

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Myrtle Creek, Oregon

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

WITH

INDEPENDENT AUDITOR'S REPORT

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Myrtle Creek, Oregon
June 30, 2014**

BOARD OF DIRECTORS AS OF JUNE 30, 2014

David Stevens	Chairperson
Jerry O'Sullivan	Vice-Chair
Jeff Johnson	Director
Judy Coleman	Director
Robert Ankeny Jr.	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, 2014

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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, 2014, 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 Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain 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.

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 of the District as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the General Fund and Special Revenue fund budgetary comparison information, and the Schedule of Funding Progress - Other Postemployment Benefits, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Management's Discussion and Analysis and the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The General Fund and Special Revenue Fund 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 Fund and Special Revenue Fund budgetary comparison information are fairly stated in all material aspects, in relation to the basic financial statements as a whole.

Other Supplementary Information

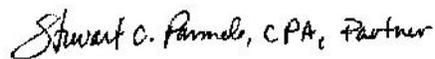
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the Table of Contents, is presented for the purposes of additional analysis and is not a required part of the 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.

The other supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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 the 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 a report dated December 22, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 22, 2014 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.



Stewart C. Parmele, CPA, Partner
KDCO Piels, Certified Public Accountants, LLP
Medford, Oregon
December 22, 2014

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014

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, 2014. 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 an increase in government-wide net position for the 2014 fiscal year. Overall, net position increased by \$495,879 or 17% from the previous year.
- General revenues accounted for \$12.09 million in revenue, or 83.37% of all fiscal year revenues. Program specific revenues in the form of charges for services, grants and donations accounted for \$2.41 million or 16.63% of total fiscal 2014 revenues.
- The District had approximately \$14 million in expenses related to governmental activities; of which \$2.41 million were expenses offset by program specific charges for services, grants and donations. General revenues of \$12.09 million were more than adequate to provide for the remaining costs of these programs and services which accounts for the increase in net position.
- The General Fund had \$11.84 million in fiscal year 2014 revenues, which primarily consisted of state school support and property taxes. Expenditures totaled \$11.10 million. The General Fund's fund balance, before interfund transfers, increased \$739,411 from the previous year.
- The Special Revenue Fund, a District major fund, had \$2.23 million in fiscal year 2014 revenues and \$2.19 million in expenditures.
- The Debt Service Fund, another District major fund, had \$1.06 million in fiscal year 2014 revenues and \$1.54 million in expenditures before interfund transfers.
- The Capital Projects Fund is the last District major fund. It had revenues of \$385,727 for fiscal year 2014 and \$150,622 in expenditures before interfund transfers.
- The District's total long-term debt decreased by \$759,799 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.

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 Management's Discussion and Analysis (MD&A)
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Figure A-1: Major Features of the Government-Wide Fund Financial Statements

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

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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 it has 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 is 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 which 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, 2014

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, 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, 2014

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 fund information can be found on pages 31 and 32 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.

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014

Government-Wide Financial Analysis

The District's combined net position reflect an increase of approximately 17% as of June 30, 2014. This increase is primarily due to increased income from the State governments combined with a minimal 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.

The following table presents a summary of the District's net position for the fiscal years ended June 30, 2013 and June 30, 2014:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current Assets	\$ 2,901,762	\$ 2,369,231
Unamortized Fees	7,124,765	7,623,788
Capital Assets - Net	<u>6,823,253</u>	<u>7,172,407</u>
 Total Assets	 <u>\$ 16,849,780</u>	 <u>\$ 17,165,426</u>
 Current Liabilities	 \$ 593,483	 \$ 630,186
Long Term Liabilities	<u>12,902,007</u>	<u>13,676,829</u>
 Total Liabilities	 <u>\$ 13,495,490</u>	 <u>\$ 14,307,015</u>
 Net Investment in Capital Assets	 \$ 4,725,709	 \$ 4,619,618
Unrestricted Net Position	<u>(1,371,419)</u>	<u>(1,761,207)</u>
 Total Net Position (Restated for 2014)	 <u>\$ 3,354,290</u>	 <u>\$ 2,858,411</u>

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014

The District's total revenues for the fiscal year ended June 30, 2014, were \$14.5 million. The total cost of programs and services was \$14 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2014:

Revenues	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Program Revenues		
Charges for Services	\$ 483,805	\$ 502,924
Operating Grants & Contributions	1,927,660	1,857,111
General Revenues		
Property Taxes	2,813,768	2,746,302
Earnings on Investments	14,357	15,468
Unrestricted State & Local Sources	14,421	18,528
State School Support	8,563,940	7,531,762
Federal Forest Fees	201,410	200,382
Miscellaneous Other Sources	483,098	215,994
Total Revenues	<u>13,088,471</u>	<u>13,088,471</u>
 Expenses		
Instruction	7,153,896	7,357,667
Support Services	5,577,420	5,280,114
Community Services	488,773	820,234
Facilities Acquisition & Construction	16,019	1,591
Interest on Long Term Debt	770,472	737,545
Total Expenses	<u>14,006,580</u>	<u>14,197,151</u>
 Change in Net Position (Restated for 2014)	<u>\$ 495,879</u>	<u>\$ (1,108,680)</u>

The cost of all governmental activities this year was \$14 million. Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues in the amount of \$2.41 million. The resulting net cost of governmental activities of \$11.59 million was financed by general revenues, which are primarily made up of state school support funds, property taxes, federal forest fees, and the utilization of reserves.

Financial Analysis of the District's Funds

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,112,251, an increase of \$527,873 from the prior year. The fund balance constitutes unassigned, assigned, and committed amounts. Of the current fund balance, \$668,892 is unassigned and available for spending at the District's discretion, \$168,302 is assigned for purposes defined by the various grants, \$258,981 is committed for capital projects, and the remaining fund balance of \$1,016,076 is committed for the payment of debt.

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$225,081, a result of increased State revenues. The combined fund balances of all other funds increased by \$302,792 during the fiscal year. A legal settlement for repairs to the Coffenberry Middle School gymnasium resulted in an increase in the Capital Projects Fund of \$236,055. Slight gains in the Special Revenue Fund and the Debt Service Fund account for the remaining increase.

Budgetary Highlights

General Fund revenues were budgeted and anticipated to be collected in the amount of \$12.80 million during the fiscal year. State funding increased substantially for the first time since the economic downturn. Enrollment has finally leveled off within the District. 2012-13 had seen the District take a significant hit to its ending fund balance. Even with the increase in funding from the State, the decrease in the ending fund balance prompted the District to continue to be conservative on its revenue and expenditure budgeting. The District received \$11.84 million in revenue during the fiscal year. Spending for the year stayed below revenues, leading to an increase in the General Fund ending balance of \$225,081.

Capital Assets

As of June 30, 2014, the District had invested \$26.04 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 \$180,640 from last year. Total depreciation expense for the year was \$529,794. Additional information on the District's capital assets can be found in Note 1 and Note 5 on pages 11 and 16, respectively, of this report.

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 benefits are finally starting to catch up with the District. Positions have been added to the budget and negotiated employee contracts have included pay and benefit increases for the first time in four years. While the funding for the next biennium is up for discussion in the coming legislative session, the District has hope that further increases in funding are on the horizon. 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. The District continued with the conservative approach to budget preparation that has become the norm over the last few years, only adding back gradually and keeping the increases in the employee contracts at a level that the District sees as sustainable in the long term.

The District continues 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 budget was increased for 2014-15 to \$13.34 million, namely due to the increase in funding from the State. Outside of the State School Fund and the Federal Forest Fees, other revenues either remained relatively flat or were projected to have slight increases or decreases. Based on these and other factors, the budgeted expenditures in the General Fund were increased 1.2% to \$12,675,246 for fiscal year 2014-15. The District has increased its budgeted ending fund balance to 5%, up from 3% in the previous years. Due to the increases in funding from the State the District felt it a prudent time to return its reserves to a healthier level.

