

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

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

YEAR ENDED JUNE 30, 2015

WITH

INDEPENDENT AUDITOR'S REPORT



**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Myrtle Creek, Oregon
June 30, 2015**

BOARD OF DIRECTORS AS OF JUNE 30, 2015

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

ADMINISTRATIVE STAFF

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

Steve Kelley	Superintendent-Clerk
Chris Davidson	Business Manager

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Myrtle Creek, Oregon

Year Ended June 30, 2015

Table of Contents

	<u>Page</u>
Independent Auditor's Report	A-1 – A-3
Management's Discussion and Analysis	B-1 – B-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to the Basic Financial Statements	7 – 34
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	35
Schedule of Revenues, Expenditures and Changes Fund Balance – Budget and Actual – Special Revenue Fund	36
Schedule of Funding Progress – Other Postemployment Benefits	37
Other Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	38
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	39
Schedule of Property Tax Transactions	40
School District Financial Accounting Summaries	41 – 46
Independent Auditor's Report Required by Oregon State Regulations	47 – 48

Table of Contents (continued)

	<u>Page</u>
Items Required by the Single Audit Act Amendments of 1996 for Federal Awards Programs:	
Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49 – 50
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	51 – 52
Schedule of Expenditures of Federal Awards	53
Schedule of Findings and Questioned Costs	54 – 55

INDEPENDENT AUDITOR'S REPORT

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

Report on the financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Douglas County School District No. 19 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter's

As discussed in note 2 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

As discussed in note 2 to the financial statements, the 2014 financial statements have been restated to correct a misstatement associated with accounting for its sinking fund payments. Our opinion on the financial statements of the District is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, certain budgetary comparison information, the schedule of funding progress – other postemployment benefits, and certain pension schedules as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 management's discussion and analysis and the schedule of funding progress – other postemployment benefits because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required supplementary budgetary comparison information and certain pension schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required supplementary budgetary comparison and pension schedules are fairly stated in all material aspects, in relation to the basic financial statements as a whole.

Other Matters (continued)

Other Supplementary Information

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards and Oregon State Regulation

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

In accordance with Oregon State Regulation, we have also issued our report dated December 29, 2015 on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.

 *Stewart C. Parmele CPA, Partner*

Stewart C. Parmele CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 29, 2015

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with the District's financial statements. It should also be noted that all amounts included in text below are rounded for ease of reading.

Financial Highlights

- The District's financial status reflects a significant decrease in government-wide net position for the 2015 fiscal year. Implementation of GASB 68 required a restatement of our beginning net position and the removal of the District's prepaid pension obligation (more information is available in Note 2 on page 14). This change resulted in a \$7.12 million reduction in the beginning net position of the District as of July 1, 2014. After restatement net position increased by \$1.03 million from the previous year.
- General revenues accounted for \$12.64 million in revenue, or 83.34% of all fiscal year revenues. Program specific revenues in the form of charges for services, grants and donations accounted for \$2.53 million or 16.6% of total fiscal 2015 revenues.
- The District had \$14.14 million in expenses related to governmental activities; of which \$2.53 million were expenses offset by program specific charges for services, grants and donations. General revenues of \$12.64 million were more than adequate to provide for the remaining costs of these programs and services which accounts for the increase in net position.
- The General Fund had \$12.82 million in fiscal year 2015 revenues, which primarily consisted of state school support and property taxes. Expenditures totaled \$11.65 million. The General Fund's fund balance, before interfund transfers, increased \$1.17 million from the previous year.
- The Special Revenue Fund, a District major fund, had \$2.29 million in fiscal year 2015 revenues and \$2.29 million in expenditures before interfund transfers.
- The Debt Service Fund, another District major fund, had \$1.11 million in fiscal year 2015 revenues and \$1.55 million in expenditures before interfund transfers.
- The Capital Projects Fund is the last District major fund. It had revenues of \$0 for fiscal year 2015 and \$346,890 in expenditures before interfund transfers.
- The District's total long-term debt decreased by \$727,922 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.

Government-wide Financial Statements

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

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2015

Government-wide Financial Statements (continued)

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

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

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 are accounted for as governmental 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.

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2015

Fund Financial Statements (continued)

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.

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 - 34 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 35 and 36 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 38 and 39 of this report.

Government-Wide Financial Analysis

The District's combined net position, after GASB 68 restatement, reflects an increase of approximately \$1.03 million for the fiscal year ended June 30, 2015. This increase is primarily due to increased income from the State governments combined with a minimal increase in spending during the current year.

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

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

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2015

Government-Wide Financial Analysis (continued)

The following table presents a summary of the District's net position for the fiscal years ended June 30, 2014 and June 30, 2015. The District's total revenues for the fiscal year ended June 30, 2015, were \$15.2 million. The total cost of programs and services was \$14.1 million. The following table presents a summary of net position and the changes in net position as of and for the fiscal years ended June 30, 2014 and June 30, 2015:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current Assets	\$ 3,494,294	\$ 2,901,762
Prepaid Pension Benefit Obligation	0	7,124,765
Capital Assets - Net	6,674,848	6,823,253
	<hr/>	<hr/>
Total Assets	\$ 10,169,142	\$ 16,849,780
	<hr/>	<hr/>
Current Liabilities	\$ 485,361	\$ 593,483
Long Term Liabilities	12,491,024	12,902,007
	<hr/>	<hr/>
Total Liabilities	\$ 12,976,385	\$ 13,495,490
	<hr/>	<hr/>
Invested in Capital Assets, Net of Related Debt	\$ 4,658,286	\$ 4,725,709
Restricted Net Assets	320,913	0
Unrestricted Net Assets (2015 Restated GASB 68)	(7,786,442)	(1,371,419)
	<hr/>	<hr/>
Total Net Position (2015 Restated GASB 68)	\$ (2,807,243)	\$ 3,354,290
	<hr/>	<hr/>
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues		
Program Revenues		
Charges for Services	\$ 447,610	\$ 483,805
Operating Grants & Contributions	2,077,931	1,927,660
General Revenues		
Property Taxes	2,914,402	2,813,768
Earnings on Investments	55,078	14,357
Unrestricted State & Local Sources	0	14,421
State School Support and Common School Fund	9,450,919	8,563,940
Federal Forest Fees	188,101	201,410
Miscellaneous Other Sources	33,829	483,098
Total Revenues	<hr/> 15,167,870	<hr/> 14,502,459
Expenses		
Instruction	7,242,776	7,153,896
Support Services	5,598,428	5,577,420
Community Services	463,479	488,773
Facilities Acquisition & Construction	29,428	16,019
Interest on Long Term Debt	808,057	770,472
Total Expenses	<hr/> 14,142,168	<hr/> 14,006,580
Change in Net Position (2015 Restated GASB 68)	<hr/> \$ 1,025,702	<hr/> \$ 495,879

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2015

Government-Wide Financial Analysis (continued)

The cost of all governmental activities this year was \$14.14 million. Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues in the amount of \$2.53 million. The resulting net cost of governmental activities of \$11.61 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 \$2.77 million an increase of \$393,904 from the prior year (after considering the restatement as further discussed in Note 2). The fund balance constitutes unassigned, assigned, and restricted amounts. Of the current fund balance, \$1.20 million is unassigned and available for spending at the District's discretion, \$164,974 is assigned and \$15,473 is restricted for purposes defined by the federal Title grants, \$320,986 is restricted for debt service, \$43,861 is nonspendable and reserved to pay prepaids, and the remaining fund balance of \$1.03 million is committed 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 \$571,324, namely a result of increased State revenues. The combined fund balances of all other funds increased by \$81,561 during the fiscal year. Slight gains in the Special Revenue Fund and the Debt Service Fund account for the remaining increase.

Budgetary Highlights

General Fund revenues were budgeted and anticipated to be collected in the amount of \$13.09 million during the fiscal year. State funding increased for the second year of the biennium. Enrollment continued to remain stable within the District. Even with the increase in funding from the State, the uncertainty of State funding going forward prompted the District to continue to be conservative on its revenue and expenditure budgeting. The District received \$12.82 million in General Fund revenue during the fiscal year. Spending for the year was below revenues, leading to an increase in the General Fund ending balance of \$571,324.

Capital Assets

As of June 30, 2015, the District had invested \$26.42 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 \$376,388 from last year. Total depreciation expense for the year was \$524,793. Additional information on the District's capital assets can be found in Note 1 and Note 5 on page 17 of this report.

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2015

Economic Factors and Next Year's Budget and Rates

The State Legislature made a concerted effort to increase funding for schools for the 2013-15 biennium. The benefits are finally starting to catch up with the District. Positions have been added to the budget and negotiated employee contracts have included pay and benefit increases for the first time in four years. Funding also saw an increase for the 2015-17 biennium, though District enrollment will be of concern going forward. Federal Forest Fees continue to be a topic of conversation in our nation's capital. The uncertainty of their continuation leaves the District uncertain of receiving further funds in the future. The District continued with the conservative approach to budget preparation that has become the norm over the last few years, only adding back gradually and keeping the increases in the employee contracts at a level that the District sees as sustainable in the long term.

The District continues to make rough budget projection three years out in an effort to judge the effects of enrollment trends, the economy, and collective bargaining agreements on the District's current and future resources and reserves. This process of looking forward helps the District understand implications that current budgets could have on future years.

