

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Myrtle Creek, Oregon

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2011

WITH

INDEPENDENT AUDITOR'S REPORT

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Myrtle Creek, Oregon
June 30, 2011

BOARD OF DIRECTORS AS OF JUNE 30, 2011

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

ADMINISTRATIVE STAFF

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

Steve Kelley	Superintendent-Clerk
Chris Davidson	Business Manager

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Myrtle Creek, Oregon

Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of governmental activities and each major fund of Douglas County School District No. 19 (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Douglas County School District No. 19 as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated December 10, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the General Fund and the Special Revenue Fund budgetary comparison information, and the Schedule of Funding Progress – Other Postemployment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The General Fund and the Special Revenue Fund comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

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

A handwritten signature in black ink that reads "Stewart C Parmele CPA, Partner". The signature is written in a cursive, flowing style.

Stewart C. Parmele, Partner
Michael L. Piels CPAs, LLP
December 10, 2011

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2011

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, 2011. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status reflects a decrease in government-wide net assets for the 2011 fiscal year. Overall, net assets decreased by \$264,597 or 5.70% from the previous year.
- General revenues accounted for \$11.15 million in revenue, or 75.17% of all fiscal year revenues. Program specific revenues in the form of charges for services, grants and donations accounted for \$3.68 million or 24.83% of total fiscal 2011 revenues.
- The District had approximately \$15.09 million in expenses related to governmental activities; of which \$3.68 million were expenses offset by program specific charges for services, grants and donations. General revenues of \$11.15 million were inadequate to provide for the remaining costs of these programs and services causing a need to draw from other resources to cover the deficit which in turn accounts for the decrease in net assets.
- The General Fund had \$11.80 million in fiscal year 2011 revenues, which primarily consisted of state school support and property taxes. Expenditures totaled \$11.36 million. The General Fund's fund balance, before interfund transfers, increased \$445,199 from the previous year.
- The Special Revenue Fund, a District major fund, had \$2.95 million in fiscal year 2011 revenues and \$2.92 million in expenditures.
- The Debt Service Fund, another District major fund, had \$993,624 in fiscal year 2011 revenues and \$1.40 million in expenditures before transfers.
- The Capital Projects Fund is the last District major fund. It had revenues of \$1,003 for the fiscal year and \$324,484 in expenditures before transfers and proceeds from the sales of bonds.
- The District's total long-term debt decreased by \$680,172 during the current fiscal year.

Overview of the Financial Statements

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

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

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2011

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

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

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
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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 assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

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

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2011

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

Fund Financial Statements

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

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

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

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

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

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

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2011

Notes to the Financial Statements

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. This information is essential to a full understanding of the data provided in this report. The notes to the financial statements can be found on pages 7 - 30 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the General Fund and the major Special Revenue Fund. Figure A-1 shows how the various parts of this annual report are arranged and related to one another. The required supplementary information can be found on pages 31 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.

Government-Wide Financial Analysis

The District's combined net assets reflect a decrease of approximately 5.70% as of June 30, 2011. This decrease is primarily due to reduced income from the State combined with a slight increase in spending during the current year.

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

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

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2011

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2010 and June 30, 2011:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current Assets	\$ 3,715,287	\$ 3,409,381
Unamortized Fees	8,790,025	9,303,728
Capital Assets - Net	<u>7,388,125</u>	<u>7,605,872</u>
 Total Assets	 <u>\$ 19,893,437</u>	 <u>\$ 20,318,981</u>
 Current Liabilities	 \$ 824,030	 \$ 804,805
Long Term Liabilities	<u>14,693,192</u>	<u>14,873,364</u>
 Total Liabilities	 <u>\$ 15,517,222</u>	 <u>\$ 15,678,169</u>
 Invested in Capital Assets, Net of Related Debt	 \$ 4,309,281	 \$ 4,610,671
Unrestricted Net Assets	<u>66,934</u>	<u>30,140</u>
 Total Net Assets	 <u><u>\$ 4,376,215</u></u>	 <u><u>\$ 4,640,812</u></u>

The District's total revenues for the fiscal year ended June 30, 2011, were \$14.83 million. The total cost of programs and services was \$15.09 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2011:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Revenues		
Program Revenues		
Charges for Services	\$ 516,396	\$ 406,479
Operating Grants & Contributions	3,166,175	3,020,771
General Revenues		
Property Taxes	2,721,217	2,677,551
Earnings on Investments	19,787	23,037
Unrestricted State & Local Sources	246,558	45,042
State School Support	7,578,892	8,238,968
Federal Forest Fees	367,379	420,355
Miscellaneous Other Sources	<u>211,895</u>	<u>292,613</u>
Total Revenues	<u>14,828,299</u>	<u>15,124,816</u>
 Expenses		
Instruction	7,881,828	7,951,921
Support Services	5,580,395	5,574,826
Community Services	879,725	895,555
Facilities Acquisition & Construction	27,171	0

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2011

Interest on Long Term Debt	723,777	687,043
Total Expenses	<u>15,092,896</u>	<u>15,109,345</u>
Increase/(Decrease) in Net Assets	<u>\$ (264,597)</u>	<u>\$ 15,471</u>

The cost of all governmental activities this year was \$15.09 million. Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues in the amount of \$3.68 million. The resulting net cost of governmental activities of \$11.41 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 \$2,736,465, an increase of \$249,486 from the prior year. The fund balance constitutes unassigned, assigned, and restricted amounts. Of the current fund balance, \$1,254,597 is unassigned and available for spending at the District's discretion, \$115,000 is assigned for purposes defined by the federal Title grants, \$185,972 is restricted for capital projects, and the remaining fund balance of \$1,180,896 is restricted for the payment of debt.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$33,962, a result of our conservative budgeting of revenues for the year combined with frugal spending practices. The combined fund balances of all other funds increased by \$215,502 during the fiscal year. Bond proceeds not completely expended led to an increase in the Capital Projects Fund while an increase in the PERS UAL set aside led to an increase in the Debt Service Fund. These comprise the majority of the increase in the other funds.

Budgetary Highlights

Revenues were budgeted and anticipated to be collected in the amount of \$12.84 million during the fiscal year. The national economic downturn continued to have a negative impact on the State of Oregon and its revenues from taxes, prompting the District to be conservative on its revenue and expenditure budgeting. The District received \$11.80 million in revenue during the fiscal year. Spending for the year was slightly less than the revenues received, allowing the District to have an increase in the General Fund ending balance of \$33,962.

Capital Assets

As of June 30, 2011, the District had invested \$26.25 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 \$100,282 from last year. Total depreciation expense for the year was \$539,536. Additional information on the District's capital assets can be found in Note 1 and Note 5 on pages 11 and 17, respectively, of this report.

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2011

Economic Factors and Next Year's Budget and Rates

Many factors were considered by the District's administration during the process of developing the fiscal year 2011-12 budget. The state and national economic pictures were still bleak causing the District to again take a conservative approach to budget preparation. Continued reductions in the latest State funding level estimates, which were lower, in part, because of the state of the economy, the District's decreasing student population and the possibility that trend will continue, and employee contract and benefit costs also played a part in the District's conservatism. The District also attempted to make rough budget projection three years out in an effort to judge the effects of enrollment trends, the economy, and collective bargaining agreements on the District's current and future resources and reserves.

A decrease in additional federal stimulus monies and a reduction in the Federal Forest Fees have led to a decreased revenue projection for 2011-12. All other revenues either remained the same or were projected to have slight increases or decreases. Based on these and other factors, the budgeted expenditures in the General Fund were decreased 2.89% to \$12,470,274 for fiscal year 2011-12. To meet these reductions the District reduced staff, budgeted for eight furlough days during 2011-12, and plans to use \$290,000 of its PERS UAL reserve. The District also plans to spend its ending fund balance down to 3% of budgeted General Fund revenues.

The lack of an economic rebound in Oregon has continued to have a detrimental effect on the State's available revenues which trickles down to school funding. Based on the October 25, 2011 estimates from the Oregon Department of Education, for fiscal year 2011-12, the District is expected to receive \$114,380 more from the State School Support Fund in comparison to the prior year. This increase is due to the State funding districts at a 50-50 split over the biennium as opposed to the usual 49-51 split, a reduction in the percentage of the State School Fund that goes to ESD's being transferred to schools, as well as a decrease in Federal Forest Fees and other local revenues creating the need for the State to backfill that decrease.