Based on the December 5, 2014 estimates from the Oregon Department of Education, for fiscal year 2014-15 the District is expected to receive \$675,716 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

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014

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 appears to have finally leveled out. As the funding for schools is based on a per student basis, seeing the decline of previous years halted will only help the District's financial position in the future. The District is cautiously optimistic that this current level of enrollment will remain steady in the future. Until there are greater employment opportunities in our area, however, it is difficult to predict how long this trend will continue.

Looking ahead to 2015-16, the District is hopeful that the State's economy continues to recover bringing additional funding in the next biennium. The PERS reforms passed by the State Legislature are due to have their day in court. If reversed, the District could see an increase in its PERS costs. The entire Classified contract will be open for negotiation and will have an impact on the 2015-16 budget.

In all probability the District will end 2014-15 with an ending fund balance that exceeds the budgeted 5%. The District has continued to budget to expend monies from its PERS UAL reserve to maintain District programs and personnel but the hope is to eliminate that in the 2015-16 budget. The Coffenberry gym payment will cease in three years. The District is exploring a capital improvement bond levy, but if that fails the money from the gym payment may be needed to pay for some necessary building maintenance. If the District can increase its ending fund balance to 5%, bargain contracts that are reasonable, affordable, and sustainable, and slowly grows back its positions and programs, it will continue to remain on a sound financial footing for years to come.

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, 2014

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 2,039,529
Receivables	835,465
Inventory	26,768
Prepaid pension benefit obligation	7,124,765
Capital assets, net	
Land	1,248,172
Land improvements	43,656
Buildings and improvements	5,174,467
Vehicles and equipment	356,958
	<u>16,849,780</u>
TOTAL ASSETS	
LIABILITIES:	
Accounts payable	109,785
Accrued salaries and benefits	360,089
Unearned revenue	4
Accrued compensated absences payable	65,084
Early retirement benefits	58,521
Bonds payable, net of unamortized premium/discount:	
Due within one year	788,686
Due in more than one year	12,113,321
	<u>13,495,490</u>
TOTAL LIABILITIES	
NET POSITION:	
Net investment in capital assets	4,725,709
Unrestricted	<u>(1,371,419)</u>
	<u><u>\$ 3,354,290</u></u>
TOTAL NET POSITION	

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 7,153,896	\$ 243,410	\$ 946,316	\$ -
Support services	5,577,420	74,478	254,348	-
Enterprise and community services	488,773	165,917	690,648	-
Facilities acquisition and construction	16,019	-	-	-
Interest on long-term debt	770,472	-	36,348	-
Total government activities	<u>\$ 14,006,580</u>	<u>\$ 483,805</u>	<u>\$ 1,927,660</u>	<u>\$ -</u>

General revenues:

Property taxes levied for general purposes	2,813,768
State school fund - general support	8,435,020
Common school funds	128,920
Federal forest fees	201,410
Unrestricted state and local sources	14,421
Earnings on investments	14,357
Contributions	501
Sale of assets	2,100
Miscellaneous	480,497
Total general revenues	<u>12,090,994</u>
CHANGE IN NET POSITION	495,879
BEGINNING NET POSITION (AS RESTATED)	<u>2,858,411</u>
ENDING NET POSITION - June 30, 2014	<u>\$ 3,354,290</u>

FUND FINANCIAL STATEMENTS

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total
ASSETS					
Equity in pooled cash and investments	\$ 757,078	\$ -	\$ 1,016,076	\$ 266,375	\$ 2,039,529
Receivables	411,895	423,570	-	-	835,465
Inter-fund receivable	203,171	-	-	-	203,171
TOTAL ASSETS	<u>\$ 1,372,144</u>	<u>\$ 423,570</u>	<u>\$ 1,016,076</u>	<u>\$ 266,375</u>	<u>\$ 3,078,165</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 98,051	\$ 4,340	\$ -	\$ 7,394	\$ 109,785
Accrued salaries and benefits	312,336	47,753	-	-	360,089
Inter-fund payable	-	203,171	-	-	203,171
Unearned revenue	-	4	-	-	4
TOTAL LIABILITIES	<u>410,387</u>	<u>255,268</u>	<u>-</u>	<u>7,394</u>	<u>673,049</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	292,865	-	-	-	292,865
TOTAL DEFERRED INFLOWS	<u>292,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>292,865</u>
Fund Balances:					
Committed	-	168,302	1,016,076	258,981	1,443,359
Unassigned	668,892	-	-	-	668,892
TOTAL FUND BALANCES	<u>668,892</u>	<u>168,302</u>	<u>1,016,076</u>	<u>258,981</u>	<u>2,112,251</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,372,144</u>	<u>\$ 423,570</u>	<u>\$ 1,016,076</u>	<u>\$ 266,375</u>	<u>\$ 3,078,165</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2014**

TOTAL FUND BALANCES		\$ 2,112,251
Inventory is not reported as a governmental fund asset under the purchase method of accounting for inventory.		26,768
Prepaid pension benefit obligations are not a financial resource and therefore are not reported in the governmental funds		7,124,765
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 27,291,844	
Accumulated depreciation	<u>(20,468,591)</u>	6,823,253
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.		292,865
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on 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	(12,902,007)	
Early retirement benefits	(58,521)	
Compensated absences payable	<u>(65,084)</u>	<u>(13,025,612)</u>
TOTAL NET POSITION		<u>\$ 3,354,290</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES					
Local sources					
Property taxes	\$ 2,825,166	\$ -	\$ -	\$ -	\$ 2,825,166
Interest	200	-	14,156	-	14,356
Food service	-	222,945	-	-	222,945
Student fees	30,839	209,048	-	-	239,887
Services provided - other	-	-	1,008,436	-	1,008,436
Miscellaneous	152,631	3,875	-	385,727	542,233
Intermediate sources					
County School funds	14,421	-	-	-	14,421
Restricted revenue	50,840	-	-	-	50,840
State sources					
State school support fund	8,435,020	-	-	-	8,435,020
Common school fund	128,920	-	-	-	128,920
Other state grants	-	4,480	-	-	4,480
Federal sources					
Federal grants through state	1,987	1,753,992	-	-	1,755,979
Federal forest fees	201,410	-	-	-	201,410
Revenue for/on behalf of district	-	-	36,348	-	36,348
Commodities	-	39,752	-	-	39,752
TOTAL REVENUES	<u>11,841,434</u>	<u>2,234,092</u>	<u>1,058,940</u>	<u>385,727</u>	<u>15,520,193</u>
EXPENDITURES					
Current					
Instruction	6,045,660	1,092,294	-	-	7,137,954
Support services	5,056,363	258,665	-	-	5,315,028
Enterprise and community services	-	845,028	-	-	845,028
Facilities acquisition and construction	-	-	-	150,622	150,622
Debt service	-	-	1,545,788	-	1,545,788
TOTAL EXPENDITURES	<u>11,102,023</u>	<u>2,195,987</u>	<u>1,545,788</u>	<u>150,622</u>	<u>14,994,420</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>739,411</u>	<u>38,105</u>	<u>(486,848)</u>	<u>235,105</u>	<u>525,773</u>
OTHER FINANCING SOURCES (USES):					
Sale of fixed assets	2,100	-	-	-	2,100
Transfers (to) from other funds	(516,430)	14,519	500,961	950	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(514,330)</u>	<u>14,519</u>	<u>500,961</u>	<u>950</u>	<u>2,100</u>
NET CHANGE IN FUND BALANCE	225,081	52,624	14,113	236,055	527,873
FUND BALANCE, July 1, 2013	<u>443,811</u>	<u>115,678</u>	<u>1,001,963</u>	<u>22,926</u>	<u>1,584,378</u>
TOTAL FUND BALANCE, June 30, 2014	<u>\$ 668,892</u>	<u>\$ 168,302</u>	<u>\$ 1,016,076</u>	<u>\$ 258,981</u>	<u>\$ 2,112,251</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

NET CHANGE IN FUND BALANCE		\$ 527,873
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
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.		2,614
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	\$ 180,640	
Less current year depreciation	<u>(529,794)</u>	(349,154)
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.		12,438
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.		37,707
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.		759,799
Governmental funds report the effect of 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 bond premium and discount		15,517
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.		<u>(11,398)</u>
CHANGE IN NET POSITION		<u>\$ 495,879</u>

NOTES TO FINANCIAL STATEMENTS

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

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.