Overall revenue in the District's budget was increased for 2015-16 to \$14.39 million, namely due to the increase in funding from the State. Outside of the State School Fund and the Federal Forest Fees, other revenues either remained relatively flat or were projected to have slight increases or decreases. Based on these and other factors, the budgeted expenditures in the General Fund were increased 7.9% to \$13,673,743 for fiscal year 2015-16. The District has continued to budget its ending fund balance at 5%. Due to the increases in funding from the State the District felt it a prudent time to maintain its reserves at a healthier level.

Based on the December 3, 2015 estimates from the Oregon Department of Education, for fiscal year 2015-16 the District is expected to receive \$259,753 more from the State School Support Fund in comparison to the prior year. This increase is due again to the conscious effort of the State Legislature to funnel more money to education this biennium. There is hope the economic downturn is over and that things have finally turned around in Oregon. The hope that the funding this biennium becomes the new floor and that funding will only increase in the future.

District enrollment appeared to have finally leveled out but has again take a dip in early 2015-16. As the funding for schools is based on a per student basis, seeing the decline of previous years return has concern for the future revenues of the District. Until there are greater employment opportunities in our area, however, it is difficult to predict how long this trend will continue.

Looking ahead to 2016-17, the District is hopeful that the State's economy continues to recover bringing additional funding in the next biennium. PERS rates are set for significant increases in the coming biennia so monies will need to be available to cover those cost increases. The District's facilities are in desperate need of repair or replacement so a \$44.5 million bond levy is being readied for the May 2016 ballot in hopes of resolving nearly all of the District's facility needs. \$4 million in matching monies from the State are available to go with the bond monies for the 2015-17 biennium so the District is hoping to pass a bond levy to take advantage of this opportunity as it may not be available in future biennia. All bargaining agreements are locked in for another year so new negotiations will take place until early 2017.

In all probability the District will end 2015-16 with an ending fund balance that exceeds the budgeted 5%. The Coffenberry gym payment will cease in two years. If the District can increase its ending fund balance to greater 5%, continue to bargain contracts that are reasonable, affordable, and sustainable, and find ways to level out enrollment, it will be able to weather the PERS rate increases and maintain the programs it has added while remaining on a sound financial footing for years to come.

DOUGLAS COUNTY SCHOOL DISTRICT No. 19
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2015

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 #19
STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS:	
ASSETS:	
Cash and investments	\$ 2,164,330
Assets held in trust	320,913
Receivables	935,838
Prepaid expense	43,862
Inventories	29,351
Capital assets, net	
Land	1,248,172
Buildings and improvements	5,064,751
Vehicles	361,925
	<u>10,169,142</u>
TOTAL ASSETS	<u>10,169,142</u>
LIABILITIES AND DEFERRED INFLOWS:	
LIABILITIES:	
Accounts payable	83,876
Accrued salaries and benefits	316,296
Unearned revenue	145
Accrued compensated absences payable	45,960
Other post employment benefit obligation	39,084
Bonds payable, net of unamortized premium/discount	
Due within one year	751,790
Due in more than one year	11,739,234
	<u>12,976,385</u>
TOTAL LIABILITIES	<u>12,976,385</u>
NET POSITION:	
Net investment in capital assets	4,658,286
Restricted	320,913
Unrestricted	<u>(7,786,442)</u>
TOTAL NET POSITION	<u>\$ (2,807,243)</u>

**DOUGLAS COUNTY SCHOOL DISTRICT #19
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 7,242,776	\$ 129,992	\$ 1,030,851	\$ -	\$ (6,081,934)
Supporting services	5,598,428	107,934	250,520	-	(5,239,973)
Community services	463,479	209,684	796,561	-	542,766
Facilities acquisition and construction	29,428	-	-	-	(29,428)
Interest on long term debt	808,057	-	-	-	(808,057)
Total government activities	\$ 14,142,168	\$ 447,610	\$ 2,077,931	\$ -	(11,616,627)
General revenues:					
Property taxes levied for general purposes					2,914,402
State school fund - general support					9,314,670
Common school fund					136,249
Federal forest fees					188,101
Earnings on investments					55,078
Miscellaneous					33,829
Total general revenues					12,642,329
CHANGE IN NET POSITION					1,025,702
NET POSITION - July 1, 2014 (AS RESTATED)					(3,832,945)
NET POSITION - June 30, 2015					\$ (2,807,243)

FUND FINANCIAL STATEMENTS

**DOUGLAS COUNTY SCHOOL DISTRICT #19
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS					
Equity in pooled cash and investments	\$ 1,133,093	\$ -	\$ 1,031,164	\$ -	\$ 2,164,257
Assets held in trust	-	-	320,986	-	320,986
Receivables	412,358	523,480	-	-	935,838
Prepays	40,533	3,328	-	-	43,861
Interfund receivable	277,945	-	-	-	277,945
TOTAL ASSETS	<u>\$ 1,863,929</u>	<u>\$ 526,808</u>	<u>\$ 1,352,150</u>	<u>\$ -</u>	<u>\$ 3,742,887</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 58,455	\$ 25,421	\$ -	\$ -	\$ 83,876
Interfund payable	-	277,945	-	-	277,945
Accrued payroll liabilities	276,774	39,522	-	-	316,296
Unearned revenue	-	145	-	-	145
TOTAL LIABILITIES	<u>335,229</u>	<u>343,033</u>	<u>-</u>	<u>-</u>	<u>678,262</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	288,485	-	-	-	288,485
TOTAL DEFERRED INFLOWS	<u>288,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,485</u>
Fund Balances:					
Nonspendable	40,533	3,328	-	-	43,861
Restricted	-	15,473	320,986	-	336,459
Committed	-	-	1,031,164	-	1,031,164
Assigned	-	164,974	-	-	164,974
Unassigned	1,199,683	-	-	-	1,199,683
TOTAL FUND BALANCES	<u>1,240,216</u>	<u>183,775</u>	<u>1,352,150</u>	<u>-</u>	<u>2,776,141</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,863,930</u>	<u>\$ 526,808</u>	<u>\$ 1,352,150</u>	<u>\$ -</u>	<u>\$ 3,742,888</u>

**DOUGLAS COUNTY SCHOOL DISTRICT #19
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2015**

TOTAL FUND BALANCES		\$ 2,776,141
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 27,668,232	
Accumulated depreciation	<u>(20,993,384)</u>	6,674,848
In the governmental funds, inventory is accounted for under the purchase method and the current value is not reported in the fund balance sheet.		29,351
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.		288,485
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	(12,491,024)	
Compensated absences payable	<u>(45,960)</u>	(12,536,984)
The other post employment benefit liability obligation is not reported with the governmental funds.		<u>(39,084)</u>
TOTAL NET POSITION		<u><u>\$ (2,807,243)</u></u>

DOUGLAS COUNTY SCHOOL DISTRICT #19
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES					
Property taxes and other taxes	\$ 2,918,780	\$ -	\$ -	\$ -	\$ 2,918,780
Intergovernmental	9,709,456	1,822,890	6,068	-	11,538,414
Charges for services	105,242	464,726	1,058,433	-	1,628,401
Investment earnings	119	-	48,892	-	49,011
Miscellaneous	90,166	5,861	-	-	96,027
TOTAL REVENUES	<u>12,823,763</u>	<u>2,293,477</u>	<u>1,113,393</u>	<u>-</u>	<u>16,230,633</u>
EXPENDITURES					
Current					
Instruction	6,334,476	1,158,453	-	-	7,492,929
Support services	5,318,653	281,530	-	-	5,600,183
Enterprise and community services	-	845,281	-	-	845,281
Facilities and acquisition	-	-	-	346,890	346,890
Debt service	-	-	1,551,496	-	1,551,496
TOTAL EXPENDITURES	<u>11,653,129</u>	<u>2,285,264</u>	<u>1,551,496</u>	<u>346,890</u>	<u>15,836,779</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,170,634</u>	<u>8,213</u>	<u>(438,103)</u>	<u>(346,890)</u>	<u>393,854</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	50	-	-	-	50
Transfers	(599,360)	7,260	504,191	87,909	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(599,310)</u>	<u>7,260</u>	<u>504,191</u>	<u>87,909</u>	<u>50</u>
NET CHANGE IN FUND BALANCE	<u>571,324</u>	<u>15,473</u>	<u>66,088</u>	<u>(258,981)</u>	<u>393,904</u>
FUND BALANCE, July 1, 2014	668,892	168,302	1,016,076	258,981	2,112,251
Prior Period Adjustment	-	-	269,986	-	269,986
FUND BALANCE, July 1, 2014 (as restated)	<u>668,892</u>	<u>168,302</u>	<u>1,286,062</u>	<u>258,981</u>	<u>2,382,237</u>
FUND BALANCE, June 30, 2015	<u>\$ 1,240,216</u>	<u>\$ 183,775</u>	<u>\$ 1,352,150</u>	<u>\$ -</u>	<u>\$ 2,776,141</u>