District enrollment has continued its steady decline, dropping every year for the last five years. As the funding for schools is based on a per student basis, this decline has continued to decrease the amount of funding from the State that the District may have received in prior years when enrollments were higher. Until there are greater employment opportunities in our area, it is expected that this decline in enrollment may continue.

Looking ahead to 2012-13, things do not appear as if they will be better. The District will be losing over \$300,000 in stimulus money, over \$246,000 of Federal Forest Fees, and plans to spend down its ending fund balance by over \$640,000 in the General Fund, meaning the General Fund faces a nearly 10% decrease in funding in the 2012-13 fiscal year. That decrease in funding could grow as Oregon faces its own budgetary shortfall at the state level, a portion of which may trickle down to schools. The "Open Borders" legislation goes into effect in 2012-13. The impact on the District's enrollment from this going into effect, either positive or negative, is impossible to predict and the District can only take a wait-and-see approach. Collective bargaining agreements for both bargaining groups will be open in one form or another and could impact the 2012-13 budget. The District is doing all it can to preserve its ending fund balance during the course of 2011-12 in order to try to maintain as many programs and jobs as possible in 2012-13. The District continues to watch and wait, hoping for a turnaround both nationally and locally.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
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ASSETS:	
Cash and investments	\$ 2,046,212
Receivables	1,656,497
Inventory	12,578
Prepaid pension benefit obligation	8,623,316
Bond issuance costs, net	166,709
Capital assets, net	
Land	1,248,172
Land improvements	62,498
Buildings and improvements	5,586,504
Vehicles and equipment	490,951
	<hr/>
TOTAL ASSETS	19,893,437
	<hr/>
LIABILITIES:	
Accounts payable	198,771
Accrued salaries and benefits	399,801
Deferred revenue	53,330
Accrued compensated absences payable	88,901
Early retirement benefits	83,227
Bonds payable, net of unamortized premium/discount:	
Due within one year	686,165
Due in more than one year	14,007,027
	<hr/>
TOTAL LIABILITIES	15,517,222
	<hr/>
NET ASSETS (DEFICIT):	
Invested in capital assets, net of related debt	4,309,281
Unrestricted	66,934
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TOTAL NET ASSETS	\$ 4,376,215
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DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 7,881,828	\$ 257,628	\$ 1,600,188	\$ -	\$ (6,024,012)
Support services	5,580,395	10,000	904,304	-	(4,666,091)
Enterprise and community services	879,725	248,768	661,683	-	30,726
Facilities acquisition and construction	27,171	-	-	-	(27,171)
Interest on long-term debt	723,777	-	-	-	(723,777)
Total government activities	<u>\$ 15,092,896</u>	<u>\$ 516,396</u>	<u>\$ 3,166,175</u>	<u>\$ -</u>	<u>(11,410,325)</u>
General revenues:					
Property taxes levied for general purposes					2,721,217
State school fund - general support					7,578,892
Common School Funds					126,336
Federal forest fees					367,379
Unrestricted state and local sources					246,558
Earnings on investments					19,787
Loss on sale of capital assets					66
Miscellaneous					<u>85,493</u>
Total general revenues					<u>11,145,728</u>
CHANGE IN NET ASSETS					(264,597)
Net assets - July 1, 2010					<u>4,640,812</u>
Net Assets - June 30, 2011					<u>\$ 4,376,215</u>

FUND FINANCIAL STATEMENTS

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total
ASSETS					
Equity in pooled cash and investments	\$ 676,775	\$ -	\$ 1,180,896	\$ 188,541	\$ 2,046,212
Receivables	1,058,255	598,242	-	-	1,656,497
Inter-fund receivable	333,040	-	-	-	333,040
TOTAL ASSETS	\$ 2,068,070	\$ 598,242	\$ 1,180,896	\$ 188,541	\$ 4,035,749
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 169,878	\$ 26,324	\$ -	\$ 2,569	\$ 198,771
Accrued salaries and benefits	329,253	70,548	-	-	399,801
Inter-fund payable	-	333,040	-	-	333,040
Deferred revenue	314,342	53,330	-	-	367,672
TOTAL LIABILITIES	813,473	483,242	-	2,569	1,299,284
Fund Balances:					
Restricted for debt service	-	-	1,180,896	-	1,180,896
Restricted for capital projects	-	-	-	185,972	185,972
Assigned	-	115,000	-	-	115,000
Unassigned	1,254,597	-	-	-	1,254,597
Total fund balances	1,254,597	115,000	1,180,896	185,972	2,736,465
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,068,070	\$ 598,242	\$ 1,180,896	\$ 188,541	\$ 4,035,749

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2011

TOTAL FUND BALANCES			\$ 2,736,465
Inventory is not reported as a governmental fund asset under the purchase method of accounting for inventory.			12,578
Prepaid pension benefit obligations are not a financial resource and therefore are not reported in the governmental funds			8,623,316
The unamortized portion of issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds.			166,709
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost	\$ 26,251,998		
Accumulated depreciation	<u>(18,863,873)</u>	7,388,125	
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.			314,342
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due. These liabilities consist of:			
Bonds payable, net	(14,693,192)		
Early retirement benefits	(83,227)		
Compensated absences payable	<u>(88,901)</u>	<u>(14,865,320)</u>	
TOTAL NET ASSETS			<u><u>\$ 4,376,215</u></u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES					
Local sources	\$ 2,982,387	\$ 488,990	\$ 976,357	\$ 1,003	\$ 4,448,737
Intermediate sources	101,054	-	-	-	101,054
State sources	7,748,624	4,850	-	-	7,753,474
Federal sources	969,468	2,453,805	17,267	-	3,440,540
TOTAL REVENUES	11,801,533	2,947,645	993,624	1,003	15,743,805
EXPENDITURES					
Current					
Instruction	6,251,247	1,573,913	-	-	7,825,160
Support services	5,104,378	478,673	-	-	5,583,051
Enterprise and community services	709	863,699	-	-	864,408
Facilities acquisition and construction	-	-	-	324,487	324,487
Debt service:					
Principal	-	-	678,665	-	678,665
Interest	-	-	723,778	-	723,778
TOTAL EXPENDITURES	11,356,334	2,916,285	1,402,443	324,487	15,999,549
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	445,199	31,360	(408,819)	(323,484)	(255,744)
OTHER FINANCING SOURCES (USES):					
Sale of fixed assets	5,230	-	-	-	5,230
Bond proceeds	-	-	-	500,000	500,000
Transfers from other funds	116,343	7,605	515,749	9,456	649,153
Transfers to other funds	(532,810)	(116,343)	-	-	(649,153)
TOTAL OTHER FINANCING SOURCES (USES)	(411,237)	(108,738)	515,749	509,456	505,230
NET CHANGE IN FUND BALANCES	33,962	(77,378)	106,930	185,972	249,486
FUND BALANCE, July 1, 2010	1,220,635	192,378	1,073,966	-	2,486,979
FUND BALANCE, June 30, 2011					
Restricted	-	-	1,180,896	185,972	1,366,868
Assigned	-	115,000	-	-	115,000
Unassigned	1,254,597	-	-	-	1,254,597
TOTAL FUND BALANCE, June 30, 2011	\$ 1,254,597	\$ 115,000	\$ 1,180,896	\$ 185,972	\$ 2,736,465

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

NET CHANGE IN FUND BALANCE \$ 249,486

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

Governmental funds do not report inventory balances under the purchase method of accounting for inventory while the Statement of Net Assets does. This is the change in inventory in the current period. (9,452)

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

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

Expenditures for capital assets	\$ 321,856	
Less current year depreciation	<u>(539,536)</u>	(217,680)

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

Loss on disposal of capital assets		66
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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. 2,263

Early retirement benefits are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities early retirement benefits are recognized as an expenditure when earned. 3,578

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

Long-term debt financing source	(500,000)	
Debt principal repaid	<u>678,665</u>	178,665

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

Amortization of issuance costs		(14,186)
Amortization of bond premium		1,507

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. 40,673

CHANGE IN NET ASSETS \$ (264,597)

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies

The Reporting Entity

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

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

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

Basis of Presentation

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

Government-wide Financial Statements

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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