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Fund Financial Statements

The fund financial statements provide information about the District's funds. 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 (when applicable).

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 restricted or committed 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 interest subsidies and other local revenues.

Capital Projects Fund - This fund accounts for the acquisition, construction and maintenance of improvements within the District. The 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, 2014

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.

In addition to assets, the statements of financial position (government-wide financials) and the balance sheet (governmental funds) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of deferred inflow, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

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).

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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 unearned 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. In the government-wide financial statements, Inventories are stated at cost using the first-in, first-out (FIFO) method. In the fund financial statements, inventory is reported using the purchase method where purchases are charged to expense when purchased.

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, 2014

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 non-vesting accumulating rights to receive sick pay benefits.

Post-Employment Benefits

The District's other post-employment benefit plan (OPEB) includes an implicit rate subsidy for medical insurance and a stipend benefit. GAAP requires biennial actuarial valuation of the District's OPEB. This valuation includes both eligible active employees and retirees. With each valuation, the net OPEB obligation or asset is determined, as well as an annual OPEB cost, which the District records in the government-wide financial statements.

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 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 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 materials and service expenditures.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)
Net Position and Fund Balances

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

- a. Net investment in capital assets –Consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.
- b. Restricted net position – Consists of net position 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. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.
- c. Unrestricted net position – All other remaining net position that does not meet the definition of “restricted” and is available for general use by the District.

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. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. The District did over spend its appropriations authority during the year ended June 30, 2014 in the following category:

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

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

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. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. The District did over spend its appropriations authority during the year ended June 30, 2014 in the following category:

Debt Service Fund	
Redemption of principle	\$33,482

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. Appropriations lapse at the end of each fiscal year. The District did not exceed its authorized appropriations for the year ended June 30, 2014.

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, 2014:

Petty Cash	\$	149
Deposits with financial institutions:		
Demand Deposits		692,230
LGIP		<u>1,347,150</u>
Total deposits with financial institutions	\$	<u>2,039,529</u>

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

Statement of Net Position	
Equity in Cash and Investments	<u>\$ 2,039,529</u>

Deposits. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance currently limited to balances less than \$250,000; Oregon Revised Statute 295 effective July 1, 2008 created a multiple financial institution collateral pool and eliminated Certificates of Participation. As a result, all balances over the \$250,000 FDIC limit are collateralized. As of June 30, 2014, the carrying amounts of the District deposits in various qualifying financial institutions were \$692,230 and the bank balances were \$825,306. Of this balance, \$250,000 was covered by the federal depository insurance.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

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. 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, 2014 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, 2014

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>
Oregon State Treasury LGIP	1 day	100%	<u>\$ 1,347,150</u>

Note 3 – Receivables

Receivables are comprised of the following as of June 30, 2014:

	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 341,721	\$ -	\$ 70,174	\$ 411,895
Special Revenue Fund	-	423,570	-	423,570
Total receivables	<u>\$ 341,721</u>	<u>\$ 423,570</u>	<u>\$ 70,174</u>	<u>\$ 835,465</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, 2013</u>	<u>Amortization</u>	<u>Prepaid at June 30, 2014</u>
Prepaid Pension Expense	<u>\$ 12,987,454</u>	<u>\$ 7,624,282</u>	<u>\$ 499,517</u>	<u>\$ 7,124,765</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 4 – Prepaid Pension Expense (continued)

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

Program	
Instruction	\$ 249,758
Supporting Services	<u>249,759</u>
Total	<u>\$ 499,517</u>

Note 5 – Capital Assets

The changes in capital assets for the year ended June 30, 2014, are as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
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	23,179,507	134,603	-	23,314,110
Machinery/Equipment/Vehicles	<u>2,542,801</u>	<u>46,037</u>	<u>-</u>	<u>2,588,838</u>
Totals	<u>25,863,032</u>	<u>180,640</u>	<u>-</u>	<u>26,043,672</u>
Less accumulated depreciation for:				
Land Improvements	(90,988)	(6,080)	-	(97,068)
Building Improvements	(17,675,277)	(464,366)	-	(18,139,643)
Machinery/Equipment/Vehicles	<u>(2,172,532)</u>	<u>(59,348)</u>	<u>-</u>	<u>(2,231,880)</u>
Total	<u>(19,938,797)</u>	<u>(529,794)</u>	<u>-</u>	<u>(20,468,591)</u>
Total capital assets				
Land	1,248,172	-	-	1,248,172
Land Improvements	49,736	(6,080)	-	43,656
Building Improvements	5,504,230	(329,763)	-	5,174,467
Machinery/Equipment/Vehicles	<u>370,269</u>	<u>(13,311)</u>	<u>-</u>	<u>356,958</u>
Totals	<u>\$ 7,172,407</u>	<u>\$ (349,154)</u>	<u>\$ -</u>	<u>\$ 6,823,253</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 5 – Capital Assets (continued)

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

<u>Program</u>	
Instruction	\$ 284,339
Supporting Services	211,784
Community Services	<u>33,671</u>
Total	<u>\$ 529,794</u>

Note 6 – Other Postemployment Benefits

Postemployment Health Insurance Subsidy

Plan Description. The District provides 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 135 active and 10 retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements and employment contracts. The District does not issue a stand-alone report for this plan.

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. 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.

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 6 – Other Postemployment Benefits (continued)

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.

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 2013-14 the District recognized, on a budgetary basis, expenditures of approximately \$31 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 closed period of five years.

The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution (ARC)	\$ 21,868
Interest on net pension obligation	2,358
Adjustment to ARC	<u>(11,798)</u>
Annual pension cost (expense)	12,428
Less: Contributions made	<u>(30,835)</u>
Increase (decrease) in net pension obligation	(18,407)
Net pension obligation - beginning of year	<u>58,987</u>
Net pension obligation - end of year	<u><u>\$ 40,580</u></u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 6 – Other Postemployment Benefits (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014 are:

<u>Fiscal year</u>	<u>Annual OPEB Cost</u>	<u>Contributions</u>	<u>Funded Ratio</u>	<u>Net OPEB Obligation</u>
2014	\$ 12,428	\$ 30,835	248.11%	\$ 40,580
2013	30,245	29,351	97.04%	58,987
2012	66,114	65,960	99.77%	58,093

Actuarial methods and assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions included: (1) an assumed inflation rate of 2.75% and an assumed overall payroll growth rate of 3.5% per year, (2) annual premium increase rate which ranges from 7.50% in 2013-2014 to 5% in 2030 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 and (6) coverage of eligible children.

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 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 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). The unfunded accrued liability is being amortized as a level percentage of payroll over a closed period of five years.

Funded Status and Funding Progress. As of July 1, 2013 the actuarial accrued liability for benefits was \$98,653, and the actuarial value of assets was \$0, resulting in a UAAL of \$98,653. The covered payroll (annual payroll of active employees covered by the plan) was \$6.5 million for fiscal year 2014 and the ratio of the UAAL to the covered payroll was 1.5%. Using a 5-year amortization period the Annual Required Contribution (ARC) for 2014 has been actuarially determined to be \$12,428.