**DOUGLAS COUNTY SCHOOL DISTRICT #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, 2015**

NET CHANGE IN FUND BALANCE	\$	393,904
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Expenditures for capital assets	\$ 376,388	
Less current year depreciation	<u>(524,793)</u>	(148,405)
<p>Governmental funds do not report inventory balances under the purchase method of accounting for inventory while the Statement of Net Position does. This is the change in inventory in the current period.</p>		
		2,583
<p>Governmental funds report on the payment of discounts on the issuance of debt as an expense, while in the Statement of Activities the payment is eliminated and included in the Statement of Net Position as an offset to long-term debt and amortization.</p>		
Amortization		15,517
<p>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.</p>		
		(4,380)
<p>Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position. This is the principal payment.</p>		
Long term debt		727,922
<p>The change in the net post employment benefit obligation is not recognized in the governmental funds.</p>		
		19,437
<p>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.</p>		
		<u>19,124</u>
CHANGE IN NET POSITION	\$	<u>1,025,702</u>

NOTES TO FINANCIAL STATEMENTS

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies

The Reporting Entity

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

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

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

Basis of Presentation

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

Government-wide Financial Statements

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

Cash, Cash Equivalents and Investments

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

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Assets Held by Trustee (Sinking Fund)

During the fiscal year 2011-12 the District entered into a new loan agreement with the Bank of New York Mellon Trust Company, N.A. for \$350,000 at 4.80% interest to finance repairs and weatherization projects throughout the District. The District entered into an irrevocable election that the 2012B Obligations are treated as Qualified School Construction Bonds (QSCB). In addition to semi-annual interest payments, the District is to deposit annual payments of \$19,444. into a principal subaccount (sinking funds) every June 30 of each year starting in 2013 and ending in 2030. At June 30, 2015 the sinking fund for the Series 2012B Obligations was \$57,999.

Investment Income

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

Property Taxes Receivable

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

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

Accounts and Other Receivables

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

Grants

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

Interfund Transactions

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Inventories

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

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

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

No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Post-Employment Benefits

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Long-term Debt

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

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

Net Position and Fund Balances

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

Net investment in capital assets –Consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.

Restricted net position – Consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.

Unrestricted net position – All other remaining net position that does not meet the definition of “restricted” and is available for general use by the District.

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

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.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position and Fund Balances (continued)

It is the District's policy to first use committed fund balance prior to the use of unassigned fund balance when the expenditure is incurred for purposes for which both committed and unassigned fund balance are available.

Budget

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

Appropriations are established at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution.

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers within a fund between the levels of control (major function levels) with Board approval. Appropriations lapse at the end of each fiscal year. The District did not exceed its authorized appropriations for the year ended June 30, 2015.

Use of Estimates

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

Note 2 – New Pronouncements and Restatements of Beginning Net Position and Fund Balance

For the year ending June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Both GASB 68 and GASB 71 were effective for financial statement periods beginning after June 15, 2014. GASB 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. GASB 71 amends GASB 68 to provide clarification of pension contributions made subsequent to the measurement date. The primary objective of both statements is to improve accounting and financial reporting by state and local governments for pensions.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 2 – New Pronouncements and Restatements of Beginning Net Position and Fund Balance (continued)

The implementation of GASB 68 resulted in a restatement of beginning net position in order to remove its prepaid pension obligation. The District's proportionate share of the net pension asset/(liability) as of June 30, 2014 was zero. The District's proportionate share of the net pension asset/(liability) is zero because the District issued pension obligation bonds in fiscal 2003 which created a large enough side account to completely offset any Unfunded Actuarial Liability. The result of being adequately funded with PERS creates a contribution effort and proportionate share of zero. Prior to the implementation of GASB 68, the District had a prepaid pension obligation of \$7,124,765 (as of June 30, 2014). The prepaid balance was restated to zero with the implementation of GASB 68 as prior guidance did not contemplate any asset/(liability) associated with PERS. The result of the restatement was a \$7,124,765 reduction in the beginning net position.

In addition, during the year ended June 30, 2015, the District determined the prior period needed to be restated in the Debt Service Fund and the Governmental Activities. The prior period restatement in the Debt Service Fund is due to the over-reporting of debt service expense related to QCAB 2012 and QCAB 2005 sinking fund payments. The result of the restatement was an \$269,986 increase in the beginning fund balance of the Debt Service Fund. The prior period restatement in the Governmental Activities is due to the under-reporting of debt principal outstanding related to the QSCB 2012 and QZAB 2005 Bonds. The result of the restatement was a \$62,470 reduction in the beginning net position of the Governmental Activities.

Note 3 – Equity in Pooled Cash and Investments

Cash and investments are comprised of the following as of June 30, 2015:

Petty Cash	\$	149
Deposits with financial institutions:		
Demand Deposits		506,767
LGIP		1,657,414
Total deposits with financial institutions	\$	2,164,330

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

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

Statement of Net Position		
Cash and Investments	\$	2,164,330

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 3 – Equity in Pooled Cash and Investments (continued)

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, 2015. 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, 2015, the carrying amounts of the District deposits in various financial institutions were \$506,767 and the bank balances were \$643,092. All deposits are held in the name of the District. Of the bank balance, \$250,000 is completely covered by FDIC insurance. The remaining balance of \$393,093 is considered to be covered by 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. The Oregon Short-term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an external investment pool managed by the State Treasurer's office, which allow governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB statement No. 40. LGIP is not rated.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the District's cash position.

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

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool. As of June 30, 2015 and for the year then ended, the District was in compliance with the aforementioned State of Oregon statutes.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 3 – Equity in Pooled Cash and Investments (continued)

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>
Oregon State Treasury LGIP	1 day	100%	<u>\$ 1,657,414</u>

Note 4 – Receivables

Receivables are comprised of the following as of June 30, 2015:

	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 334,157	\$ -	\$ 78,201	\$ 412,358
Special Revenue Fund	-	523,480	-	523,480
Total receivables	<u>\$ 334,157</u>	<u>\$ 523,480</u>	<u>\$ 78,201</u>	<u>\$ 935,838</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 5 – Capital Assets

The changes in capital assets for the year ended June 30, 2015, are as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 1,248,172	\$ -	\$ -	\$ 1,248,172
 Total capital assets not being depreciated	 1,248,172	 -	 -	 1,248,172
Capital assets being depreciated:				
Land Improvements	140,724	-	-	140,724
Buildings and Improvements	23,314,110	317,462	-	23,631,572
Machinery/Equipment/Vehicles	2,588,838	58,926	-	2,647,764
 Totals	 26,043,672	 376,388	 -	 26,420,060
Less accumulated depreciation for:				
Land Improvements	(97,068)	(5,661)	-	(102,729)
Buildings and Improvements	(18,139,643)	(465,173)	-	(18,604,816)
Machinery/Equipment/Vehicles	(2,231,880)	(53,959)	-	(2,285,839)
 Total	 (20,468,591)	 (524,793)	 -	 (20,993,384)
Total capital assets:				
Land	1,248,172	-	-	1,248,172
Land Improvements	43,656	(5,661)	-	37,995
Buildings and Improvements	5,174,467	(147,711)	-	5,026,756
Machinery/Equipment/Vehicles	356,958	4,967	-	361,925
 Totals	 \$ 6,823,253	 \$ (148,405)	 \$ -	 \$ 6,674,848

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

<u>Program</u>	
Instruction	\$ 300,081
Supporting Services	201,727
Community Services	<u>22,986</u>
 Total	 \$ <u>524,793</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 6 – Other Postemployment Benefits

Postemployment Health Insurance Subsidy

Plan Description. The District provides a single-employer defined benefit post-retirement health benefits program. The District may pay all or a portion of a retiree's postemployment medical benefits until Medicare eligibility. This explicit benefit is required to be valued under GASB Statement 45. There are 135 active and 10 retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements and employment contracts. The District does not issue a stand-alone report for this plan.

Different contracts govern the employees. Eligible administrative and licensed staff must be at least 58 years of age and have at least fifteen years of service with the District. Eligible confidential/central office and supervisors/directors must be at least 58 years of age with at least fifteen years of service with the District. Monthly payments continue until the earlier of the retiree's age 62 (age 65 for classified retirees), or death.

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

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

However, an implicit subsidy does not exist in arrangements that are deemed to be "community rated" by a qualified actuary. In general, a community rated situation is one in which the health care claims experience of the employer is not expected to impact the premiums being charged the employer. For example, the District participates in the Oregon Educators Benefit Board (OEBB) health plans, along with many other school districts, community colleges, and educational service districts. For plans in which the

District's claims experience represents only a very small percentage of the total claims experience of the plans as a whole, the arrangement is deemed community related. The District's participation in ODS Health Plans constitutes a community rated arrangement; therefore, there is no implicit subsidy to value.

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 6 – Other Postemployment Benefits (continued)

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 2014-15 the District recognized, on a budgetary basis, expenditures of approximately \$21 thousand for the post-employment healthcare benefits.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period of five years.