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

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

Cash, Cash Equivalents and Investments

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

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

Investment Income

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

Property Taxes Receivable

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

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

Accounts and Other Receivables

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

Grants

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

Interfund Transactions

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

Inventories

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

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

Capital Assets

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

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

Retirement Plan

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

Compensated Absences

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

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

Long-term Debt

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

Long-term Debt

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

Fund Equity

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

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

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

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

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

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

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

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

Budget

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

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

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers within a fund between the levels of control (major function levels) with Board approval. During the year there were no resolutions appropriating unanticipated resources. Appropriations lapse at the end of each fiscal year. The District did not exceed its authorized appropriations for the year ended June 30, 2011, except as follows:

General Fund	
Transfers	\$ 38,006
Special Revenue Fund	
Support Services	\$ 32,639
Enterprise & Community Services	\$ 16,338
Transfers	\$ 16,343

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.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 2 - Equity in Pooled Cash and Investments

Cash and investments are comprised of the following as of June 30, 2011:

Petty Cash	\$ 150
Deposits with financial institutions:	
Demand Deposits	2,008,116
LGIP	<u>37,946</u>
Total deposits with financial institutions	<u>\$ 2,046,212</u>

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

Statement of Net Assets	
Equity in Cash and Investments	<u>\$ 2,046,212</u>

Deposits. The Governmental Accounting Standards Boards has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the District at June 30, 2011. If bank deposits at year end are not entirely insured or collateralized with securities held by the District or by its agent in the District's name, the District must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For the fiscal year ended June 30, 2011, the carrying amounts of the District's deposits in various financial institutions were \$2,008,116 and the bank balances were \$2,226,419. All deposits are held in the name of the District. Of the bank balance, all is considered to be covered by federal depository insurance and the State of Oregon shared liability structure for participating bank depositories in Oregon.

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

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk.

Investments. Douglas County School District No. 19 has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2011. The Oregon Short-term

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

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

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, 2011 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.

Concentration of Credit Risk. The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The District has no such investments.

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

<u>Investment Type</u>	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
State of Oregon Treasurer's Local Government Investment Pool	1 day	100%	<u>\$ 37,946</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 3 - Receivables

Receivables are comprised of the following as of June 30, 2011:

	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 360,611	\$ -	\$ 697,644	\$ 1,058,255
Special Revenue Fund	-	598,242	-	598,242
Total receivables	<u>\$ 360,611</u>	<u>\$ 598,242</u>	<u>\$ 697,644</u>	<u>\$ 1,656,497</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, 2010</u>	<u>Amortization</u>	<u>Prepaid at June 30, 2011</u>
Prepaid Pension Expense	<u>\$ 12,987,454</u>	<u>\$ 9,122,833</u>	<u>\$ 499,517</u>	<u>\$ 8,623,316</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 5 - Capital Assets

The changes in capital assets for the year ended June 30, 2011, are as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated				
Land	\$ 1,248,172	\$ -	\$ -	\$ 1,248,172
Total capital assets not being depreciated	<u>1,248,172</u>	<u>-</u>	<u>-</u>	<u>1,248,172</u>
Capital assets being depreciated				
Land Improvements	140,724	-	-	140,724
Building & Improvements	22,059,473	297,316	(784)	22,356,005
Machinery/Equipment/Vehicles	<u>2,703,347</u>	<u>24,540</u>	<u>(220,790)</u>	<u>2,507,097</u>
Totals	<u>24,903,544</u>	<u>321,856</u>	<u>(221,574)</u>	<u>25,003,826</u>
Less accumulated depreciation for:				
Land Improvements	(71,845)	(6,381)	-	(78,226)
Building Improvements	(16,322,923)	(447,296)	718	(16,769,501)
Machinery/Equipment/Vehicles	<u>(2,151,077)</u>	<u>(85,859)</u>	<u>220,790</u>	<u>(2,016,146)</u>
Total	<u>(18,545,845)</u>	<u>(539,536)</u>	<u>221,508</u>	<u>(18,863,873)</u>
Total capital assets				
Land	1,248,172	-	-	1,248,172
Land Improvements	68,879	(6,381)	-	62,498
Building Improvements	5,736,550	(149,980)	(66)	5,586,504
Machinery/Equipment/Vehicles	<u>552,270</u>	<u>(61,319)</u>	<u>-</u>	<u>490,951</u>
Totals	<u>\$ 7,605,871</u>	<u>\$ (217,680)</u>	<u>\$ (66)</u>	<u>\$ 7,388,125</u>

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

<u>Program</u>	
Instruction	\$ 297,254
Supporting Services	208,438
Community Services	<u>33,844</u>
Total	<u>\$ 539,536</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 6 - Other Postemployment Benefits

Postemployment Health Insurance Subsidy

The District implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB) for the fiscal year ended June 30, 2009. The implementation allows the District to report its liability for other post employment benefits consistent with established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements. The District does not issue a stand alone report for this plan.

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

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

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

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 6 - Other Postemployment Benefits (continued)

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

Funding Policy. The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the District to fund these benefits in advance. During fiscal year 2011 the District recognized, on a budgetary basis, expenditures of approximately \$48 thousand for the post-employment healthcare benefits.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution (ARC) and annual OPEB cost (expense)	\$ 45,295
Less: Contributions made	<u>(48,795)</u>
Increase in net OPEB obligation	(3,500)
Net OPEB obligation - beginning of year	<u>61,439</u>
Net OPEB obligation - end of year	<u><u>\$ 57,939</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 are:

Fiscal year	Annual OPEB Cost	Contributions	Funded Ratio	Net OPEB Obligation
2011	\$ 45,295	\$ 48,795	108%	\$ 57,939

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 6 - Other Postemployment Benefits (continued)

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

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

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

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

Funded Status and Funding Progress. As of July 1, 2010 the actuarial accrued liability for benefits was \$188,668, and the actuarial value of assets was \$0, resulting in a UAAL of \$188,668. The covered payroll (annual payroll of active employees covered by the plan) was \$6.6 million for fiscal year 2011 and the ratio of the UAAL to the covered payroll was 2.8%. Using a 10-year amortization period the Annual Required Contribution (ARC) for 2011 has been actuarially determined to be \$28,370.

STIPEND

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

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

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 6 - Other Postemployment Benefits (continued)

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

Confidential and Classified employees are not eligible.

Funding Policy. The District pays for all the benefits. The contributions are financed on a pay-as-you-go basis. During fiscal year 2011 the District recognized, on a budgetary basis, expenditures of approximately \$37 thousand for the early retirement supplement program.

Annual Pension Cost and Net Pension Obligation. The District's annual pension cost (expense) is calculated on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 4 years. An amortization base of 4 years was used due to the large number of retirees currently receiving a stipend benefit. Given the current population, the District expects that number to decrease in future years. The following table shows the components of the District's annual pension cost for the year ending June 30, 2011, the amount actually contributed to the plan, and changes in the District's net pension obligation.

Annual required contribution (ARC) and annual pension cost (expense)	\$ 52,172
Less: Contributions made	<u>(37,755)</u>
Increase in net pension obligation	14,417
Net pension obligation - beginning of year	<u>10,871</u>
Net pension obligation - end of year	<u><u>\$ 25,288</u></u>

The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation for 2011 are:

<u>Fiscal year</u>	<u>Annual Required Contribution</u>	<u>Contributions</u>	<u>Funded Ratio</u>	<u>Net OPEB Obligation</u>
2011	\$ 39,504	\$ 37,755	96%	\$ 25,288

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 6 - Other Postemployment Benefits (continued)

estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits. The schedule of funding progress is required to report the last three actuarial valuations, however, the July 1, 2008 and 2010 are the only valuations prepared to date.

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

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

Funded Status and Funding Progress. As of July 1, 2011 the actuarial accrued liability for stipend benefits was \$72,897, and the actuarial value of assets was \$0, resulting in a UAAL of \$72,897. The covered payroll (annual payroll of active employees covered by the plan) was \$6.6 million for fiscal year 2011 and the ratio of the UAAL to the covered payroll was 1.1%. Using a 4-year amortization period the Annual Required Contribution (ARC) for 2011 has been actuarially determined to be \$39,504.