STIPEND

Plan Description. The District provides a single-employer defined benefit early retirement supplement program for certain employees until the earlier of the retiree's age 62 or death. This pension-type benefit is required to be valued under GASB Statement 27.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 6 – Other Postemployment Benefits (continued)

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. Licensed employees must have been hired by the District on or before September 1, 1990 to be eligible.

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. Monthly payments continue until the earlier of the retiree's age 62 or death. 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 2014 the District recognized, on a budgetary basis, expenditures of approximately \$21 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 closed period of one year. Given the current population, the District expects the cost to decrease in future years.

The following table shows the components of the District's annual pension cost for the year ending June 30, 2014, the amount actually contributed to the plan, and changes in the District's net pension obligation.

Annual required contribution (ARC)	\$ 37,151
Interest on net pension obligation	1,490
Adjustment to ARC	<u>(37,241)</u>
Annual pension cost (expense)	1,400
Less: Contributions made	<u>(20,700)</u>
Increase (decrease) in net pension obligation	(19,300)
Net pension obligation - beginning of year	<u>37,241</u>
Net pension obligation - end of year	<u>\$ 17,941</u>

The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation for 2014 are:

<u>Fiscal year</u>	<u>Annual Pension Cost</u>	<u>Contributions</u>	<u>Funded Ratio</u>	<u>Net Pension Obligation</u>
2014	\$ 1,400	\$ 20,700	1478.57%	\$ 17,941
2013	28,785	20,400	70.87%	37,241
2012	29,240	25,672	87.80%	28,856

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 6 – Other Postemployment Benefits (continued)

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 2.75% and an assumed overall payroll growth rate of 3.5% per year, (2) annual premium increase rate which ranges from 7.50% in 2013-2014 to 5% in 2030 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 and (6) coverage of eligible children.

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 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 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). The unfunded accrued liability is being amortized as a level percentage of payroll over a closed period of one year.

Funded Status and Funding Progress. As of July 1, 2013 the actuarial accrued liability for stipend benefits was \$36,460, and the actuarial value of assets was \$0, resulting in a UAAL of \$36,460. The covered payroll (annual payroll of active employees covered by the plan) was \$6.5 million for fiscal year 2014 and the ratio of the UAAL to the covered payroll was 1.1%. Using a 1-year amortization period the Annual Required Contribution (ARC) for 2014 has been actuarially determined to be \$1,400.

Note 7 – Deferred Inflows / Unearned Revenues

Governmental funds, under the modified accrual basis of accounting, accrue deferred revenue for revenue amounts unearned or unavailable. Government-wide reporting use full accrual accounting and report only unearned revenue. Unavailable revenue (deferred inflows) result in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unearned revenue result in connection with resources that have been received, but not yet earned. At the end of the current fiscal year the various components of unavailable (deferred inflow) and unearned revenue in the governmental funds consisted of the following:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Property Taxes	\$ 292,865	\$ -	\$ 292,865
Special Revenue Fund			
Federal programs	-	4	4
Total	<u>\$ 292,865</u>	<u>\$ 4</u>	<u>\$ 292,869</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 8 – Operating Leases

The District leases copiers under non-cancellable operating leases. Total costs for such leases were \$33,171 for the fiscal year ended June 30, 2014. The future minimum lease payments for these leases are as follows:

Fiscal Year ending <u>June 30,</u>	<u>Amount</u>
2015	\$ 22,270
2016	<u>12,410</u>
	<u>\$ 34,680</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.

Year Ending <u>June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rate</u>
2015	\$ 125,582	\$ 376,441	\$ 502,023	5.51%
2016	128,078	398,945	527,023	5.55%
2017	129,327	422,696	552,023	5.61%
2018	132,099	449,925	582,024	5.67%
2019	133,963	478,060	612,023	5.67 - 6.10%
2020-2024	2,226,635	1,398,282	3,624,917	5.50 - 5.55%
2025-2028	<u>2,240,000</u>	<u>338,940</u>	<u>2,578,940</u>	5.50 - 5.55%
Total	<u>\$5,115,684</u>	<u>\$3,863,289</u>	<u>\$ 8,978,973</u>	

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 9 – Long-Term Debt (continued)

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

Fiscal Year Ended	Principal	Interest	Total	Interest Rate
2015	\$ -	\$ 12,375	\$ 12,375	2.75%
2016	-	12,375	12,375	2.75%
2017	-	12,375	12,375	2.75%
2018	-	12,375	12,375	2.75%
2019	-	12,375	12,375	2.75%
2020	-	12,375	12,375	2.75%
2021	450,000	12,375	462,375	2.75%
	<u>\$ 450,000</u>	<u>\$ 86,625</u>	<u>\$ 536,625</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%.

Year Ending June 30th	Principal	Interest	Total	Interest Rate
2015	\$ 182,339	\$ 374,120	\$ 556,459	5.54%
2016	183,194	403,264	586,458	5.63%
2017	183,592	432,867	616,459	5.71%
2018	182,339	464,120	646,459	5.71%
2019	180,386	496,073	676,459	5.71 - 6.15%
2020-2024	1,374,783	2,547,512	3,922,295	5.68 - 6.22%
2025-2028	2,894,999	387,661	3,282,660	5.68 - 6.22%
Total	<u>\$ 5,181,632</u>	<u>\$ 5,105,617</u>	<u>\$ 10,287,249</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.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 9 – Long-Term Debt (continued)

Qualified Zone Academy Bonds – 2005 (continued)

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.

<u>Year ending June 30th</u>	<u>QZAB Installment</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 25,804	\$ -
2016	25,804	-
2017	25,804	-
2018	25,804	-
2019	25,804	-
2020-2022	<u>77,412</u>	<u>-</u>
	<u><u>\$ 206,432</u></u>	<u><u>\$ -</u></u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 9 – Long-Term Debt (continued)

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 %.

Year Ending June 30th	Principal	Interest	Total	Interest Rate
2015	\$ 390,000	\$ 31,800	\$ 421,800	2.00%
2016	395,000	24,000	419,000	3.00%
2017	405,000	12,150	417,150	3.00%
Total	<u>\$ 1,190,000</u>	<u>\$ 67,950</u>	<u>\$ 1,257,950</u>	

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, 2027. The District will receive approximately \$212,000 in direct subsidy payments from the United States Treasury over the life of the bond.

Year Ended	Principal	District's Interest Payments Net	Federal Interest Subsidy	Total
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	30,000	675	12,960	43,635
2020-2024	150,000	2,250	43,200	195,450
2025-2027	90,000	450	8,640	99,090
	<u>\$ 390,000</u>	<u>\$ 6,825</u>	<u>\$ 131,040</u>	<u>\$ 527,865</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 9 – Long-Term Debt (continued)

Qualified School Construction Bond (QSCB) 2012

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

Year Ended	Sinking Fund Deposits	Federal Interest Subsidy	Total
2015	\$ 19,444	\$ 16,188	\$ 35,632
2016	19,444	16,188	35,632
2017	19,444	16,188	35,632
2018	19,444	16,188	35,632
2019	19,444	16,188	35,632
2020-2024	97,224	80,937	178,161
2025-2029	97,224	80,937	178,161
2030	19,444	16,186	35,630
	<u>\$ 311,112</u>	<u>\$ 259,000</u>	<u>\$ 570,112</u>

The changes in long-term obligations for year ended June 30, 2014, are as follows:

Issue Date:	Outstanding July 1, 2013	Matured and Redeemed	Outstanding June 30, 2014	Due Within One Year
PERS Bonds				
October 31, 2002	\$ 5,237,072	\$ (121,388)	\$ 5,115,684	\$ 125,582
April 30, 2003	5,364,795	(183,163)	5,181,632	182,339
January 31, 2012	450,000	-	450,000	-
Full Faith and Credit Obligation				
March 7, 2012	1,570,000	(380,000)	1,190,000	390,000
Total Bonds	<u>12,621,867</u>	<u>(684,551)</u>	<u>11,937,316</u>	<u>697,921</u>
QZAB Installment	<u>232,236</u>	<u>(25,804)</u>	<u>206,432</u>	<u>25,804</u>
QSCB Agreement 2010	420,000	(30,000)	390,000	30,000
QSCB Agreement 2012	<u>330,556</u>	<u>(19,444)</u>	<u>311,112</u>	<u>19,444</u>
Total	13,604,659	(759,799)	12,844,860	773,169
Unamortized premium / (discount)	<u>72,664</u>	<u>(15,517)</u>	<u>57,147</u>	<u>15,517</u>
Total	<u>\$ 13,677,323</u>	<u>\$ (775,316)</u>	<u>\$ 12,902,007</u>	<u>\$ 788,686</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 9 – Long-Term Debt (continued)

The annual debt service requirements on long-term debt outstanding as of June 30, 2014 are as follows:

Year Ending June 30th	Principal	Interest	Subsidized Interest	Total
2015	\$ 773,170	\$ 783,336	\$ 34,908	\$ 1,591,414
2016	781,521	827,109	33,468	1,642,098
2017	793,167	868,539	32,027	1,693,733
2018	389,686	914,795	30,587	1,335,068
2019	389,598	974,808	29,147	1,393,553
2020-2024	3,926,052	3,948,044	124,137	7,998,233
2025-2029	5,772,222	739,425	89,578	6,601,225
2030	19,444	-	16,188	35,632
Total	<u>\$ 12,844,860</u>	<u>\$ 9,056,056</u>	<u>\$ 390,040</u>	<u>\$ 22,290,956</u>

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

	Balance 7/1/2013	Earned	Used	Balance 6/30/2014	Due Within 1 Year
Compensated absences	<u>\$ 77,522</u>	<u>\$ 87,111</u>	<u>\$ (99,549)</u>	<u>\$ 65,084</u>	<u>\$ 65,084</u>

Note 10 – Interfund Transactions

Interfund transfers during the year ended June 30, 2014, were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 516,430
Special Revenue Fund	14,519	-
Debt Service Fund	500,961	-
Capital Projects Fund	950	-
Total Transfers for governmental funds	<u>\$ 516,430</u>	<u>\$ 516,430</u>

The District made transfers from the General Fund of \$516,430. The Special Revenue Fund received \$14,519 for food service on-going operations. The Debt Service Fund received \$500,961 to pay Debt Service on the various debt issues. The Capital Projects Fund received \$950 to pay for gym flooring.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

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.

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, 2014 were .59% and .49% 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, 2014, 2013, and 2012 were \$404,671, \$407,713, and \$405,660, 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.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

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, 2014.

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 \$8,563,940 to the District, which represents approximately 55% of the District's total general revenues for the year.

Note 16 – New Pronouncements

For the year ending June 30, 2014, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 was effective for financial statement periods beginning after December 15, 2012. GASB Statement No. 65 amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets and liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of GASB Statement No. 65 resulted in reclassification of property tax previously identified as a liability (deferred revenue) in governmental funds to a deferred inflow of resources (unavailable revenue). As a result of the implementation, beginning net position was restated as noted below.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2014

Note 17 – Prior Period Adjustment

In accordance with GASB 65, the District restated its beginning net position in order to write-off the unamortized portion of bond issue costs that occurred in prior years. As a result, the Net Position at the beginning of the year was restated to include this adjustment. The Fund Financial Statements were not affected.

Net Position - July 1, 2013	\$	3,045,197
Bond issuance costs		<u>(186,786)</u>
Beginning Net Position, as restated	\$	<u>2,858,411</u>

Note 18 – Subsequent Events

Management of the District has evaluated events and transactions occurring after June 30, 2014 through December 22, 2014, 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, 2014

	Budget		Actual	Variance with
	Adopted	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Local sources				
Property taxes	\$ 2,800,000	\$ 2,800,000	\$ 2,825,166	\$ 25,166
Interest	1,200	1,200	200	(1,000)
Student fees	25,000	25,000	30,839	5,839
Miscellaneous	63,500	338,500	152,631	(185,869)
Intermediate sources				
County school funds	20,000	20,000	14,421	(5,579)
Restricted revenue	48,624	48,624	50,840	2,216
State sources				
State school support fund	8,485,204	8,485,204	8,435,020	(50,184)
Common school fund	130,000	130,000	128,920	(1,080)
Federal sources				
Federal grants through state	-	-	1,987	1,987
Federal forest fees	-	-	201,410	201,410
TOTAL REVENUES	11,573,528	11,848,528	11,841,434	(7,094)
EXPENDITURES				
Current				
Instruction	6,405,478	6,405,478	6,045,660	359,818
Support services	5,223,946	5,223,946	5,056,363	167,583
Community services	5,000	5,000	-	5,000
Contingency	375,781	350,781	-	350,781
TOTAL EXPENDITURES	12,010,205	11,985,205	11,102,023	883,182
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	(436,677)	(136,677)	739,411	876,088
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	2,500	2,500	2,100	(400)
Transfers from other funds	250,000	250,000	-	(250,000)
Transfers to other funds	(515,823)	(815,823)	(516,430)	299,393
TOTAL OTHER FINANCING				
SOURCES (USES)	(263,323)	(563,323)	(514,330)	48,993
NET CHANGE IN FUND BALANCE	(700,000)	(700,000)	225,081	925,081
FUND BALANCE, July 1, 2013	700,000	700,000	443,811	(256,189)
FUND BALANCE, June 30, 2014	\$ -	\$ -	\$ 668,892	\$ 668,892

**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, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Local sources				
Interest	\$ 250	\$ 250	\$ -	\$ (250)
Food service	235,000	235,000	222,945	(12,055)
Student fees	300,000	300,000	209,048	(90,952)
Miscellaneous	5,000	5,000	3,875	(1,125)
State sources				
Other state grants	-	-	4,480	4,480
Federal sources				
Federal grants through state	2,046,289	2,082,139	1,753,992	(328,147)
Commodities	40,000	40,000	39,752	(248)
TOTAL REVENUES	<u>2,626,539</u>	<u>2,662,389</u>	<u>2,234,092</u>	<u>(428,297)</u>
EXPENDITURES				
Current				
Instruction	1,471,089	1,506,939	1,092,294	414,645
Support services	311,388	311,388	258,665	52,723
Enterprise & community services	884,230	884,230	845,028	39,202
Contingency	5,000	5,000	-	5,000
TOTAL EXPENDITURES	<u>2,671,707</u>	<u>2,707,557</u>	<u>2,195,987</u>	<u>511,570</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(45,168)</u>	<u>(45,168)</u>	<u>38,105</u>	<u>83,273</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	25,000	25,000	14,519	(10,481)
NET CHANGE IN FUND BALANCE	(20,168)	(20,168)	52,624	72,792
FUND BALANCE, July 1, 2013	<u>20,168</u>	<u>20,168</u>	<u>115,678</u>	<u>95,510</u>
FUND BALANCE, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,302</u>	<u>\$ 168,302</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2014**

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)	UAAAL 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	-	140,274	140,274	0%	6,636,019	2.11%
7/1/2013	-	135,113	135,113	0%	6,496,730	2.08%

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 \$36,460 for the stipend benefit AAL and \$98,653 for the implicit medical benefit.