The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution (ARC)	\$ 22,743
Interest on net pension obligation	1,948
Adjustment to ARC	<u>(12,169)</u>
Annual pension cost (expense)	12,522
Less: Contributions made	<u>(21,199)</u>
Increase (decrease) in net pension obligation	(8,677)
Net pension obligation - beginning of year	<u>40,580</u>
Net pension obligation - end of year	<u><u>\$ 31,903</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 are:

<u>Fiscal year</u>	<u>Annual OPEB Cost</u>	<u>Contributions</u>	<u>Funded Ratio</u>	<u>Net OPEB Obligation</u>
2015	\$ 12,522	\$ 21,199	169.29%	\$ 31,903
2014	12,428	30,835	248.11%	40,580
2013	30,245	29,351	97.04%	58,987

Actuarial methods and assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions included: (1) an assumed inflation rate of 2.75% and an assumed overall payroll growth rate of 3.5% per year, (2) annual premium increase rate which ranges from 7.50% in 2014-2015 to 5% in 2030 and later, (3) turnover and disability rates by age and years of service, as developed by Oregon PERS, (4) range of retirement ages for employees with fewer, and more, than 30 years of service, (5) marital status and (6) coverage of eligible children.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 6 – Other Postemployment Benefits (continued)

Actuarial methods and assumption (continued)

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

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

The present value of benefits accrued as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded actuarial accrued liability (UAAL). The unfunded accrued liability is being amortized as a level percentage of payroll over a closed period of five years.

Funded Status and Funding Progress. As of July 1, 2013 the actuarial accrued liability for benefits was \$98,653, and the actuarial value of assets was \$0, resulting in a UAAL of \$98,653. The covered payroll (annual payroll of active employees covered by the plan) was \$6.8 million for fiscal year 2015 and the ratio of the UAAL to the covered payroll was 1.4%. Using a 5-year amortization period the Annual Required Contribution (ARC) for 2015 has been actuarially determined to be \$22,743.

STIPEND

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

Benefits and eligibility for members are established through the collective bargaining agreements and employment contracts. Different contracts govern the employees. Eligible administrative and licensed retirees must be at least 58 years of age and have at least fifteen years of service with the District. Licensed employees must have been hired by the District on or before September 1, 1990 to be eligible.

For both classes of retirees, the eligible benefit amount is \$300 per month. However, retirees are required to be available to volunteer fifteen days of work in order to receive full benefits. Monthly payments continue until the earlier of the retiree's age 62 or death. Confidential and Classified employees are not eligible.

Funding Policy. The District pays for all the benefits. The contributions are financed on a pay-as-you-go basis. During fiscal year 2015 the District recognized, on a budgetary basis, expenditures of approximately \$12 thousand for the early retirement supplement program.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 6 – Other Postemployment Benefits (continued)

Annual Pension Cost and Net Pension Obligation. The District's annual pension cost (expense) is calculated on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period of one year. Given the current population, the District expects the cost to decrease in future years.

The following table shows the components of the District's annual pension cost for the year ending June 30, 2015, the amount actually contributed to the plan, and changes in the District's net pension obligation.

Annual required contribution (ARC)	\$ 28,636
Interest on net pension obligation	1,117
Adjustment to ARC	<u>(27,913)</u>
Annual pension cost (expense)	1,840
Less: Contributions made	<u>(12,600)</u>
Increase (decrease) in net pension obligation	(10,760)
Net pension obligation - beginning of year	<u>17,941</u>
Net pension obligation - end of year	<u><u>\$ 7,181</u></u>

The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation for 2015 are:

<u>Fiscal year</u>	<u>Annual Pension Cost</u>	<u>Contributions</u>	<u>Funded Ratio</u>	<u>Net Pension Obligation</u>
2015	\$ 1,840	\$ 12,600	684.78%	\$ 7,181
2014	1,400	20,700	1478.57%	17,941
2013	28,785	20,400	70.87%	37,241

Actuarial methods and assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions included: (1) an assumed inflation rate of 2.75% and an assumed overall payroll growth rate of 3.5% per year, (2) annual premium increase rate which ranges from 7.50% in 2014-2015 to 5% in 2030 and later, (3) turnover and disability rates by age and years of service, as developed by Oregon PERS, (4) range of retirement ages for employees with fewer, and more, than 30 years of service, (5) marital status and (6) coverage of eligible children.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 6 – Other Postemployment Benefits (continued)

Actuarial methods and assumptions (continued)

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

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

The present value of benefits accrued as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded actuarial accrued liability (UAAL). The unfunded accrued liability is being amortized as a level percentage of payroll over a closed period of one year.

Funded Status and Funding Progress. As of July 1, 2013 the actuarial accrued liability for stipend benefits was \$36,460, and the actuarial value of assets was \$0, resulting in a UAAL of \$36,460. The covered payroll (annual payroll of active employees covered by the plan) was \$6.8 million for fiscal year 2015 and the ratio of the UAAL to the covered payroll was 0.5%. Using a 1-year amortization period the Annual Required Contribution (ARC) for 2015 has been actuarially determined to be \$28,636.

Note 7 – Unavailable / Unearned Revenues

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Property Taxes	\$ 288,485	\$ -	\$ 288,485
Special Revenue Fund			
Federal programs	-	145	145
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 288,485</u>	<u>\$ 145</u>	<u>\$ 288,630</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 8 – Operating Leases

The District leases copiers under non-cancellable operating leases. Total costs for such leases were \$35,594 for the fiscal year ended June 30, 2015. The future minimum lease payments for these leases are as follows:

Fiscal Year ending June 30,	Amount
2016	\$ 33,664
2017	14,836
2018	9,499
2019	7,179
2020	1,482
	<u>\$ 66,660</u>

Note 9 – Long-Term Debt

Limited Tax Pension Bond - 2002

On October 31, 2002, the District 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%. During the year ended June 30, 2015, \$364,066 of interest was charged to expense.

On January 31, 2012, the District participated in a partial refunding of its Limited Tax Pension Bond - 2002, as part of the Oregon School Board Association's Limited Tax Pension Bond Pool. This partial refunding was for the 2021 year for \$450,000. The District represents 2.05% of the aggregate principal amount of the 2012 Obligation. The interest rate for this refunded portion is 2.75% versus 6.10%. Interest is payable annually, commencing 2010 with final maturity in 2027 (Balloon Principle Payment). During the year ended June 30, 2015, \$12,375 of interest was charged to expense.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 9 – Long-Term Debt (continued)

Limited Tax Pension Bond – 2002 (continued)

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

Year Ending June 30th	Principal	Interest	Total	Interest Rate
2016	\$ 128,079	\$ 386,570	\$ 527,023	5.55%
2017	129,327	410,322	552,023	5.61%
2018	132,099	437,550	582,024	5.67%
2019	133,963	465,685	612,023	5.67%
2020	136,634	498,023	634,657	5.67%
2021-2025	2,325,000	1,024,812	3,349,812	5.50 - 5.55%
2026-2030	2,005,001	202,020	2,207,021	5.50 - 5.55%
Total	<u>\$4,990,103</u>	<u>\$3,424,982</u>	<u>\$ 8,464,583</u>	

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

Fiscal Year Ended	Principal	Interest	Total	Interest Rate
2016	\$ -	\$ 12,375	\$ 12,375	2.75%
2017	-	12,375	12,375	2.75%
2018	-	12,375	12,375	2.75%
2019	-	12,375	12,375	2.75%
2020	-	12,375	12,375	2.75%
2021-2025	450,000	12,375	462,375	2.75%
	<u>\$ 450,000</u>	<u>\$ 74,250</u>	<u>\$ 524,250</u>	

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 9 – Long-Term Debt (continued)

Limited Tax Pension Bond - 2003

On April 21, 2003, the District participated in a second Limited Tax Pension Bond Pool. These bonds were issued pursuant to ORS 238.692 to 238.698 to finance the District's additional unfunded actuarial retirement liability as computed through December 31, 2001. The original issue amount for the 2003 issue was \$6,776,652 and will be repaid in semi-annual installments beginning December 30, 2003 and ending June 30, 2028. Interest shall be paid at a variable rate ranging from 1.50% to 6.27%.

Year Ending June 30th	Principal	Interest	Total	Interest Rate
2016	\$ 183,194	\$ 403,264	\$ 586,458	5.63%
2017	183,592	432,867	616,459	5.71%
2018	182,339	464,120	646,459	5.71%
2019	180,386	496,073	676,459	5.71%
2020	180,015	531,444	711,459	5.71%
2021-2025	1,929,768	2,180,504	4,110,272	5.68 - 6.22%
2026-2030	2,159,999	223,224	2,383,223	5.68 - 6.22%
Total	<u>\$ 4,999,293</u>	<u>\$ 4,731,496</u>	<u>\$ 9,730,789</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. The noninterest bearing agreement is payable over a 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.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 9 – Long-Term Debt (continued)

Qualified Zone Academy Bonds – 2005 (continued)

The District will make annual principal payments in the amount of \$25,804 through 2022. The District is to deposit amounts into a principal subaccount of the payment account (Sinking Fund Deposits) every August 1, starting in 2006 and ending in 2022. The sinking fund payment is held at U.S. Bank and is restricted to retire the Series 2005 Bond in 2022. The current value of the sinking fund as of June 30, 2015 is \$260,242.