Note 7 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. In addition, governmental funds report deferred revenue in connection with resources that have been received but not yet earned. At June 30, 2011, the various components of deferred revenue consisted of the following:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Property Taxes	\$ 314,342	\$ -	\$ 314,342
Special Revenue			
Grants	<u>-</u>	<u>53,330</u>	<u>53,330</u>
Total	<u>\$ 314,342</u>	<u>\$ 53,330</u>	<u>\$ 367,672</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 8 - Leases

Operating Leases

The District leases copiers under noncancellable operating leases. Total costs for such leases were \$50,277 for the fiscal year ended June 30, 2011. The future minimum lease payments for these leases are as follows:

Fiscal Year ending June 30,	Amount
2012	\$ 41,203
2013	38,838
2014	29,319
2015	12,480
2016	9,360
	\$ 131,200

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%.

Year Ending June 30th	Principal	Interest	Total	Interest Rate
2012	\$ 108,570	\$ 329,453	\$ 438,023	5.00%
2013	115,910	347,113	463,023	5.18%
2014	121,388	366,636	488,024	5.36%
2015	125,582	387,441	513,023	5.51%
2016	128,078	409,945	538,023	5.57%
2017-2021	957,024	2,168,094	3,125,118	5.67 - 6.10%
2022-2026	3,090,000	896,442	3,986,442	5.50 - 5.55%
2027-2028	1,240,000	90,743	1,330,743	5.55%
Total	\$ 5,886,552	\$ 4,995,867	\$ 10,882,419	

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 9 - Long-Term Debt (continued)

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%.

<u>Year Ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rate</u>
2012	\$ 175,284	\$ 301,174	\$ 476,458	4.96%
2013	178,671	322,788	501,459	5.15%
2014	183,163	348,296	531,459	5.33%
2015	182,339	374,120	556,459	5.54%
2016	183,195	403,264	586,459	5.63%
2017-2021	905,173	2,492,122	3,397,295	5.71 - 6.15%
2022-2026	2,570,926	1,735,575	4,306,501	5.68 - 6.22%
2027-2028	<u>1,340,000</u>	<u>100,536</u>	<u>1,440,536</u>	5.68%
Total	<u>\$ 5,718,751</u>	<u>\$ 6,077,875</u>	<u>\$ 11,796,626</u>	

Qualified Zone Academy Bonds – 2005

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

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

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 9 - Long-Term Debt (continued)

Year ending June 30th	<u>QZAB Installment</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 25,804	\$ -
2013	25,804	-
2014	25,804	-
2015	25,804	-
2016	25,804	-
2017-2021	129,020	-
2022	25,804	-
	<u>\$ 283,844</u>	<u>\$ -</u>

Full Faith Obligation Bonds – 2007

On August 16, 2007, the District issued Full Faith Obligation Bonds for the construction of a new gymnasium at the District's middle school and to pay the cost of issuance. The bonds were issued in the amount of \$3,000,000 and mature between 2010 and 2017. They bear interest rates ranging from 4% to 4.25%.

<u>Year Ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rate</u>
2012	\$ 350,000	\$ 94,500	\$ 444,500	4.00%
2013	365,000	80,500	445,500	4.00%
2014	380,000	65,900	445,900	4.00%
2015	395,000	50,700	445,700	4.00%
2016	410,000	33,913	443,913	4.00%
2017	<u>425,000</u>	<u>17,000</u>	<u>442,000</u>	4.00 - 4.25%
Total	<u>\$ 2,325,000</u>	<u>\$ 342,513</u>	<u>\$ 2,667,513</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 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, 2011. Final maturity on these bonds is June 30, 2017. The District will receive approximately \$212,000 in direct subsidy payments from the United States Treasury over the life of the bond.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 9 - Long-Term Debt (continued)

Qualified School Construction Bond (QSCB) (continued)

<u>Year Ended</u>	<u>Principal</u>	<u>District's Interest Payments Net</u>	<u>Federal Interest Subsidy</u>	<u>Total</u>
2012	\$ 25,000	\$ 1,175	\$ 22,560	\$ 48,735
2013	25,000	1,113	21,360	47,473
2014	30,000	1,050	20,160	51,210
2015	30,000	975	18,720	49,695
2016	30,000	900	17,280	48,180
2017-2021	150,000	3,375	64,800	218,175
2022-2026	150,000	1,500	28,800	180,300
2027	30,000	75	1,440	31,515
	<u>\$ 470,000</u>	<u>\$ 10,163</u>	<u>\$ 195,120</u>	<u>\$ 675,283</u>

The changes in long-term obligations for year ended June 30, 2011, are as follows:

<u>Issue Date:</u>	<u>Outstanding July 1, 2010</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2011</u>	<u>Due Within One Year</u>
PERS Bonds					
October 31, 2002	\$ 5,985,822	\$ -	\$ (99,270)	\$ 5,886,552	\$ 108,570
April 30, 2003	5,892,342	-	(173,591)	5,718,751	175,284
Full Faith and Credit Obligation					
August 16, 2007	<u>2,675,000</u>	<u>-</u>	<u>(350,000)</u>	<u>2,325,000</u>	<u>350,000</u>
Total Bonds	<u>14,553,164</u>	<u>-</u>	<u>(622,861)</u>	<u>13,930,303</u>	<u>633,854</u>
QZAB Installment	<u>309,648</u>	<u>-</u>	<u>(25,804)</u>	<u>283,844</u>	<u>25,804</u>
QSCB Agreement		<u>500,000</u>	<u>(30,000)</u>	<u>470,000</u>	<u>25,000</u>
Total Liabilities	<u>14,862,812</u>	<u>500,000</u>	<u>(678,665)</u>	<u>14,684,147</u>	<u>684,658</u>
Unamortized premium / (discount)	<u>10,552</u>	<u>-</u>	<u>(1,507)</u>	<u>9,045</u>	<u>1,507</u>
Total	<u>\$ 14,873,364</u>	<u>\$ 500,000</u>	<u>\$ (680,172)</u>	<u>\$ 14,693,192</u>	<u>\$ 686,165</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 9 - Long-Term Debt (continued)

The annual debt service requirements on long-term debt outstanding as of June 30, 2011 are as follows:

Year Ending June 30th	Principal	Interest	Subsidized Interest	Total
2012	\$ 684,658	\$ 726,302	\$ 22,560	\$ 1,433,520
2013	710,385	751,514	21,360	1,483,259
2014	740,355	781,882	20,160	1,542,397
2015	758,725	813,236	18,720	1,590,681
2016	777,077	848,022	17,280	1,642,379
2017-2021	2,566,217	4,680,591	64,800	7,311,608
2022-2026	5,836,730	2,633,517	28,800	8,499,047
2027-2028	2,610,000	191,354	1,440	2,802,794
Total	<u>\$ 14,684,147</u>	<u>\$ 11,426,418</u>	<u>\$ 195,120</u>	<u>\$ 26,305,685</u>

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

	Balance 7/1/2010	Earned	Used	Balance 6/30/11	Due Within 1 Year
Compensated absences	<u>\$ 91,164</u>	<u>\$ 59,320</u>	<u>\$ (61,583)</u>	<u>\$ 88,901</u>	<u>\$ 88,901</u>

Note 10 - Interfund Transactions

Interfund transfers during the year ended June 30, 2011, were as follows:

	Transfers In	Transfers Out
General Fund	\$ 116,343	\$ 532,810
Special Revenue	7,605	116,343
Debt Service Fund	515,749	-
Capital Projects	9,456	-
Total Transfers for governmental funds	<u>\$ 649,153</u>	<u>\$ 649,153</u>

The District made transfers from the General Fund of \$532,810 and Special Revenue Fund of \$116,343. The Special Revenue Fund received \$7,605, and \$515,749 went to the Debt Service Fund and \$9,456 to Capital Projects as part of general operations. The Debt Service Fund does not service general obligation debt. The transfers occurred to supplement current operations. All transfers were budgeted.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

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, 2011 were .37% and .37% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The District's contributions to PERS for the years ending June 30, 2011, 2010, and 2009 were \$417,720, \$411,344, and \$434,134, respectively, equal to the required contributions for each year. The District has included the prepaid pension assets in the Statement of Net Assets and will amortize the asset over 25 years effectively reducing the annual future pension required contribution to below the annual pension cost.

Note 12 - Contingencies

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

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, 2011.

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 \$8,397,672 to the District, which represents approximately 49.87% of the District's total general revenues for the year.