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, 2014**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES				
Local sources				
Interest	\$ 5,000	\$ 5,000	\$ 14,156	\$ 9,156
Services provided - other	1,019,483	1,019,483	1,008,436	(11,047)
Federal sources				
Revenue for/on behalf of district	-	-	36,348	36,348
TOTAL REVENUES	1,024,483	1,024,483	1,058,940	34,457
EXPENDITURES				
Debt service	1,512,306	1,512,306	1,545,788	(33,482)
Contingency	753,000	753,000	-	753,000
TOTAL EXPENDITURES	2,265,306	2,265,306	1,545,788	719,518
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,240,823)	(1,240,823)	(486,848)	753,975
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	490,823	490,823	500,961	10,138
Transfers to other funds	(250,000)	(250,000)	-	250,000
TOTAL OTHER FINANCING SOURCES (USES)	240,823	240,823	500,961	260,138
NET CHANGE IN FUND BALANCE	(1,000,000)	(1,000,000)	14,113	1,014,113
FUND BALANCE, July 1, 2013	1,000,000	1,000,000	1,001,963	1,963
FUND BALANCE, June 30, 2014	\$ -	\$ -	\$ 1,016,076	\$ 1,016,076

**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, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Local Sources				
Miscellaneous	\$ -	\$ 110,000	\$ 385,727	\$ 275,727
TOTAL REVENUES	-	110,000	385,727	275,727
EXPENDITURES				
Facilities acquisition and construction	-	410,000	150,622	259,378
TOTAL EXPENDITURES	-	410,000	150,622	259,378
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(300,000)	235,105	259,378
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	-	300,000	950	(299,050)
TOTAL OTHER FINANCING SOURCES (USES)	-	300,000	950	(299,050)
NET CHANGE IN FUND BALANCE	-	-	236,055	236,055
FUND BALANCE, July 1, 2013	-	-	22,926	22,926
FUND BALANCE, June 30, 2014	\$ -	\$ -	\$ 258,981	\$ 258,981

OTHER FINANCIAL SCHEDULES

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF PROPERTY TAX TRANSACTIONS
FISCAL YEAR ENDED JUNE 30, 2014**

	Tax Year	Uncollected July 1, 2013	Levy as Extended by Assessor	Discounts and Adjustments	Interest	Collections Per Treasurer	Uncollected June 30, 2014
GENERAL FUND:							
Current	2013-14		\$ 2,868,346	\$ (76,495)	\$ 1,678	\$ (2,646,405)	\$ 143,768
Prior	2012-13	\$ 154,556		3,080	4,981	(71,126)	81,529
	2011-12	88,920		11,358	5,863	(35,164)	59,251
	2010-11	61,462		18,531	9,068	(34,861)	36,064
	2009-10	36,619		13,834	6,624	(32,667)	11,162
	2008-09	6,245		2,386	1,189	(3,647)	3,795
	Prior	8,130		3,365	1,655	(3,688)	6,152
Total prior		355,932	-	52,554	29,380	(181,153)	197,953
TOTAL GENERAL FUND		\$ 355,932	\$ 2,868,346	\$ (23,941)	\$ 31,058	\$ (2,827,558)	\$ 341,721

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

2013-14 DISTRICT AUDIT ALL FUND REVENUE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
Revenue from Local Sources							
1110 Ad Valorem Taxes Levied by District	2,824,746						
1120 Local Option Ad Valorem Taxes Levied by District							
1190 Penalties and Interest on Taxes	420						
1200 Revenue from Local Gov't Units Other Than Districts							
1310 Regular Day School Tuition	4,606						
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition							
1400 Transportation Fees							
1500 Earnings on Investments	201		14,156				
1600 Food Service		222,945					
1700 Extracurricular Activities	26,233	209,048					
1800 Community Services Activities							
1910 Rentals	20,975						
1920 Contributions and Donations From Private Sources		501					
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	78,092						
1970 Services Provided Other Funds			1,008,436				
1980 Fees Charged to Grants	40,263						
1990 Miscellaneous	13,301	3,374		385,727			
Total Revenue from Local Sources	3,008,837	435,868	1,022,592	385,727	-	-	-
Revenue from Intermediate Sources							
2101 County School Funds	14,421						
2102 Education Service District Apportionment							
2105 Natural Gas, Oil, and Mineral Receipts							
2199 Other Intermediate Sources							
2200 Restricted Revenue	50,840						
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District							
Total Revenue from Intermediate Sources	65,261	-	-	-	-	-	-
Revenue from State Sources							
3000 Miscellaneous							
3100 Unrestricted Grants-in-Aid							
3101 State School Fund - General Support	8,435,020						
3102 State School Fund - School Lunch Match							
3103 Common School Fund	128,920						
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		4,480					
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District							
Total Revenue from State Sources	8,563,940	4,480	-	-	-	-	-
Revenue from Federal Sources							
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	1,987	1,753,992					
4700 Grants-In-Aid From the Fed Gov't Through Intermediate							
4800 Revenue in Lieu of Taxes							
4801 Federal Forest Fees	201,410						
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		39,751	36,348				
Total Revenue from Federal Sources	203,397	1,793,743	36,348	-	-	-	-
Revenue from Other Sources							
5100 Long Term Debt Financing Sources							
5200 Interfund Transfers		14,519	500,961	950			
5300 Sale of or Compensation for Loss of Fixed Assets	2,100						
5400 Resources - Beginning Fund Balance	443,810	115,678	1,001,963	22,926			
Total Revenue from Other Sources	445,910	130,197	1,502,924	23,876	-	-	-
Grand Totals	12,287,345	2,364,288	2,561,864	409,603	-	-	-

2013-14 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 100 General Fund

Code Expenditure Description	100	200	300	400	500	600	700
	Total	Salaries	P/R Costs	Purchased Services	Materials	Capital Outlay	Other Objects & Transfers & Balances
1111 Elementary Programs	1,932,664	1,227,614	599,684	55,844	49,522		
1113 Elementary Extracurricular							
1121 Middle/Junior High Programs	1,177,163	745,814	359,666	62,340	9,343		
1122 Middle/Junior High Extracurricular	78,196	54,518	11,616	3,134	8,928		
1131 High School Programs	1,328,153	823,996	394,615	74,029	34,821	692	
1132 High School Extracurricular	189,134	102,263	26,475	31,295	22,190	6,911	
1140 Pre-Kindergarten Programs							
1210 Talented & Gifted							
1220 Restrict Prog for Students w/Disabilities	484,855	307,375	164,361	6,012	7,107		
1250 Less Restrict Prog Students w/Disabilities	848,287	545,407	276,805	18,859	7,216		
1260 Early Intervention							
1271 Remediation							
1272 Title I							
1280 Alternative Education	50						50
1291 English as a Second Language							
1292 Teen Parent Program							
1293 Migrant Education							
1294 Youth Corrections Education							
1299 Other Programs							
1300 Adult/Continuing Education Programs							
1400 Summer School Programs	7,157	5,403	1,654		100		
Total Instruction	6,045,659	3,812,390	1,834,876	251,513	139,227	-	7,653
2110 Attendance & Social Work Services	74,353	48,467	25,886				
2120 Guidance Services	186,990	125,030	43,852	18,108			
2130 Health Services	1,191			1,191			
2140 Psychological Services	83,359	54,615	27,503		1,241		
2150 Speech Pathology & Audiology							
2160 Other Treatment Services							
2190 Service Direction, Student Support	119,295	77,546	34,438	2,665	4,051	595	
2210 Improvement of Instruction	23,151	15,621	7,530				
2220 Educational Media Services	158,518	79,003	45,687	1,288	32,540		
2230 Assessment & Testing							
2240 Instructional Staff Development	18,693	5,566	13,127				
2310 Board of Education Services	345,607			199,289	1,171	145,147	
2320 Executive Administration Services	171,963	118,423	46,691	5,381	873	595	
2410 Office of the Principal Services	1,460,488	755,620	349,675	296,050	53,363	5,780	
2490 Other Support Services - School Admin							
2510 Direction of Business Support Services							
2520 Fiscal Services	315,007	159,717	95,261	45,646	5,665	8,718	
2540 Operation & Maint of Plant Services	783,863	291,212	168,951	150,972	151,819	19,896	1,013
2550 Student Transportation Services	1,017,610			894,420	123,190		
2570 Internal Services	37,177			37,177			
2610 Direction of Central Support Services							
2620 Planning, Research, Development, Evaluation							
2630 Information Services							
2640 Staff Services	76,504	49,077	20,774	4,496	1,887	270	
2660 Technology Services	131,059			54,395	54,419	22,245	
2670 Records Management Services							
2690 Other Support Services							
2700 Supplemental Retirement Program	51,535		51,535				
Total Support Services	5,056,363	1,779,897	930,910	1,711,078	430,219	42,141	162,118
3100 Food Services							
3200 Other Enterprise Services							
3300 Community Services							
3500 Custody & Care of Children Services							
Total Enterprise and Community Services	-	-	-	-	-	-	-
4110 Service Area Direction							
4120 Site Acquisition & Development Services							
4150 Bldg Acquisition, Construction & Improvement							
4190 Other Facilities Construction Services							
Total Facilities Acquisition and Construction	-	-	-	-	-	-	-
5100 Debt Service							
5200 Transfers to Other Funds	516,430						516,430
5300 Apportionment of Funds by ESD							
6000 Contingencies							
7000 Unappropriated Ending Fund Balance							
Total Requirements and Balances	11,618,452	5,592,287	2,765,786	1,962,591	569,446	42,141	169,771
							516,430