QZAB Installment

<u>Year Ended</u>	<u>Principal</u>	<u>Sinking Fund Deposits (District)</u>	<u>Subsidy Received</u>	<u>Total Sinking Fund Deposits</u>
				\$ 260,242
2016	\$ -	\$ 25,804	\$ 6,869	32,673
2017	-	25,804	7,691	33,495
2018	-	25,804	8,534	34,338
2019	-	25,804	9,391	35,195
2020	-	25,804	10,283	36,087
2021-2025	500,000	51,608	16,362	67,970
	<u>\$ 500,000</u>	<u>\$ 180,628</u>	<u>\$ 59,130</u>	<u>\$ 500,000</u>

Full Faith Obligation Bonds – 2007

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

<u>Year Ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rate</u>
2016	\$ 395,000	\$ 24,000	\$ 419,000	3.00%
2017	405,000	12,150	417,150	3.00%
Total	<u>\$ 800,000</u>	<u>\$ 36,150</u>	<u>\$ 836,150</u>	

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 9 – Long-Term Debt (continued)

Qualified School Construction Bond (QSCB)

On October 12, 2010, the District issued Qualified School Construction Bonds (QSCB) in the amount of \$500,000. The monies were used for repairs and upgrades and weatherization projects through the District. The QSCB's are eligible to receive subsidy payments from the United States Treasury. The District plans to apply any subsidy payments received to offset the interest component of the financing, but those subsidy payments are not pledged for this purpose. Interest is payable semi-annually each December 31 and June 30, commencing June 30, 2013. Final maturity on these bonds is June 30, 2027. The District will receive approximately \$212,000 in direct subsidy payments from the United States Treasury over the life of the bond.

Year Ended	Principal	District's Interest Payments Net	Federal Interest Subsidy	Total
2016	\$ 30,000	\$ 900	\$ 17,280	\$ 48,180
2017	30,000	825	15,840	46,665
2018	30,000	750	14,400	45,150
2019	30,000	675	12,960	43,635
2020	30,000	600	11,520	42,120
2021-2025	150,000	9,075	28,800	187,875
2026-2030	60,000	225	4,320	64,545
	<u>\$ 360,000</u>	<u>\$ 13,050</u>	<u>\$ 105,120</u>	<u>\$ 478,170</u>

Qualified School Construction Bond (QSCB) 2012

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

The District is to deposit amounts into a principal subaccount of the payment account (Sinking Fund Deposits) every June 1, starting in 2013 and ending in 2030. The sinking fund payment is held at Bank of New York Mellon Trust Company and is restricted to retire the Series 2012 Bond in 2030. The current value of the sinking fund as of June 30, 2015 is \$58,018.

Year Ended	Principal	Federal Interest Subsidy	Total Debt Service	Sinking Fund Deposits
2016	\$ -	\$ 16,188	\$ 16,188	\$ 19,444
2017	-	16,188	16,188	19,444
2018	-	16,188	16,188	19,444
2019	-	16,188	16,188	19,444
2020	-	16,188	16,188	19,444
2021-2025	-	80,938	80,938	97,220
2026-2030	350,000	80,937	430,937	97,220
	<u>\$ 350,000</u>	<u>\$ 242,814</u>	<u>\$ 592,814</u>	<u>\$ 291,660</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 9 – Long-Term Debt (continued)

The changes in long-term obligations for year ended June 30, 2015, are as follows:

Issue Date:	Outstanding July 1, 2014	Matured and Redeemed	Outstanding June 30, 2015	Due Within One Year
PERS Bonds				
October 31, 2002	\$ 5,115,684	\$ (125,583)	\$ 4,990,102	\$ 128,079
April 30, 2003	5,181,632	(182,339)	4,999,293	183,194
January 31, 2012	450,000	-	449,999	-
Full Faith and Credit Obligation				
March 7, 2012	1,190,000	(390,000)	800,000	395,000
Total Bonds	<u>11,937,316</u>	<u>(697,922)</u>	<u>11,239,394</u>	<u>706,273</u>
QZAB Installment	<u>500,000</u>		<u>500,000</u>	<u>-</u>
QSCB Agreement 2010	390,000	(30,000)	360,000	30,000
QSCB Agreement 2012	<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>-</u>
Total	<u>13,177,316</u>	<u>(727,922)</u>	<u>12,449,394</u>	<u>736,273</u>
Unamortized premium/(discount)	<u>57,147</u>	<u>(15,517)</u>	<u>41,630</u>	<u>15,517</u>
Total	<u><u>\$ 13,234,463</u></u>	<u><u>\$ (743,439)</u></u>	<u><u>\$ 12,491,024</u></u>	<u><u>\$ 751,790</u></u>

The annual debt service requirements on long-term debt outstanding as of June 30, 2015 are as follows:

Year Ending June 30th	Principal	Interest	Subsidized Interest	Total
2016	\$ 736,273	\$ 827,109	\$ 40,337	\$ 1,603,719
2017	747,919	868,539	39,719	1,656,177
2018	344,438	914,795	39,122	1,298,355
2019	344,349	974,808	38,539	1,357,696
2020	346,649	1,042,442	37,991	1,427,082
2021-2025	5,354,768	3,226,766	126,100	8,707,634
2026-2030	<u>4,575,000</u>	<u>425,469</u>	<u>85,258</u>	<u>5,085,727</u>
Total	<u><u>\$ 12,449,396</u></u>	<u><u>\$ 8,279,928</u></u>	<u><u>\$ 407,063</u></u>	<u><u>\$ 21,136,387</u></u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 9 – Long-Term Debt (continued)

The District also had the following changes in compensated absences:

	<u>Balance 7/1/2014</u>	<u>Earned</u>	<u>Used</u>	<u>Balance 6/30/2015</u>	<u>Due Within 1 Year</u>
Compensated absences	<u>\$ 65,084</u>	<u>\$ 49,843</u>	<u>\$ (68,967)</u>	<u>\$ 45,960</u>	<u>\$ 45,960</u>

Note 10 – Interfund Transactions

Interfund transfers during the year ended June 30, 2015, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 599,360
Special Revenue Fund	7,260	-
Debt Service Fund	504,191	-
Capital Projects Fund	<u>87,909</u>	<u>-</u>
Total Transfers for governmental funds	<u>\$ 599,360</u>	<u>\$ 599,360</u>

The District made transfers from the General Fund of \$599,360. The Special Revenue Fund received \$7,260 for food service on-going operations. The Debt Service Fund received \$504,191 to pay Debt Service on the various debt issues. The Capital Projects Fund received \$87,909 to purchase various additions.

Note 11 - Pension Plan

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

Plan Benefits –

All benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapter 238 and 238A.

Tier One/Tier Two Retirement Benefit (Chapter 238)

The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003. *Pension Benefits* - The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 11 - Pension Plan (continued)

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General Service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by a PERS employer at the time of death,
- Member died within 120 days after termination of PERS-covered employment,
- Member died as a result of injury sustained while employed in a PERS-covered job, or
- Member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Plan Benefits –

Benefit Changes After Retirement – Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

OPSRP Pension Program (Chapter 238A)

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

Pension Benefits - This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and Fire - 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 11 - Pension Plan (continued)

OPSRP Pension Program (Chapter 238A)

General Service - 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits - A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Contributions –

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation, which became effective July, 2013. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced. Employer contributions for the year ended June 30, 2015 were zero.

Pension Plan Comprehensive Annual Financial Report (CAFR) –

Oregon PERS produces an independently audited CAFR which can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Actuarial Valuation -

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the entry age normal actuarial cost method. For the Tire One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 11 - Pension Plan (continued)

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability –

Valuation Date:	December 31, 2012 rolled forward to June 30, 2014.
Actuarial Cost Method:	Entry age normal .
Experience Study Report:	2012, published September 18, 2013.
Amortization Method:	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method:	Market value of assets.
Asset Valuation Method:	Market value of assets
Inflation Rate:	2.75%
Investment Rate of Return:	7.75%
Projected Salary Increases	3.75%
Mortality:	Health Retirees and Beneficiaries: RP-2000 sex-distinct, generational per scale AA, with collar adjustments and set-backs as described in the valuation. Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled Retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability (continued) –

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

Discount Rate –

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

Note 11 - Pension Plan (continued)

Investment Rate of Return –

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target %</u>	<u>Compound Annual Return (Geometric) %</u>
Core Fixed Income	7.20	4.50
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.1
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.2
Mid Cap US Equities	3.88	7.3
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.9
Emerging Foreign Equities	5.49	7.4
Private Equity	20.00	8.26
Opportunity Funds/Absolute	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –

At June 30, 2015, the District reported neither an asset nor a liability for its proportionate share of the net pension asset/(liability). This is the result of the District having a zero contribution effort (i.e. funding OPERS with the pension obligation bonds). The net pension asset (OPERS total) was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2012. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2015, the District recognized pension expense of zero. At June 30, 2015, the District reported no deferred outflows of resources or deferred inflows of resources related to pensions.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
Notes to Basic Financial Statements
Year Ended June 30, 2015

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.

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, 2015.

Note 15 – Subsequent Events

Management of the District has evaluated events and transactions occurring after June 30, 2015 through December 29, 2015, the date the financial statements were available to be issued, 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, except as follows:

On April 30, 2015, the Oregon Supreme Court ruled in the Moro decision, that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law were unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year's actuarial valuations. The impact of the Moro decision on the total pension liability and employer's net pension liability (asset) has not been fully determined. However, PERS' third-party actuaries have estimated the impact of the Moro decision under one possible methodology to result in a shift from a net pension asset to a net pension liability (OPERS level). Management can't estimate if this decision will result in the District having a future contribution effort.