Note 16 - Implementation of GASB Statement No 54 - New Fund Balance

During the fiscal year, the District implemented GASB Statement No. 54. GASB Statement No. 54 requires analysis and presentation of fund balance in five categories. The new fund balance categories are:

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 Education, by formal board action.

Assigned -- Includes items assigned for specific uses, authorized by the District's Superintendent and/or Business Manager.

Unassigned -- This is the residual classification used for those balances not assigned to another category.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
June 30, 2011

Note 16 - Implementation of GASB Statement No 54 - New Fund Balance (continued)

Fund	Non Spendable	Restricted	Committed	Assigned	Unassigned
General	\$ -	\$ -	\$ -	\$ -	\$ 1,254,597
Special Revenue	-	-	-	115,000	-
Debt Service	-	1,180,896	-	-	-
Capital Projects	-	185,972	-	-	-
	<u>\$ -</u>	<u>\$ 1,366,868</u>	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ 1,254,597</u>

Note 17 - Subsequent Events

Management of the District has evaluated events and transactions occurring after June 30, 2011 through the date of the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. There were no additional events and/or transactions that required recognition and disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources	\$ 2,687,500	\$ 2,687,500	\$ 2,982,387	\$ 294,887
Intermediate sources	100,120	100,120	101,054	934
State sources	7,869,021	7,869,021	7,748,624	(120,397)
Federal sources	982,115	982,115	969,468	(12,647)
TOTAL REVENUES	11,638,756	11,638,756	11,801,533	162,777
EXPENDITURES				
Current				
Instruction	6,468,665	6,468,665	6,251,247	217,418
Support services	5,476,740	5,476,740	5,104,378	372,362
Community services	2,500	2,500	709	1,791
Contingency	398,547	398,547	-	398,547
TOTAL EXPENDITURES	12,346,452	12,346,452	11,356,334	990,118
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(707,696)	(707,696)	445,199	1,152,895
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	2,500	2,500	5,230	2,730
Transfers from other funds	100,000	100,000	116,343	16,343
Transfers to other funds	(494,804)	(494,804)	(532,810)	(38,006)
TOTAL OTHER FINANCING SOURCES (USES)	(392,304)	(392,304)	(411,237)	(18,933)
NET CHANGE IN FUND BALANCE	(1,100,000)	(1,100,000)	33,962	1,133,962
FUND BALANCE, July 1, 2010	1,100,000	1,100,000	1,220,635	120,635
FUND BALANCE, June 30, 2011	\$ -	\$ -	\$ 1,254,597	\$ 1,254,597

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2011

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources	\$ 540,250	\$ 540,250	\$ 488,990	\$ (51,260)
State sources	-	-	4,850	4,850
Federal sources	2,479,013	2,479,013	2,453,805	(25,208)
TOTAL REVENUES	3,019,263	3,019,263	2,947,645	(71,618)
EXPENDITURES				
Current				
Instruction	1,760,618	1,760,618	1,573,913	186,705
Support services	446,034	446,034	478,673	(32,639)
Enterprise & Community Services	847,361	847,361	863,699	(16,338)
Contingency	25,250	25,250	-	25,250
TOTAL EXPENDITURES	3,079,263	3,079,263	2,916,285	162,978
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(60,000)	(60,000)	31,360	91,360
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	10,000	10,000	7,605	(2,395)
Transfers to other funds	(100,000)	(100,000)	(116,343)	(16,343)
TOTAL OTHER FINANCING SOURCES (USES)	(90,000)	(90,000)	(108,738)	(18,738)
NET CHANGE IN FUND BALANCE	(150,000)	(150,000)	(77,378)	72,622
FUND BALANCE, July 1, 2010	150,000	150,000	192,378	42,378
FUND BALANCE, June 30, 2011	\$ -	\$ -	\$ 115,000	\$ 115,000

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2011

Actuarial Valuation	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) unit credit (b)	Unfunded (funded) AAL (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll [(b - a) / c]
7/1/2008	\$ -	\$ 435,782	\$ 435,782	0%	\$ 7,545,932	5.78%
7/1/2010	-	261,565	261,565	0%	6,636,019	2.80%

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

The AAL reported above is comprised of:

	7/1/2008
Stipend	\$ 72,504
Explicit	363,278
Total	<u>\$ 435,782</u>
	7/1/2010
Stipend	\$ 72,897
Explicit	188,668
Total	<u>\$ 261,565</u>

OTHER SUPPLEMENTARY INFORMATION

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources	\$ 877,483	\$ 877,483	\$ 976,357	\$ 98,874
Other federal sources	-	71,270	17,267	(54,003)
TOTAL REVENUES	877,483	948,753	993,624	44,871
EXPENDITURES				
Debt service				
Principal	648,665	648,665	678,665	(30,000)
Interest	705,321	776,591	723,778	52,813
Dues and Fees	2,000	2,000	-	2,000
TOTAL EXPENDITURES	1,355,986	1,427,256	1,402,443	24,813
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(478,503)	(478,503)	(408,819)	69,684
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	484,804	484,804	515,749	30,945
NET CHANGE IN FUND BALANCE	6,301	6,301	106,930	100,629
FUND BALANCE, July 1, 2010	950,000	950,000	1,073,966	123,966
FUND BALANCE, June 30, 2011	\$ 956,301	\$ 956,301	\$ 1,180,896	\$ 224,595

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, 2011

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local Sources	\$ -	\$ -	\$ 1,003	\$ 1,003
EXPENDITURES				
Facilities acquisition and construction	-	500,000	324,487	175,513
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(500,000)	(323,484)	(174,510)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of bonds	-	500,000	500,000	-
Transfers from other funds	-	-	9,456	9,456
TOTAL OTHER FINANCING SOURCES (USES)	-	500,000	509,456	9,456
NET CHANGE IN FUND BALANCE	-	-	185,972	185,972
FUND BALANCE, July 1, 2010	-	-	-	-
FUND BALANCE, June 30, 2011	\$ -	\$ -	\$ 185,972	\$ 185,972

OTHER FINANCIAL SCHEDULES

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF PROPERTY TAX TRANSACTIONS
FISCAL YEAR ENDED JUNE 30, 2011

	Tax Year	Uncollected July 1, 2010	Levy as Extended by Assessor	Discounts and Adjustments	Interest	Collections Per Treasurer	Uncollected June 30, 2011
<u>GENERAL FUND:</u>							
Current	2010-11		\$ 2,793,696	\$ (89,361)	\$ 1,761	\$ (2,520,994)	\$ 181,580
Prior	2009-10	\$ 172,890		451	5,329	(72,736)	95,276
	2008-09	81,118		5,023	4,698	(28,073)	53,370
	2007-08	38,760		6,651	5,990	(16,639)	22,782
	2006-07	17,109		3,629	3,417	(14,512)	2,809
	2005-06	2,034		17,339	241	(17,688)	1,444
	Prior	3,986		515	524	(627)	3,350
Total prior		315,897	-	33,608	20,199	(150,275)	179,031
TOTAL GENERAL FUND		\$ 315,897	\$ 2,793,696	\$ (55,753)	\$ 21,960	\$ (2,671,269)	\$ 360,611