2013-14 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
1111	Primary, K-3	46,221				46,221		
1113	Elementary Extracurricular							
1121	Middle/Junior High Programs	59,479	4,876	1,492	1,471	51,640		
1122	Middle/Junior High Extracurricular							
1131	High School Programs	135,402	8,333	2,540	986	123,543		
1132	High School Extracurricular							
1140	Pre-Kindergarten Programs							
1210	Talented & Gifted							
1220	Restrict Prog for Students w/Disabilities	72,881	46,714	24,920		1,247		
1250	Less Restrict Prog Students w/Disabilities	164,212	90,972	49,629	1,039	22,572		
1260	Early Intervention							
1271	Remediation							
1272	Title I	614,099	407,781	178,451	13,221	14,646		
1280	Alternative Education							
1291	English as a Second Language							
1292	Teen Parent Program							
1293	Migrant Education							
1294	Youth Corrections Education							
1299	Other Programs							
1300	Adult/Continuing Education Programs							
1400	Summer School Programs							
Total Instruction		1,092,294	558,676	257,032	16,717	259,869	-	-
2110	Attendance & Social Work Services							
2120	Guidance Services							
2130	Health Services							
2140	Psychological Services							
2150	Speech Pathology & Audiology							
2160	Other Treatment Services							
2190	Service Direction, Student Support	63,071	42,556	19,744	504	267		
2210	Improvement of Instruction	46,311	31,243	15,068				
2220	Educational Media Services							
2230	Assessment & Testing							
2240	Instructional Staff Development	85,892	30,359	13,236	41,296	1,001		
2310	Board of Education Services							
2320	Executive Administration Services							
2410	Office of the Principal Services							
2490	Other Support Services - School Admin	63,391	15,621	7,533			40,237	
2510	Direction of Business Support Services							
2520	Fiscal Services							
2540	Operation & Maint of Plant Services							
2550	Student Transportation Services							
2570	Internal Services							
2610	Direction of Central Support Services							
2620	Planning, Research, Development, Evaluation							
2630	Information Services							
2640	Staff Services							
2660	Technology Services							
2670	Records Management Services							
2690	Other Support Services							
2700	Supplemental Retirement Program							
Total Support Services		258,665	119,779	55,581	41,800	1,268	-	40,237
3100	Food Services	840,852	225,989	135,886	17,894	447,339	10,313	3,431
3200	Other Enterprise Services							
3300	Community Services	4,176				4,176		
3500	Custody & Care of Children Services							
Total Enterprise and Community Services		845,028	225,989	135,886	17,894	451,515	10,313	3,431
4110	Service Area Direction							
4120	Site Acquisition & Development Services							
4150	Bldg Acquisition, Construction & Improvement							
4190	Other Facilities Construction Services							
Total Facilities Acquisition and Construction		-	-	-	-	-	-	-
5100	Debt Service							
5200	Transfers to Other Funds							
5300	Apportionment of Funds by ESD							
6000	Contingencies							
7000	Unappropriated Ending Fund Balance							
Total Requirements and Balances		2,195,987	904,444	448,499	76,411	712,652	10,313	43,668

2013-14 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 300 Debt Service Fund

Code Expenditure Description	100	200	300	400	500	600	700
	Total	Salaries	P/R Costs	Purchased Services	Materials	Capital Outlay	Other Objects
1111 Primary, K-3							
1112 Intermediate Programs							
1113 Elementary Extracurricular							
1121 Middle/Junior High Programs							
1122 Middle/Junior High Extracurricular							
1131 High School Programs							
1132 High School Extracurricular							
1140 Pre-Kindergarten Programs							
1210 Talented & Gifted							
1220 Restrict Prog for Students w/Disabilities							
1250 Less Restrict Prog Students w/Disabilities							
1260 Early Intervention							
1271 Remediation							
1272 Title I							
1280 Alternative Education							
1291 English as a Second Language							
1292 Teen Parent Program							
1293 Migrant Education							
1294 Youth Corrections Education							
1299 Other Programs							
1300 Adult/Continuing Education Programs							
1400 Summer School Programs							
Total Instruction	-	-	-	-	-	-	-
2110 Attendance & Social Work Services							
2120 Guidance Services							
2130 Health Services							
2140 Psychological Services							
2150 Speech Pathology & Audiology							
2160 Other Treatment Services							
2190 Service Direction, Student Support							
2210 Improvement of Instruction							
2220 Educational Media Services							
2230 Assessment & Testing							
2240 Instructional Staff Development							
2310 Board of Education Services							
2320 Executive Administration Services							
2410 Office of the Principal Services							
2490 Other Support Services - School Admin							
2510 Direction of Business Support Services							
2520 Fiscal Services							
2540 Operation & Maint of Plant Services							
2550 Student Transportation Services							
2570 Internal Services							
2610 Direction of Central Support Services							
2620 Planning, Research, Development, Evaluation							
2630 Information Services							
2640 Staff Services							
2660 Technology Services							
2670 Records Management Services							
2690 Other Support Services							
2700 Supplemental Retirement Program							
Total Support Services	-	-	-	-	-	-	-
3100 Food Services							
3200 Other Enterprise Services							
3300 Community Services							
3500 Custody & Care of Children Services							
Total Enterprise and Community Services	-	-	-	-	-	-	-
4110 Service Area Direction							
4120 Site Acquisition & Development Services							
4150 Bldg Acquisition, Construction & Improvement							
4190 Other Facilities Construction Services							
Total Facilities Acquisition and Construction	-	-	-	-	-	-	-
5100 Debt Service	1,545,788					1,545,788	
5200 Transfers to Other Funds							
5300 Apportionment of Funds by ESD							
6000 Contingencies							
7000 Unappropriated Ending Fund Balance							
Total Requirements and Balances	1,545,788	-	-	-	-	1,545,788	-