REQUIRED SUPPLEMENTARY INFORMATION

**DOUGLAS COUNTY SCHOOL DISTRICT #19
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	Budget		2015 Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Local sources:				
Property taxes	\$ 2,830,000	\$ 2,830,000	\$ 2,918,780	\$ 88,780
Intergovernmental	-	-	-	-
Charges for services	78,000	78,000	105,242	27,242
Interest on investments	1,200	1,200	119	(1,081)
Miscellaneous	40,000	40,000	90,166	50,166
Intermediate sources:				
Intergovernmental	80,329	80,329	70,436	(9,893)
State sources:				
Basic school support	9,111,580	9,111,580	9,314,670	203,090
Intergovernmental	130,000	130,000	136,249	6,249
Federal sources:				
Intergovernmental	-	-	188,101	188,101
TOTAL REVENUES	12,271,109	12,271,109	12,823,763	552,654
EXPENDITURES				
Current				
Instruction	6,502,270	6,502,270	6,334,476	167,794
Support services	5,521,890	5,521,890	5,318,653	203,237
Enterprise and community services	2,500	2,500	-	2,500
Contingency	667,118	667,118	-	667,118
TOTAL EXPENDITURES	12,693,778	12,693,778	11,653,129	1,040,649
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(422,669)	(422,669)	1,170,634	1,593,303
OTHER FINANCING SOURCES (USES):				
Proceeds from the sale of fixed assets	2,500	2,500	50	(2,450)
Transfers in	250,000	250,000	-	(250,000)
Transfers out	(648,586)	(648,586)	(599,360)	49,226
TOTAL OTHER FINANCING SOURCES (USES)	(396,086)	(396,086)	(599,310)	(203,224)
NET CHANGE IN FUND BALANCE	(818,755)	(818,755)	571,324	1,390,079
FUND BALANCE, July 1, 2014	818,755	818,755	668,892	(149,863)
FUND BALANCE, June 30, 2015	\$ -	\$ -	\$ 1,240,216	\$ 1,240,216

**DOUGLAS COUNTY SCHOOL DISTRICT #19
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2015**

	Budget		2015 Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Local sources:				
Charges for services	\$ 529,000	\$ 529,000	\$ 464,726	\$ (64,274)
Miscellaneous	5,000	5,000	5,861	861
State sources:				
Intergovernmental	-	-	4,047	4,047
Federal sources:				
Intergovernmental	1,986,595	1,986,595	1,818,843	(167,752)
TOTAL REVENUES	2,520,595	2,520,595	2,293,477	(227,118)
EXPENDITURES				
Current				
Instruction	1,373,919	1,373,919	1,158,453	215,466
Support services	312,676	312,676	281,530	31,146
Enterprise and community services	876,014	876,014	845,281	30,733
Contingency	5,000	5,000	-	5,000
TOTAL EXPENDITURES	2,567,609	2,567,609	2,285,264	282,345
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(47,014)	(47,014)	8,213	55,227
OTHER FINANCING SOURCES (USES):				
Transfers in	25,000	25,000	7,260	(17,740)
TOTAL OTHER FINANCING SOURCES (USES)	25,000	25,000	7,260	(17,740)
NET CHANGE IN FUND BALANCE	(22,014)	(22,014)	15,473	37,487
FUND BALANCE, July 1, 2014	22,014	22,014	168,302	146,288
FUND BALANCE, June 30, 2015	\$ -	\$ -	\$ 183,775	\$ 183,775

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2015

Actuarial Valuation	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) unit credit (b)	Unfunded (funded) AAL (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll [(b - a) / c]
7/1/2008	\$ -	\$ 435,782	\$ 435,782	0%	\$ 7,550,000	5.77%
7/1/2010	-	140,274	140,274	0%	6,636,019	2.11%
7/1/2013	-	135,113	135,113	0%	6,496,730	2.08%

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

The AAL reported above is comprised of \$36,460 for the stipend benefit AAL and \$98,653 for the implicit medical benefit.

OTHER SUPPLEMENTARY INFORMATION

**DOUGLAS COUNTY SCHOOL DISTRICT #19
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2015**

	Budget		2015 Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Local sources:				
Charges for services	\$ 1,069,482	\$ 1,069,482	\$ 1,058,433	\$ (11,049)
Interest on investments	10,000	10,000	48,892	38,892
Federal sources				
Intergovernmental	-	-	6,068	6,068
TOTAL REVENUES	1,079,482	1,079,482	1,113,393	33,911
EXPENDITURES				
Debt service	1,585,968	1,585,968	1,551,496	34,472
Contingency	742,100	742,100	-	742,100
TOTAL EXPENDITURES	2,328,068	2,328,068	1,551,496	776,572
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,248,586)	(1,248,586)	(438,103)	810,483
OTHER FINANCING SOURCES (USES):				
Transfers in	498,586	498,586	504,191	5,605
Transfers out	(250,000)	(250,000)	-	250,000
TOTAL OTHER FINANCING SOURCES (USES)	248,586	248,586	504,191	255,605
NET CHANGE IN FUND BALANCE	(1,000,000)	(1,000,000)	66,088	1,066,088
FUND BALANCE, July 1, 2014	1,000,000	1,000,000	1,016,076	16,076
Prior Period Adjustment	-	-	269,986	269,986
Fund Balance, July 1, 2014 (as restated)	1,000,000	1,000,000	1,286,062	286,062
FUND BALANCE, June 30, 2015	\$ -	\$ -	\$ 1,352,150	\$ 1,352,150

**DOUGLAS COUNTY SCHOOL DISTRICT #19
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2015**

	Budget		2015 Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES	\$	\$	\$	\$
TOTAL REVENUES	-	-	-	-
EXPENDITURES				
Current				-
Facilities acquisition and construction	400,000	400,000	346,890	53,110
TOTAL EXPENDITURES	400,000	400,000	346,890	53,110
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(400,000)	(400,000)	(346,890)	53,110
OTHER FINANCING SOURCES (USES):				
Transfers in	125,000	125,000	87,909	(37,091)
TOTAL OTHER FINANCING SOURCES (USES)	125,000	125,000	87,909	(37,091)
NET CHANGE IN FUND BALANCE	(275,000)	(275,000)	(258,981)	16,019
FUND BALANCE, July 1, 2014	275,000	275,000	258,981	(16,019)
FUND BALANCE, June 30, 2015	\$ -	\$ -	\$ -	\$ -

OTHER FINANCIAL SCHEDULES

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF PROPERTY TAX TRANSACTIONS
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Tax Year</u>	<u>Uncollected July 1, 2014</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts and Adjustments</u>	<u>Interest</u>	<u>Collections Per Treasurer</u>	<u>Uncollected June 30, 2015</u>
<u>GENERAL FUND:</u>							
Current	2014-15		<u>\$ 2,967,291</u>	<u>\$ (80,987)</u>	<u>\$ 1,522</u>	<u>\$ (2,745,266)</u>	<u>\$ 139,516</u>
Prior	2013-14	\$ 143,768	-	8,455	4,248	(69,928)	78,047
	2012-13	81,529	-	8,494	4,789	(30,653)	54,581
	2011-12	59,251	-	16,173	7,741	(31,282)	36,401
	2010-11	36,064	-	13,582	6,602	(32,578)	10,466
	2009-10	11,162	-	1,869	1,265	(3,934)	7,832
	Prior	<u>9,947</u>	<u>-</u>	<u>7,900</u>	<u>2,230</u>	<u>(8,303)</u>	<u>7,314</u>
Total prior		<u>341,721</u>	<u>-</u>	<u>56,473</u>	<u>26,875</u>	<u>(176,678)</u>	<u>194,641</u>
TOTAL GENERAL FUND		<u>\$ 341,721</u>	<u>\$ 2,967,291</u>	<u>\$ (24,514)</u>	<u>\$ 28,397</u>	<u>\$ (2,921,944)</u>	<u>\$ 334,157</u>