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

2010-11 DISTRICT AUDIT ALL FUND REVENUE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Revenue from Local Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
1110 Ad Valorem Taxes Levied by District	2,680,046						
1120 Local Option Ad Valorem Taxes Levied by District							
1190 Penalties and Interest on Taxes	343						
1200 Revenue from Local Gov't Units Other Than Districts							
1310 Regular Day School Tuition							
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition							
1400 Transportation Fees							
1500 Earnings on Investments	3,051	870	14,862	1,003			
1600 Food Service		248,768					
1700 Extracurricular Activities	35,241	232,524					
1800 Community Services Activities							
1910 Rentals							
1920 Contributions and Donations From Private Sources							
1930 Rental or Lease Payments From Private Contractors							
1940 Services Provided Other Local Education Agencies							
1950 Textbook Sales and Rentals							
1960 Recovery of Prior Years' Expenditure	131,147						
1970 Services Provided Other Funds			961,495				
1980 Fees Charged to Grants	59,125						
1990 Miscellaneous	73,434	6,828					
Total Revenue from Local Sources	2,982,387	488,990	976,357	1,003	0	0	0
Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
2101 County School Funds	13,460						
2102 Education Service District Apportionment							
2105 Natural Gas, Oil, and Mineral Receipts							
2199 Other Intermediate Sources							
2200 Restricted Revenue	87,594						
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District							
Total Revenue from Intermediate Sources	101,054	0	0	0	0	0	0
Revenue from State Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3000 Miscellaneous							
3100 Unrestricted Grants-in-Aid							
3101 State School Fund - General Support	7,578,892						
3102 State School Fund - School Lunch Match							
3103 Common School Fund	126,336						
3104 State Managed County Timber							
3199 Other Unrestricted Grants-in-Aid							
3200 Restricted Grants-in-Aid							
3204 Driver Education	5,420						
3222 State School Fund (SSF) Transportation Equipment							
3299 Other Restricted Grants-in-Aid	37,502	4,850					
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District	474						
Total Revenue from State Sources	7,748,624	4,850	0	0	0	0	0
Revenue from Federal Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
4100 Unrestricted Revenue Direct From the Federal Gov't							
4200 Unrest Rev From the Federal Gov't Through the State							
4300 Restricted Revenue From the Federal Government							
4500 Restricted Rev From the Fed Gov't Through the State	602,089	2,412,260					
4700 Grants-In-Aid From the Fed Gov't Through Intermediate							
4800 Revenue in Lieu of Taxes							
4801 Federal Forest Fees	367,379						
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		41,545	17,267				
Total Revenue from Federal Sources	969,468	2,453,805	17,267	0	0	0	0
Revenue from Other Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5100 Long Term Debt Financing Sources				500,000			
5200 Interfund Transfers	116,343	7,605	515,749	9,456			
5300 Sale of or Compensation for Loss of Fixed Assets	5,230						
5400 Resources - Beginning Fund Balance	1,220,635	192,378	1,073,966	0			
Total Revenue from Other Sources	1,342,208	199,983	1,589,715	509,456	0	0	0
Grand Totals	13,143,741	3,147,628	2,583,339	510,459	0	0	0

2010-11 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 100 General Fund

	100	200	300	400	500	600	700
			Purchased		Capital	Other	Transfers
Code Expenditure Description	Total	Salaries	Costs	Services	Outlay	Objects	& Balances
1111 Primary, K-3	1,285,136	798,890	399,362	65,103	21,781		
1112 Intermediate Programs	935,472	594,845	280,650	41,296	18,681		
1113 Elementary Extracurricular	0						
1121 Middle/Junior High Programs	988,328	643,995	310,837	27,341	6,155		
1122 Middle/Junior High Extracurricular	75,678	49,322	9,992	7,539	8,775	50	
1131 High School Programs	1,464,330	949,175	424,429	53,523	36,380	823	
1132 High School Extracurricular	185,897	100,429	29,323	35,973	13,378	6,794	
1140 Pre-Kindergarten Programs	0						
1210 Talented & Gifted	2,316		2,316				
1220 Restrict Prog for Students w/Disabilities	497,717	288,724	171,839	33,830	3,324		
1250 Less Restrict Prog Students w/Disabilities	781,330	490,180	280,375	9,396	1,379		
1260 Early Intervention	0						
1271 Remediation	0						
1272 Title I	29		29				
1280 Alternative Education	11,855			11,135		720	
1291 English as a Second Language	5,805	4,880	612	196	117		
1292 Teen Parent Program	0						
1293 Migrant Education	0						
1294 Youth Corrections Education	0						
1299 Other Programs	0						
1300 Adult/Continuing Education Programs	0						
1400 Summer School Programs	17,354	13,001	4,330		23		
Total Instruction	6,251,247	3,933,441	1,914,094	285,332	109,993	0	8,387
2110 Attendance & Social Work Services	41,100	23,719	17,381				
2120 Guidance Services	226,820	163,574	62,951		295		
2130 Health Services	2,710			2,399	311		
2140 Psychological Services	81,274	54,346	25,963		965		
2150 Speech Pathology & Audiology	0						
2160 Other Treatment Services	0						
2190 Service Direction, Student Support	117,268	77,043	35,006	3,018	1,011	1,190	
2210 Improvement of Instruction	45,997	29,540	16,353		104		
2220 Educational Media Services	139,615	68,874	34,535	585	35,621		
2230 Assessment & Testing	0						
2240 Instructional Staff Development	17,710		17,463	247			
2310 Board of Education Services	150,262			44,329	1,752	104,181	
2320 Executive Administration Services	208,699	143,910	56,591	3,641	3,284	1,273	
2410 Office of the Principal Services	1,568,986	870,229	385,320	266,131	41,379	5,927	
2490 Other Support Services - School Admin	2,915		2,800	115			
2510 Direction of Business Support Services	0						
2520 Fiscal Services	423,650	156,279	85,472	17,581	19,944	144,374	
2540 Operation & Maint of Plant Services	756,583	355,845	193,605	96,981	85,231	381	
2550 Student Transportation Services	1,021,353			886,889	134,464		
2570 Internal Services	45,518			44,650	868		
2610 Direction of Central Support Services	0						
2620 Planning, Research, Development, Evaluation	0						
2630 Information Services	0						
2640 Staff Services	70,566	46,280	18,537	2,995	2,754		
2660 Technology Services	96,802	1,976	15,440	34,829	22,312	22,245	
2670 Records Management Services	0						
2690 Other Support Services	0						
2700 Supplemental Retirement Program	86,550	37,755	48,795				
Total Support Services	5,104,378	2,029,370	1,016,212	1,404,390	350,295	46,785	257,326
3100 Food Services	709		709				
3200 Other Enterprise Services	0						
3300 Community Services	0						
3500 Custody & Care of Children Services	0						
Total Enterprise and Community Services	709	0	709	0	0	0	0
4110 Service Area Direction	0						
4120 Site Acquisition & Development Services	0						
4150 Bldg Acquisition, Construction & Improvement	0						
4190 Other Facilities Construction Services	0						
Total Facilities Acquisition and Construction	0	0	0	0	0	0	0
5100 Debt Service	0						
5200 Transfers to Other Funds	532,810						532,810
5300 Apportionment of Funds by ESD	0						
6000 Contingencies	0						
7000 Unappropriated Ending Fund Balance	0						
Total Requirements and Balances	11,889,144	5,962,811	2,931,015	1,689,722	460,288	46,785	265,713

2010-11 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 200 Special Revenue Fund

	100	200	300	400	500	600	700
			Purchased		Capital	Other	Transfers
Code Expenditure Description	Total	Salaries	Costs	Services	Outlay	Objects	& Balances
1111 Primary, K-3	76,351				76,351		
1112 Intermediate Programs	0						
1113 Elementary Extracurricular	0						
1121 Middle/Junior High Programs	77,798	3,600	834	1,621	71,743		
1122 Middle/Junior High Extracurricular	0						
1131 High School Programs	198,006	1,397	718	7,237	188,654		
1132 High School Extracurricular	0						
1140 Pre-Kindergarten Programs	0						
1210 Talented & Gifted	0						
1220 Restrict Prog for Students w/Disabilities	11,230		4,081		7,149		
1250 Less Restrict Prog Students w/Disabilities	332,028	202,559	109,597	4,367	15,505		
1260 Early Intervention	0						
1271 Remediation	0						
1272 Title I	807,483	426,666	236,207	86,933	57,677		
1280 Alternative Education	71,017	48,144	22,761	112			
1291 English as a Second Language	0						
1292 Teen Parent Program	0						
1293 Migrant Education	0						
1294 Youth Corrections Education	0						
1299 Other Programs	0						
1300 Adult/Continuing Education Programs	0						
1400 Summer School Programs	0						
Total Instruction	1,573,913	682,366	374,198	100,270	417,079	0	0
2110 Attendance & Social Work Services	0						
2120 Guidance Services	15,177	8,660	6,208	145	164		
2130 Health Services	150				150		
2140 Psychological Services	0						
2150 Speech Pathology & Audiology	0						
2160 Other Treatment Services	0						
2190 Service Direction, Student Support	64,874	42,008	22,513	275	78		
2210 Improvement of Instruction	45,734	30,465	13,892		1,377		
2220 Educational Media Services	0						
2230 Assessment & Testing	0						
2240 Instructional Staff Development	249,191	78,455	37,025	114,371	19,340		
2310 Board of Education Services	0						
2320 Executive Administration Services	0						
2410 Office of the Principal Services	0						
2490 Other Support Services - School Admin	88,155	20,522	8,508			59,125	
2510 Direction of Business Support Services	0						
2520 Fiscal Services	0						
2540 Operation & Maint of Plant Services	0						
2550 Student Transportation Services	407			407			
2570 Internal Services	0						
2610 Direction of Central Support Services	0						
2620 Planning, Research, Development, Evaluation	0						
2630 Information Services	0						
2640 Staff Services	0						
2660 Technology Services	14,985				14,985		
2670 Records Management Services	0						
2690 Other Support Services	0						
2700 Supplemental Retirement Program	0						
Total Support Services	478,673	180,110	88,146	115,198	36,094	0	59,125
3100 Food Services	857,022	226,856	143,653	31,393	453,747	1,373	
3200 Other Enterprise Services	0						
3300 Community Services	6,677			58	6,619		
3500 Custody & Care of Children Services	0						
Total Enterprise and Community Services	863,699	226,856	143,653	31,451	460,366	0	1,373
4110 Service Area Direction	0						
4120 Site Acquisition & Development Services	0						
4150 Bldg Acquisition, Construction & Improvement	0						
4190 Other Facilities Construction Services	0						
Total Facilities Acquisition and Construction	0	0	0	0	0	0	0
5100 Debt Service	0						
5200 Transfers to Other Funds	116,343						116,343
5300 Apportionment of Funds by ESD	0						
6000 Contingencies	0						
7000 Unappropriated Ending Fund Balance	0						
Total Requirements and Balances	3,032,628	1,089,332	605,997	246,919	913,539	0	116,343