2013-14 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								
1112 Intermediate Programs								
1113 Elementary Extracurricular								
1121 Middle/Junior High Programs								
1122 Middle/Junior High Extracurricular								
1131 High School Programs								
1132 High School Extracurricular								
1140 Pre-Kindergarten Programs								
1210 Talented & Gifted								
1220 Restrict Prog for Students w/Disabilities								
1250 Less Restrict Prog Students w/Disabilities								
1260 Early Intervention								
1271 Remediation								
1272 Title I								
1280 Alternative Education								
1291 English as a Second Language								
1292 Teen Parent Program								
1293 Migrant Education								
1294 Youth Corrections Education								
1299 Other Programs								
1300 Adult/Continuing Education Programs								
1400 Summer School Programs								
Total Instruction	-	-	-	-	-	-	-	-
2110 Attendance & Social Work Services								
2120 Guidance Services								
2130 Health Services								
2140 Psychological Services								
2150 Speech Pathology & Audiology								
2160 Other Treatment Services								
2190 Service Direction, Student Support								
2210 Improvement of Instruction								
2220 Educational Media Services								
2230 Assessment & Testing								
2240 Instructional Staff Development								
2310 Board of Education Services								
2320 Executive Administration Services								
2410 Office of the Principal Services								
2490 Other Support Services - School Admin								
2510 Direction of Business Support Services								
2520 Fiscal Services								
2540 Operation & Maint of Plant Services								
2550 Student Transportation Services								
2570 Internal Services								
2610 Direction of Central Support Services								
2620 Planning, Research, Development, Evaluation								
2630 Information Services								
2640 Staff Services								
2660 Technology Services								
2670 Records Management Services								
2690 Other Support Services								
2700 Supplemental Retirement Program								
Total Support Services	-	-	-	-	-	-	-	-
3100 Food Services								
3200 Other Enterprise Services								
3300 Community Services								
3500 Custody & Care of Children Services								
Total Enterprise and Community Services	-	-	-	-	-	-	-	-
4110 Service Area Direction								
4120 Site Acquisition & Development Services								
4150 Bldg Acquisition, Construction & Improvement	150,622			7,394		134,603	8,625	
4190 Other Facilities Construction Services								
Total Facilities Acquisition and Construction	150,622	-	-	7,394	-	134,603	8,625	-
5100 Debt Service								
5200 Transfers to Other Funds								
5300 Apportionment of Funds by ESD								
6000 Contingencies								
7000 Unappropriated Ending Fund Balance								
Total Requirements and Balances	150,622	-	-	7,394	-	134,603	8,625	-

SUPPLEMENTAL INFORMATION 2013-14

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	\$	242,040
Function 2550	\$	-

B. Replacement of Equipment - General Fund:

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

\$	8,711
----	-------

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 Jackson County School District No. 4 (the District) as of and for the year ended June 30, 2014, and have issued our report thereon dated December 22, 2014. 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 the District'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.
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.
- State school fund factors and calculation.

In connection with our audit, nothing came to our attention that caused us to believe the District 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, except as follows:

The District over-spent its appropriation authority in the following funds and categories:

Debt Service Fund:	
Redemption of principle	\$33,482

OAR 162-10-0230 Internal Control

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

This report is intended solely for the information and use of the District's Board, Management of the District and the State of Oregon, Division of Audits and is not intended to be and should not be used by anyone other than these parties.

Stewart C. Parmele, CPA, Partner

Stewart C. Parmele, CPA, Partner
KDCO Piels, Certified Public Accountants, LLP
December 22, 2014

**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, 2014, 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 22, 2014.

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.

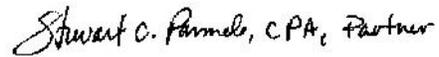
Compliance and Other Matters

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*.

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

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.



Stewart C. Parmele, CPA, Partner
KDCO Piels, Certified Public Accountants, LLP
Medford, Oregon
December 22, 2014



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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, 2014. 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, 2014.

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

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.



Stewart C. Parmele, CPA, Partner
KDCO Piels, Certified Public Accountants, LLP
Medford, Oregon
December 22, 2014

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Award				(Receivable)/
				Balance June 30, 2013	Receipts	Expenditures	Unearned Balance June 30, 2014
<u>U.S. Department of Agriculture:</u>							
Passed Through Oregon Department of Education:							
<u>Child Nutrition Cluster</u>							
School Breakfast Program	10.553	2013-14	163,204	\$ (27,744)	\$ 162,735	\$ (163,204)	\$ (28,213)
National School Lunch Program	10.555	2013-14	39,752	-	39,752	(39,752)	-
National School Lunch Program	10.555	2013-14	397,277	(65,602)	394,108	(397,277)	(68,771)
Summer Food Service Program for Children	10.559	2013-14	25,127	(4,059)	24,346	(25,127)	(4,840)
Child Nutrition Cluster Total				(97,405)	620,941	(625,360)	(101,824)
Passed through Douglas ESD:							
<u>Forest Service Schools and Roads Cluster</u>							
Schools and Roads - Grants to Counties	10.666	2013-14	201,410	-	201,410	(201,410)	-
Total Department of Agriculture				(97,405)	822,351	(826,770)	(101,824)
<u>U.S. Department of Administrative Services:</u>							
Donation of Federal Surplus Personal Property	39.003	2013-14	1,987	-	1,987	(1,987)	-
Total Department of Administrative Services				-	1,987	(1,987)	-
<u>U.S. Department of Education:</u>							
Passed Through Oregon Department of Education:							
Title I Grants to Local Educational Agencies	84.010	28228	690,201	-	347,502	(526,068)	(178,566)
Title I Grants to Local Educational Agencies	84.010	25348	767,315	(158,306)	300,547	(142,241)	-
Program total				(158,306)	648,049	(668,309)	(178,566)
<u>Special Education Cluster (IDEA)</u>							
Special Education Grants to States	84.027	28558	300,025	-	154,920	(228,615)	(73,695)
Special Education Grants to States	84.027	26797	313,406	(75,347)	155,861	(80,514)	-
Special Education Grants to States	84.027	29887	2,652	-	623	(1,368)	(745)
Special Education Grants to States	84.027	26583	2,652	-	1,138	(1,138)	-
Special Education Grants to States	84.027	28005	2,025	-	222	(1,631)	(1,409)
Special Education Grants to States	84.027	25888	2,155	(484)	484	-	-
Special Education Preschool Grants	84.173	28937	4,264	-	4,264	(4,264)	-
Special Education Cluster (IDEA) Total				(75,831)	317,512	(317,530)	(75,849)
Passed through Douglas Education Service District:							
Career and Technical Education - Basic Grants to States	84.048	DESD	8,258	-	5,131	(8,258)	(3,127)
Passed through University of Oregon/Oregon University System:							
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	U of O	51,166	-	35,810	(51,166)	(15,356)
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	U of O	3,431	(22,360)	25,791	(3,431)	-
Program total				(22,360)	61,601	(54,597)	(15,356)
Passed Through Oregon Department of Education:							
Improving Teacher Quality State Grants	84.367	28750	112,297	-	56,445	(102,876)	(46,431)
Improving Teacher Quality State Grants	84.367	25580	117,776	(40,735)	56,049	(15,314)	-
Program total				(40,735)	112,494	(118,190)	(46,431)
Total Department of Education				(297,232)	1,144,787	(1,166,884)	(319,329)
<u>U.S. Department of Health and Human Services:</u>							
Passed Through Oregon Department of Education:							
ARRA - Head Start	93.708	27573	1,500	-	1,500	(1,500)	-
Total Department of Health and Human Services				-	1,500	(1,500)	-
Total Federal Financial Assistance				\$ (394,637)	\$ 1,970,625	\$ (1,997,141)	\$ (421,153)

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Note A - Significant accounting policies

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs presented on the modified 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 as the fair market value of the commodities received and disbursed. (CFDA 10.555 \$39,752)

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 \$ 36,348 in an interest subsidy from the US Treasury, which was used to reduce interest payments made by District.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

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 instances of noncompliance material to the financial statements of Douglas County School District No. 19 were disclosed during the audit.
3. The auditor's report on compliance for the major federal award programs for Douglas County School District No. 19 expresses an unmodified opinion.
4. The audit disclosed no findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133.
5. The programs tested as major programs include:

U.S. Department of Agriculture Child Nutrition Cluster	CFDA # 10.553, 10.555 & 10.559
U.S. Department of Education Special Education Cluster (IDEA)	CFDA # 84.027 & 84.173
6. The threshold for distinguishing Types A and B Programs was \$300,000.
7. 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