0	0	0	0	0	0	0	0
3100	Food Services	0							
3200	Other Enterprise Services	0							
3300	Community Services	0							
3500	Custody & Care of Children Services	0							
Total Enterprise and Community Services		0	0	0	0	0	0	0	0
4110	Service Area Direction	0							
4120	Site Acquisition & Development Services	0							
4150	Bldg Acquisition, Construction & Improvement	0							
4190	Other Facilities Construction Services	0							
Total Facilities Acquisition and Construction		0	0	0	0	0	0	0	0
5100	Debt Service	1,493,685						1,493,685	
5200	Transfers to Other Funds	208,750							208,750
5300	Apportionment of Funds by ESD	0							
6000	Contingencies	0							
7000	Unappropriated Ending Fund Balance	0							
Total Requirements and Balances		1,702,435	0	0	0	0	0	1,493,685	208,750

2012-13 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							
Total Instruction	0	0	0	0	0	0	0	0
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							
Total Support Services	0	0	0	0	0	0	0	0
3100 Food Services	0							
3200 Other Enterprise Services	0							
3300 Community Services	0							
3500 Custody & Care of Children Services	0							
Total Enterprise and Community Services	0	0	0	0	0	0	0	0
4110 Service Area Direction	0							
4120 Site Acquisition & Development Services	0							
4150 Bldg Acquisition, Construction & Improvement	202,666			724	201,692		250	
4190 Other Facilities Construction Services	0							
Total Facilities Acquisition and Construction	202,666	0	0	724	201,692	0	250	0
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							
Total Requirements and Balances	202,666	0	0	724	201,692	0	250	0

SUPPLEMENTAL INFORMATION 2012-13

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	\$ 237,165
Function 2550	\$ -

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

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

\$ 24,022

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**

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

We have audited the basic financial statements of the Douglas County School District No. 19 as of and for the year ended June 30, 2013, and have issued our report thereon dated December 27, 2013. 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.

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

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, 2013.

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 not exceed its authorized appropriations for the year ended June 30, 2013.

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, 2013. We are not competent by training to comment on the adequacy of the insurance policies covering District owned property at June 30, 2013.

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 Awards.

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

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

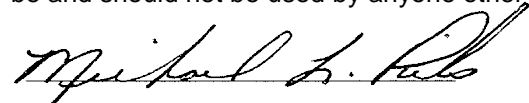
Based on our procedures, the District appears to have complied with the legal requirements as stated in ORS 327.013 and as further defined by the Oregon State Department of Education pertaining to the District's calculation and reporting of the factors used to compute the State School Fund distribution.

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
Medford, Oregon
December 27, 2013

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

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**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities and each major fund of Douglas County School District No. 19 (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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*.

Purpose of this report

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

A handwritten signature in black ink, appearing to read "Michael L. Piels", is written over a horizontal line.

Michael L. Piels CPAs, LLP
Medford, Oregon
December 27, 2013

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Douglas County School District No. 19'S (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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Program

In our opinion, the District, complied, in all material respects, with the types of 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, 2013.

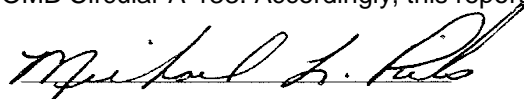
Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Michael L. Piels CPAs, LLP
Medford, Oregon
December 27, 2013

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal	Pass-Through		(Receivable)/			
	CFDA	Grantor's	Grant	Balance			Deferred
	Number	Number	Award	June 30, 2012	Receipts	Expenditures	Balance June 30, 2013
U.S. Department of Education:							
Passed Through Oregon Department of Education:							
TITLE I	84.010	25348	767,315	\$ -	\$ 466,768	\$ (625,074)	\$ (158,306)
TITLE I	84.010	22715	735,676	(194,497)	246,979	(52,482)	-
TITLE I - TIER III MC	84.010	24388	48,650	(6,764)	14,450	(7,686)	-
TITLE I - TIER III TC	84.010	24409	45,650	(14,777)	32,539	(17,762)	-
Program total				(216,038)	760,736	(703,004)	(158,306)
Special Education Grants - IDEA	84.027	26797	313,348	-	157,546	(232,893)	(75,347)
Special Education Grants - IDEA	84.027	23696	316,394	(51,886)	93,722	(41,836)	-
Special Education Grants - IDEA Enhancement	84.027	26583	2,652	-	-	-	-
Special Education Grants - IDEA Enhancement	84.027	23911	2,652	-	2,652	(2,652)	-
Special Education Grants-SPRI	84.027	25888	2,155	-	566	(1,050)	(484)
Special Education Grants-SPRI	84.027	23184	2,530	(1,355)	1,429	(74)	-
Program total				(53,241)	255,915	(278,505)	(75,831)
Special Education Grants - IDEA	84.173	26366	3,017	-	3,017	(3,017)	-
Program total				-	3,017	(3,017)	-
Title IIA Improving Teacher Quality	84.367	25580	117,776	-	61,727	(102,462)	(40,735)
Title IIA Improving Teacher Quality	84.367	22908	122,312	(46,583)	60,742	(14,159)	-
Program total				(46,583)	122,469	(116,621)	(40,735)
Accelerated College Credit Program	99.998	27125	2,000	-	2,000	(2,000)	-
Accelerated College Credit Program	99.998	24787	2,000	-	2,000	(2,000)	-
Program total				-	4,000	(4,000)	-
Passed through Douglas Education Service District:							
Perkins Basic	84.048	DESD		-	16,724	(16,724)	-
Perkins Basic	84.048	DESD		(9,456)	9,456	-	-
Program total				(9,456)	26,180	(16,724)	-
Passed through University of Oregon/Oregon University System:							
Gear Up	84.334S	U of O		-	10,716	(33,076)	(22,360)
Gear Up	84.334S	U of O		(12,782)	20,232	(7,450)	-
Program total				(12,782)	30,948	(40,526)	(22,360)
Total Department of Education				\$ (338,100)	\$ 1,203,265	\$ (1,162,397)	\$ (297,232)

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Award	Balance June 30, 2012	Receipts	Expenditures	(Receivable)/ Deferred Balance June 30, 2013
<u>U.S. Department of Agriculture:</u>							
Passed Through Oregon Department of Education:							
Food Distribution Program	10.550	2012-13		\$ -	\$ 30,413	\$ (30,413)	\$ -
School Breakfast Program	10.553	2012-13		-	143,031	(170,775)	(27,744)
National School Lunch	10.555	2012-13		-	329,895	(395,497)	(65,602)
National School Lunch - Summer	10.559	2012-13		(5,377)	23,633	(22,315)	(4,059)
Program total				(5,377)	526,972	(619,000)	(97,405)
Passed through Douglas ESD:							
Federal Forest Fees	10.666	2012-13		-	200,382	(200,382)	-
Program total				-	200,382	(200,382)	-
Total Department of Agriculture				\$ (5,377)	\$ 727,354	\$ (819,382)	\$ (97,405)
Total Federal Financial Assistance				\$ (343,477)	\$ 1,930,619	\$ (1,981,779)	\$ (394,637)

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.

Note C - Interest Subsidy Payment Received

In prior fiscal years, the District received two Qualified School Construction Bonds, for \$500,000 in 2010 and \$350,000 in 2012. During this fiscal year, the District received \$44,833 in an interest subsidy from the US Treasury, which was used to reduce interest payments made by the District.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

SECTION I: SUMMARY OF AUDIT RESULTS

Financial statements

1. The auditor's report expresses an unmodified 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

Title I

CFDA # 84.010

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