2010-11 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 300 Debt Service Fund

Code Expenditure Description	Total	100	200	300	400	500	600	700
		Salaries	P/R Costs	Purchased Services	Materials	Capital Outlay	Other Objects	Transfers & Balances
1111 Primary, K-3	0							
1112 Intermediate Programs	0							
1113 Elementary Extracurricular	0							
1121 Middle/Junior High Programs	0							
1122 Middle/Junior High Extracurricular	0							
1131 High School Programs	0							
1132 High School Extracurricular	0							
1140 Pre-Kindergarten Programs	0							
1210 Talented & Gifted	0							
1220 Restrict Prog for Students w/Disabilities	0							
1250 Less Restrict Prog Students w/Disabilities	0							
1260 Early Intervention	0							
1271 Remediation	0							
1272 Title I	0							
1280 Alternative Education	0							
1291 English as a Second Language	0							
1292 Teen Parent Program	0							
1293 Migrant Education	0							
1294 Youth Corrections Education	0							
1299 Other Programs	0							
1300 Adult/Continuing Education Programs	0							
1400 Summer School Programs	0							
Total Instruction	0	0	0	0	0	0	0	0
2110 Attendance & Social Work Services	0							
2120 Guidance Services	0							
2130 Health Services	0							
2140 Psychological Services	0							
2150 Speech Pathology & Audiology	0							
2160 Other Treatment Services	0							
2190 Service Direction, Student Support	0							
2210 Improvement of Instruction	0							
2220 Educational Media Services	0							
2230 Assessment & Testing	0							
2240 Instructional Staff Development	0							
2310 Board of Education Services	0							
2320 Executive Administration Services	0							
2410 Office of the Principal Services	0							
2490 Other Support Services - School Admin	0							
2510 Direction of Business Support Services	0							
2520 Fiscal Services	0							
2540 Operation & Maint of Plant Services	0							
2550 Student Transportation Services	0							
2570 Internal Services	0							
2610 Direction of Central Support Services	0							
2620 Planning, Research, Development, Evaluation	0							
2630 Information Services	0							
2640 Staff Services	0							
2660 Technology Services	0							
2670 Records Management Services	0							
2690 Other Support Services	0							
2700 Supplemental Retirement Program	0							
Total Support Services	0	0	0	0	0	0	0	0
3100 Food Services	0							
3200 Other Enterprise Services	0							
3300 Community Services	0							
3500 Custody & Care of Children Services	0							
Total Enterprise and Community Services	0	0	0	0	0	0	0	0
4110 Service Area Direction	0							
4120 Site Acquisition & Development Services	0							
4150 Bldg Acquisition, Construction & Improvement	0							
4190 Other Facilities Construction Services	0							
Total Facilities Acquisition and Construction	0	0	0	0	0	0	0	0
5100 Debt Service	1,402,443						1,402,443	
5200 Transfers to Other Funds	0							
5300 Apportionment of Funds by ESD	0							
6000 Contingencies	0							
7000 Unappropriated Ending Fund Balance	0							
Total Requirements and Balances	1,402,443	0	0	0	0	0	1,402,443	0

2010-11 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 400 Capital Projects Fund

	100	200	300	400	500	600	700
			Purchased		Capital	Other	Transfers
Code Expenditure Description	Total	Salaries	P/R Costs	Services	Materials	Outlay	Objects & Balances
1111 Primary, K-3	0						
1112 Intermediate Programs	0						
1113 Elementary Extracurricular	0						
1121 Middle/Junior High Programs	0						
1122 Middle/Junior High Extracurricular	0						
1131 High School Programs	0						
1132 High School Extracurricular	0						
1140 Pre-Kindergarten Programs	0						
1210 Talented & Gifted	0						
1220 Restrict Prog for Students w/Disabilities	0						
1250 Less Restrict Prog Students w/Disabilities	0						
1260 Early Intervention	0						
1271 Remediation	0						
1272 Title I	0						
1280 Alternative Education	0						
1291 English as a Second Language	0						
1292 Teen Parent Program	0						
1293 Migrant Education	0						
1294 Youth Corrections Education	0						
1299 Other Programs	0						
1300 Adult/Continuing Education Programs	0						
1400 Summer School Programs	0						
Total Instruction	0	0	0	0	0	0	0
2110 Attendance & Social Work Services	0						
2120 Guidance Services	0						
2130 Health Services	0						
2140 Psychological Services	0						
2150 Speech Pathology & Audiology	0						
2160 Other Treatment Services	0						
2190 Service Direction, Student Support	0						
2210 Improvement of Instruction	0						
2220 Educational Media Services	0						
2230 Assessment & Testing	0						
2240 Instructional Staff Development	0						
2310 Board of Education Services	0						
2320 Executive Administration Services	0						
2410 Office of the Principal Services	0						
2490 Other Support Services - School Admin	0						
2510 Direction of Business Support Services	0						
2520 Fiscal Services	0						
2540 Operation & Maint of Plant Services	0						
2550 Student Transportation Services	0						
2570 Internal Services	0						
2610 Direction of Central Support Services	0						
2620 Planning, Research, Development, Evaluation	0						
2630 Information Services	0						
2640 Staff Services	0						
2660 Technology Services	0						
2670 Records Management Services	0						
2690 Other Support Services	0						
2700 Supplemental Retirement Program	0						
Total Support Services	0	0	0	0	0	0	0
3100 Food Services	0						
3200 Other Enterprise Services	0						
3300 Community Services	0						
3500 Custody & Care of Children Services	0						
Total Enterprise and Community Services	0	0	0	0	0	0	0
4110 Service Area Direction	0						
4120 Site Acquisition & Development Services	0						
4150 Bldg Acquisition, Construction & Improvement	324,487			4,369		297,811	22,307
4190 Other Facilities Construction Services	0						
Total Facilities Acquisition and Construction	324,487	0	0	4,369	0	297,811	22,307
5100 Debt Service	0						
5200 Transfers to Other Funds	0						
5300 Apportionment of Funds by ESD	0						
6000 Contingencies	0						
7000 Unappropriated Ending Fund Balance	0						
Total Requirements and Balances	324,487	0	0	4,369	0	297,811	22,307

SUPPLEMENTAL INFORMATION 2010-11

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	\$ 151,256
Function 2550	\$ -

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

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

\$ -

Exclude these functions:

Exclude these functions:

1113, 1122 & 1132 Co-curricular Activities
1140 Pre-kindergarten
1300 Continuing Education
1400 Summer School

4150 Construction
2550 Pupil Transportation
3100 Food Service
3300 Community Services



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

We have audited the basic financial statements of the Douglas County School District No. 19 as of and for the year ended June 30, 2011, and have issued our report thereon dated December 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller of the United States.