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

2014-15 DISTRICT AUDIT ALL FUND REVENUE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
Revenue from Local Sources							
1110 Ad Valorem Taxes Levied by District	\$ 2,918,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1120 Local Option Ad Valorem Taxes Levied by District	-	-	-	-	-	-	-
1190 Penalties and Interest on Taxes	497	-	-	-	-	-	-
1200 Revenue from Local Gov't Units Other Than Districts	-	-	-	-	-	-	-
1310 Regular Day School Tuition	2,118	-	-	-	-	-	-
1320 Adult/Continuing Education Tuition	-	-	-	-	-	-	-
1330 Summer School Tuition	-	-	-	-	-	-	-
1400 Transportation Fees	-	-	-	-	-	-	-
1500 Earnings on Investments	119	-	48,892	-	-	-	-
1600 Food Service	-	209,684	-	-	-	-	-
1700 Extracurricular Activities	32,688	255,042	-	-	-	-	-
1800 Community Services Activities	-	-	-	-	-	-	-
1910 Rentals	31,255	-	-	-	-	-	-
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	62,745	-	-	-	-	-	-
1970 Services Provided Other Funds	-	-	1,058,433	-	-	-	-
1980 Fees Charged to Grants	38,684	-	-	-	-	-	-
1990 Miscellaneous	27,421	5,861	-	-	-	-	-
Total Revenue from Local Sources	3,114,307	470,587	1,107,325				
Revenue from Intermediate Sources							
2101 County School Funds	20,107	-	-	-	-	-	-
2102 Education Service District Apportionment	-	-	-	-	-	-	-
2105 Natural Gas, Oil, and Mineral Receipts	-	-	-	-	-	-	-
2199 Other Intermediate Sources	-	-	-	-	-	-	-
2200 Restricted Revenue	50,329	-	-	-	-	-	-
2800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-
2900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-
Total Revenue from Intermediate Sources	70,436						
Revenue from State Sources							
3000 Miscellaneous	-	-	-	-	-	-	-
3100 Unrestricted Grants-in-Aid	-	-	-	-	-	-	-
3101 State School Fund - General Support	9,314,670	-	-	-	-	-	-
3102 State School Fund - School Lunch Match	-	-	-	-	-	-	-
3103 Common School Fund	136,249	-	-	-	-	-	-
3104 State Managed County Timber	-	-	-	-	-	-	-
3199 Other Unrestricted Grants-in-Aid	-	-	-	-	-	-	-
3200 Restricted Grants-in-Aid	-	-	-	-	-	-	-
3204 Driver Education	-	-	-	-	-	-	-
3222 State School Fund (SSF) Transportation Equipment	-	-	-	-	-	-	-
3299 Other Restricted Grants-in-Aid	-	4,046	-	-	-	-	-
3800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-
3900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-
Total Revenue from State Sources	9,450,919	4,046					
Revenue from Federal Sources							
4100 Unrestricted Revenue Direct From the Federal Gov't	-	-	-	-	-	-	-
4200 Unrest Rev From the Federal Gov't Through the State	-	-	-	-	-	-	-
4300 Restricted Revenue From the Federal Government	-	-	-	-	-	-	-
4500 Restricted Rev From the Fed Gov't Through the State	-	1,772,158	6,068	-	-	-	-
4700 Grants-In-Aid From the Fed Gov't Through Intermediate	-	-	-	-	-	-	-
4800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-
4801 Federal Forest Fees	188,101	-	-	-	-	-	-
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	-	46,685	-	-	-	-	-
Total Revenue from Federal Sources	188,101	1,818,843	6,068				
Revenue from Other Sources							
5100 Long Term Debt Financing Sources	-	-	-	-	-	-	-
5200 Interfund Transfers	-	7,260	504,191	87,909	-	-	-
5300 Sale of or Compensation for Loss of Fixed Assets	50	-	-	-	-	-	-
5400 Resources - Beginning Fund Balance	668,892	168,302	1,286,062	258,981	-	-	-
Total Revenue from Other Sources	668,942	175,562	1,790,253	346,890			
Grand Totals	\$ 13,492,705	\$ 2,469,038	\$ 2,903,646	\$ 346,890	\$ -	\$ -	\$ -

2014-15 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY
DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 100 General Fund

Code	Expenditure Description	100	200	300	400	500	600	700	
		Total	Salaries	P/R Costs	Purchased Services	Materials	Capital Outlay	Other Objects	Transfers & Balances
1111	Elementary Programs	\$ 1,973,458	\$ 1,273,763	\$ 607,667	\$ 49,560	\$ 42,468	\$ -	\$ -	
1113	Elementary Extracurricular	-	-	-	-	-	-	-	
1121	Middle/Junior High Programs	1,159,539	729,827	368,465	48,205	13,042	-	-	
1122	Middle/Junior High Extracurricular	83,896	56,288	11,835	3,033	7,002	-	5,738	
1131	High School Programs	1,467,640	901,998	401,824	105,628	57,437	-	753	
1132	High School Extracurricular	217,028	122,863	28,377	42,323	15,230	-	8,235	
1140	Pre-Kindergarten Programs	-	-	-	-	-	-	-	
1210	Talented & Gifted	-	-	-	-	-	-	-	
1220	Restrict Prog for Students w/Disabilities	516,362	322,339	179,684	7,233	7,106	-	-	
1250	Less Restrict Prog Students w/Disabilities	896,107	555,780	285,334	34,059	20,934	-	-	
1260	Early Intervention	-	-	-	-	-	-	-	
1271	Remediation	-	-	-	-	-	-	-	
1272	Title I	-	-	-	-	-	-	-	
1280	Alternative Education	12,700	-	-	9,200	-	-	3,500	
1291	English as a Second Language	-	-	-	-	-	-	-	
1292	Teen Parent Program	-	-	-	-	-	-	-	
1293	Migrant Education	-	-	-	-	-	-	-	
1294	Youth Corrections Education	-	-	-	-	-	-	-	
1299	Other Programs	-	-	-	-	-	-	-	
1300	Adult/Continuing Education Programs	-	-	-	-	-	-	-	
1400	Summer School Programs	7,746	5,825	1,797	-	124	-	-	
Total Instruction		6,334,476	3,968,683	1,884,983	299,241	163,343	-	18,226	
2110	Attendance & Social Work Services	44,180	29,235	14,945	-	-	-	-	
2120	Guidance Services	231,179	174,753	56,283	-	143	-	-	
2130	Health Services	3,186	-	-	2,564	622	-	-	
2140	Psychological Services	85,984	55,868	29,010	-	1,106	-	-	
2150	Speech Pathology & Audiology	126,359	84,366	35,175	4,411	2,407	-	-	
2160	Other Treatment Services	24,353	16,866	7,487	-	-	-	-	
2190	Service Direction, Student Support	-	-	-	-	-	-	-	
2210	Improvement of Instruction	-	-	-	-	-	-	-	
2220	Educational Media Services	175,585	82,567	47,597	700	44,721	-	-	
2230	Assessment & Testing	-	-	-	-	-	-	-	
2240	Instructional Staff Development	29,001	1,151	27,651	199	-	-	-	
2310	Board of Education Services	253,881	-	-	118,249	1,309	-	134,323	
2320	Executive Administration Services	180,515	125,956	47,846	5,870	843	-	-	
2410	Office of the Principal Services	1,487,942	768,317	348,172	301,118	68,901	-	1,434	
2490	Other Support Services - School Admin	-	-	-	-	-	-	-	
2510	Direction of Business Support Services	-	-	-	-	-	-	-	
2520	Fiscal Services	326,875	164,570	125,761	26,022	4,156	-	6,366	
2540	Operation & Maint of Plant Services	888,640	318,484	189,040	153,915	167,450	58,926	825	
2550	Student Transportation Services	1,066,465	-	-	972,302	94,163	-	-	
2570	Internal Services	40,997	-	-	40,997	-	-	-	
2610	Direction of Central Support Services	-	-	-	-	-	-	-	
2620	Planning, Research, Development, Eval.	-	-	-	-	-	-	-	
2630	Information Services	-	-	-	-	-	-	-	
2640	Staff Services	92,717	58,606	23,529	4,359	6,023	-	200	
2660	Technology Services	225,952	-	-	37,764	188,188	-	-	
2670	Records Management Services	-	-	-	-	-	-	-	
2690	Other Support Services	-	-	-	-	-	-	-	
2700	Supplemental Retirement Program	34,842	-	34,842	-	-	-	-	
Total Support Services		5,318,653	1,880,739	987,338	1,668,470	580,032	58,926	143,148	
3100	Food Services	-	-	-	-	-	-	-	
3200	Other Enterprise Services	-	-	-	-	-	-	-	
3300	Community Services	-	-	-	-	-	-	-	
3500	Custody & Care of Children Services	-	-	-	-	-	-	-	
Total Enterprise and Community Services		-	-	-	-	-	-	-	
4110	Service Area Direction	-	-	-	-	-	-	-	
4120	Site Acquisition & Development Services	-	-	-	-	-	-	-	
4150	Bldg Acquisition, Construction & Improv.	-	-	-	-	-	-	-	
4190	Other Facilities Construction Services	-	-	-	-	-	-	-	
Total Facilities Acquisition and Construction		-	-	-	-	-	-	-	
5100	Debt Service	-	-	-	-	-	-	-	
5200	Transfers to Other Funds	599,360	-	-	-	-	-	599,360	
5300	Apportionment of Funds by ESD	-	-	-	-	-	-	-	
6000	Contingencies	-	-	-	-	-	-	-	
7000	Unappropriated Ending Fund Balance	-	-	-	-	-	-	-	
Total Requirements and Balances		\$ 12,252,489	\$ 5,849,422	\$ 2,872,321	\$ 1,967,711	\$ 743,375	\$ 58,926	\$ 161,374	\$ 599,360

2014-15 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 200 Special Revenue Fund