Compliance

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

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

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

In connection with our audit, nothing came to our attention that caused us to believe Douglas County School District No. 19 was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Accounting Systems and Internal Controls

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

Collateral

Based on our review of the District's records, the District was in compliance with the provisions of ORS Chapter 295. The banks used by the District were considered qualified financial institutions for the year ended June 30, 2011.

Budget Compliance

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

A resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established by function Instruction, Supporting Services, Community Services, Facilities Acquisition and Construction, Debt Service, Transfers to other funds and Contingency). The District did exceed its authorized appropriations for the year ended June 30, 2011. They are as follows:

General Fund	
Transfers	\$ 38,006
Special Revenue Fund	
Support Services	\$ 32,639
Enterprise & Community Services	\$ 16,338
Transfers	\$ 16,343

Insurance and Fidelity Bond Coverage

We reviewed the District's insurance policies and determined that such policies appeared to be in force at June 30, 2011. We are not competent by training to comment on the adequacy of the insurance policies covering District owned property at June 30, 2011.

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

Indebtedness

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

Programs Funded From Outside Sources

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

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

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

Investments

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

Public Contracts and Purchasing

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

State School Fund Distribution Factors

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

Internal Control

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

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

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

A handwritten signature in black ink that reads "Stewart C. Parmele CPA, Partner". The signature is written in a cursive, flowing style.

Stewart C. Parmele, Partner
Michael L. Piels CPAs, LLP
December 10, 2011

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



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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Douglas County School District No. 19 (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

However, we noted certain matters that we reported to management of the District in a separate letter dated December 10, 2011.

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

A handwritten signature in black ink that reads "Stewart C. Parmele CPA, Partner". The signature is written in a cursive, flowing style.

Stewart C. Parmele, Partner
Michael L. Piels CPAs, LLP
December 10, 2011



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Douglas County School District No. 19 (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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

Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Stewart C. Parmele CPA, Partner". The signature is written in a cursive, flowing style.

Stewart C. Parmele, Partner
Michael L. Piels CPAs, LLP
December 10, 2011

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

				(Receivable)/			
Federal Grantor/Pass-Through	Federal	Pass-Through					Deferred
Grantor/Program Title	CFDA	Grantor's	Grant	Balance			Balance
	Number	Number	Award	June 30, 2010	Receipts	Expenditures	June 30, 2011
U.S. Department of Education:							
Passed Through Oregon Department of Education:							
TITLE I - TIER III MC	84.389	20520	\$ 34,669	\$ -	\$ 26,608	\$ (34,669)	\$ (8,061)
TITLE I - TIER III TC	84.389	20532	34,669	-	-	(34,669)	(34,669)
TITLE I - ARRA SIF	84.389	18032	33,050	(6,037)	10,522	(4,485)	-
ARRA Title I	84.389	15744	546,281	(22,362)	129,007	(106,645)	
Program total				(28,399)	166,137	(180,468)	(42,730)
TITLE I	84.010	16650	736,310	-	476,826	(585,188)	(108,362)
TITLE I	84.010	16650	649,497	17,659	82,043	(99,702)	-
TITLE I - SIF	84.010	19027	25,000	(908)	15,294	(23,262)	(8,876)
TITLE I - TIER III PD MC	84.010	21692	57,200	-	-	(19,096)	(19,096)
TITLE I - TIER III PD TC	84.010	21706	51,600	-	-	(16,791)	(16,791)
Program total				(3,986)	574,163	(744,039)	(153,125)
TITLE I - SIF G	84.377	18127	26,950	(14,700)	18,283	(3,583)	-
Special Education Grants - IDEA	84.027	20373	334,807	-	309,453	(334,404)	(24,951)
Special Education Grants - IDEA	84.027	17828	362,249	(1,466)	7,435	(5,969)	-
Special Education Grants - PBS	84.027	18155	10,000	-	322	(322)	-
Special Education Grants - IDEA Extended Assess	84.027	21532	900	-	-	-	-
Special Education Grants - IDEA Enhancement	84.027	21421	2,652	-	179	(1,002)	(823)
Special Education Grants-SPRI	84.027	20062	2,530	-	479	(1,434)	(955)
Program total				(1,466)	317,868	(343,131)	(26,729)
Special Education Grants - IDEA ARRA	84.391	15294	363,879	-	121,413	(158,063)	(36,650)
Title X McKinney Homeless	84.387	15574	6,213	-	4,702	(4,702)	-
Title IIA Improving Teacher Quality	84.367	19720	142,526	-	71,066	(120,912)	(49,846)
Title IIA Improving Teacher Quality	84.367	16849	151,884	(190)	48,990	(48,800)	-
Program total				(190)	120,056	(169,712)	(49,846)
Drug & Alcohol Prevention	84.186	17153	8,674	450	681	(1,131)	-
Program total				450	681	(1,131)	-
Title VI Rural and Low-Income Schools	84.358	20457	39,442	-	503	(36,346)	(35,843)
Title VI Rural and Low-Income Schools	84.358	16945	41,888	-	16,778	(16,778)	-
Program total				-	17,281	(53,124)	(35,843)
State Fiscal Stabilization Fund	84.394	21096	169,304	-	-	(169,304)	(169,304)
State Fiscal Stabilization Fund	84.394	17223	432,785	-	-	(432,785)	(432,785)
Program total				-	-	(602,089)	(602,089)
Passed through Linn Benton ESD							
Special Education Grants - PBS	84.027	18155	11,500	(11,500)	11,500	-	-
Program total				(11,500)	11,500	-	-
Passed through Umpqua Community College:							
Perkins Basic	84.048	UCC	32,840	-	6,761	(32,840)	(26,079)
Perkins Basic	84.048	UCC	22,848	(22,114)	22,114	-	-
Program total				\$ (22,114)	\$ 28,875	\$ (32,840)	\$ (26,079)

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Award	Balance June 30, 2010	Receipts	Disbursements	Balance June 30, 2011
Passed through University of Oregon/Oregon University System:							
Gear Up	84.334S	U of O	\$ -	\$ -	\$ 80,328	\$ (140,780)	\$ (60,452)
Gear Up	84.334S	U of O	71,051	(9,433)	13,692	(4,259)	-
Program total				(9,433)	94,020	(145,039)	(60,452)
Total Department of Education				(91,338)	1,474,979	(2,437,921)	(1,033,543)
<u>U.S. Department of Agriculture:</u>							
Passed Through Oregon Department of Education:							
Food Distribution Program	10.550	2010-11		-	41,546	(41,546)	-
School Breakfast Program	10.553	2010-11		-	156,324	(185,717)	(29,393)
National School Lunch	10.555	2010-11		-	310,771	(367,127)	(56,356)
National School Lunch - Summer	10.559	2010-11		(3,206)	20,889	(23,583)	(5,900)
Program total				(3,206)	529,530	(617,973)	(91,649)
Passed through Douglas ESD:							
Federal Forest Fees	10.666	2010-11		-	367,379	(367,379)	-
Program total				-	367,379	(367,379)	-
Total Department of Agriculture				(3,206)	896,909	(985,352)	(91,649)
Total Federal Financial Assistance				\$ (94,544)	\$ 2,371,888	\$ (3,423,273)	\$ (1,125,192)

Note A - Significant accounting policies

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

Note B - Food distribution

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

Note C - Interest subsidies related to the Qualified School Construction Bonds

Interest subsidies are funded through the Hiring Incentives to Restore Employment Act (HIRE) and are not considered a federal subsidy under OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The subsidy is included as federal revenue in the financial statements, but not listed on this schedule. The amount recorded for 2010-11 was \$17,267.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

SUMMARY OF AUDIT RESULTS

Financial statements

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

Federal Awards

4. No significant deficiencies or material weakness in internal control over major programs were disclosed by the audit process.
5. The auditor's report on compliance for the major federal award programs for Douglas County School District No. 19 expresses an unqualified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133.
6. The programs tested as major programs include:

U.S. Department of Education
SFSF ARRA

CFDA # 84.394

Audited as a Cluster
IDEA
IDEA ARRA

CFDA # 84.027
CFDA # 84.391

U.S. Department of Agriculture
Federal Forest Fees

CFDA # 10.666

7. The threshold for distinguishing Types A and B Programs was \$300,000.
8. 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 FINDINGS - FINANCIAL STATEMENTS AUDIT

None

SECTION III FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None