Code	Expenditure Description	100	200	300	400	500	600	700
		Total	Salaries	P/R Costs	Purchased Services	Materials	Capital Outlay	Other Objects
1111	Elementary Programs	\$ 56,003	\$ -	\$ -	\$ -	\$ 56,003	\$ -	\$ -
1113	Elementary Extracurricular	-	-	-	-	-	-	-
1121	Middle/Junior High Programs	39,547	4,778	1,473	3,000	30,296	-	-
1122	Middle/Junior High Extracurricular	-	-	-	-	-	-	-
1131	High School Programs	173,845	3,823	1,159	270	166,193	-	2,400
1132	High School Extracurricular	-	-	-	-	-	-	-
1140	Pre-Kindergarten Programs	-	-	-	-	-	-	-
1210	Talented & Gifted	-	-	-	-	-	-	-
1220	Restrict Prog for Students w/Disabilities	85,077	55,115	29,079	-	883	-	-
1250	Less Restrict Prog Students w/Disabilities	127,548	68,836	37,876	2,218	18,618	-	-
1260	Early Intervention	-	-	-	-	-	-	-
1271	Remediation	-	-	-	-	-	-	-
1272	Title I	676,433	449,276	183,931	12,588	30,638	-	-
1280	Alternative Education	-	-	-	-	-	-	-
1291	English as a Second Language	-	-	-	-	-	-	-
1292	Teen Parent Program	-	-	-	-	-	-	-
1293	Migrant Education	-	-	-	-	-	-	-
1294	Youth Corrections Education	-	-	-	-	-	-	-
1299	Other Programs	-	-	-	-	-	-	-
1300	Adult/Continuing Education Programs	-	-	-	-	-	-	-
1400	Summer School Programs	-	-	-	-	-	-	-
Total Instruction		1,158,453	581,828	253,518	18,076	302,631	-	2,400
2110	Attendance & Social Work Services	-	-	-	-	-	-	-
2120	Guidance Services	-	-	-	-	-	-	-
2130	Health Services	-	-	-	-	-	-	-
2140	Psychological Services	-	-	-	-	-	-	-
2150	Speech Pathology & Audiology	-	-	-	-	-	-	-
2160	Other Treatment Services	-	-	-	-	-	-	-
2190	Service Direction, Student Support	65,298	44,930	19,564	804	-	-	-
2210	Improvement of Instruction	36,474	25,432	11,042	-	-	-	-
2220	Educational Media Services	-	-	-	-	-	-	-
2230	Assessment & Testing	-	-	-	-	-	-	-
2240	Instructional Staff Development	102,111	34,793	16,786	48,395	687	-	1,450
2310	Board of Education Services	-	-	-	-	-	-	-
2320	Executive Administration Services	-	-	-	-	-	-	-
2410	Office of the Principal Services	-	-	-	-	-	-	-
2490	Other Support Services - School Admin	77,647	26,985	11,978	-	-	-	38,684
2510	Direction of Business Support Services	-	-	-	-	-	-	-
2520	Fiscal Services	-	-	-	-	-	-	-
2540	Operation & Maint of Plant Services	-	-	-	-	-	-	-
2550	Student Transportation Services	-	-	-	-	-	-	-
2570	Internal Services	-	-	-	-	-	-	-
2610	Direction of Central Support Services	-	-	-	-	-	-	-
2620	Planning, Research, Development, Evaluation	-	-	-	-	-	-	-
2630	Information Services	-	-	-	-	-	-	-
2640	Staff Services	-	-	-	-	-	-	-
2660	Technology Services	-	-	-	-	-	-	-
2670	Records Management Services	-	-	-	-	-	-	-
2690	Other Support Services	-	-	-	-	-	-	-
2700	Supplemental Retirement Program	-	-	-	-	-	-	-
Total Support Services		281,530	132,140	59,370	49,199	687	-	40,134
3100	Food Services	840,938	233,928	139,956	24,154	438,558	-	4,342
3200	Other Enterprise Services	-	-	-	-	-	-	-
3300	Community Services	4,343	-	-	-	4,343	-	-
3500	Custody & Care of Children Services	-	-	-	-	-	-	-
Total Enterprise and Community Services		845,281	233,928	139,956	24,154	442,901	-	4,342
4110	Service Area Direction	-	-	-	-	-	-	-
4120	Site Acquisition & Development Services	-	-	-	-	-	-	-
4150	Bldg Acquisition, Construction & Improvement	-	-	-	-	-	-	-
4190	Other Facilities Construction Services	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction		-	-	-	-	-	-	-
5100	Debt Service	-	-	-	-	-	-	-
5200	Transfers to Other Funds	-	-	-	-	-	-	-
5300	Apportionment of Funds by ESD	-	-	-	-	-	-	-
6000	Contingencies	-	-	-	-	-	-	-
7000	Unappropriated Ending Fund Balance	-	-	-	-	-	-	-
Total Requirements and Balances		\$ 2,285,264	\$ 947,896	\$ 452,844	\$ 91,429	\$ 746,219	\$ -	\$ 46,876

2014-15 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 300 Debt Service Fund

Code	Expenditure Description	100	200	300	400	500	600	700
		Total	Salaries	P/R Costs	Purchased Services	Materials	Capital Outlay	Other Objects
1111	Elementary Programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1112	Intermediate Programs	-	-	-	-	-	-	-
1113	Elementary Extracurricular	-	-	-	-	-	-	-
1121	Middle/Junior High Programs	-	-	-	-	-	-	-
1122	Middle/Junior High Extracurricular	-	-	-	-	-	-	-
1131	High School Programs	-	-	-	-	-	-	-
1132	High School Extracurricular	-	-	-	-	-	-	-
1140	Pre-Kindergarten Programs	-	-	-	-	-	-	-
1210	Talented & Gifted	-	-	-	-	-	-	-
1220	Restrict Prog for Students w/Disabilities	-	-	-	-	-	-	-
1250	Less Restrict Prog Students w/Disabilities	-	-	-	-	-	-	-
1260	Early Intervention	-	-	-	-	-	-	-
1271	Remediation	-	-	-	-	-	-	-
1272	Title I	-	-	-	-	-	-	-
1280	Alternative Education	-	-	-	-	-	-	-
1291	English as a Second Language	-	-	-	-	-	-	-
1292	Teen Parent Program	-	-	-	-	-	-	-
1293	Migrant Education	-	-	-	-	-	-	-
1294	Youth Corrections Education	-	-	-	-	-	-	-
1299	Other Programs	-	-	-	-	-	-	-
1300	Adult/Continuing Education Programs	-	-	-	-	-	-	-
1400	Summer School Programs	-	-	-	-	-	-	-
Total Instruction		-	-	-	-	-	-	-
2110	Attendance & Social Work Services	-	-	-	-	-	-	-
2120	Guidance Services	-	-	-	-	-	-	-
2130	Health Services	-	-	-	-	-	-	-
2140	Psychological Services	-	-	-	-	-	-	-
2150	Speech Pathology & Audiology	-	-	-	-	-	-	-
2160	Other Treatment Services	-	-	-	-	-	-	-
2190	Service Direction, Student Support	-	-	-	-	-	-	-
2210	Improvement of Instruction	-	-	-	-	-	-	-
2220	Educational Media Services	-	-	-	-	-	-	-
2230	Assessment & Testing	-	-	-	-	-	-	-
2240	Instructional Staff Development	-	-	-	-	-	-	-
2310	Board of Education Services	-	-	-	-	-	-	-
2320	Executive Administration Services	-	-	-	-	-	-	-
2410	Office of the Principal Services	-	-	-	-	-	-	-
2490	Other Support Services - School Admin	-	-	-	-	-	-	-
2510	Direction of Business Support Services	-	-	-	-	-	-	-
2520	Fiscal Services	-	-	-	-	-	-	-
2540	Operation & Maint of Plant Services	-	-	-	-	-	-	-
2550	Student Transportation Services	-	-	-	-	-	-	-
2570	Internal Services	-	-	-	-	-	-	-
2610	Direction of Central Support Services	-	-	-	-	-	-	-
2620	Planning, Research, Development, Evaluation	-	-	-	-	-	-	-
2630	Information Services	-	-	-	-	-	-	-
2640	Staff Services	-	-	-	-	-	-	-
2660	Technology Services	-	-	-	-	-	-	-
2670	Records Management Services	-	-	-	-	-	-	-
2690	Other Support Services	-	-	-	-	-	-	-
2700	Supplemental Retirement Program	-	-	-	-	-	-	-
Total Support Services		-	-	-	-	-	-	-
3100	Food Services	-	-	-	-	-	-	-
3200	Other Enterprise Services	-	-	-	-	-	-	-
3300	Community Services	-	-	-	-	-	-	-
3500	Custody & Care of Children Services	-	-	-	-	-	-	-
Total Enterprise and Community Services		-	-	-	-	-	-	-
4110	Service Area Direction	-	-	-	-	-	-	-
4120	Site Acquisition & Development Services	-	-	-	-	-	-	-
4150	Bldg Acquisition, Construction & Improvement	-	-	-	-	-	-	-
4190	Other Facilities Construction Services	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction		-	-	-	-	-	-	-
5100	Debt Service	1,551,496	-	-	-	-	1,551,496	-
5200	Transfers to Other Funds	-	-	-	-	-	-	-
5300	Apportionment of Funds by ESD	-	-	-	-	-	-	-
6000	Contingencies	-	-	-	-	-	-	-
7000	Unappropriated Ending Fund Balance	-	-	-	-	-	-	-
Total Requirements and Balances		\$ 1,551,496	\$ -	\$ -	\$ -	\$ -	\$ 1,551,496	\$ -

2014-15 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19

Fund: 400 Capital Projects Fund

Code	Expenditure Description	100		200		300		400		500		600		700	
		Total	Salaries	P/R Costs	Purchased Services	Materials	Capital Outlay	Other Objects	Transfers & Balances						
1111	Elementary Programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1112	Intermediate Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1113	Elementary Extracurricular	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1121	Middle/Junior High Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1122	Middle/Junior High Extracurricular	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1131	High School Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1132	High School Extracurricular	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1140	Pre-Kindergarten Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1210	Talented & Gifted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1220	Restrict Prog for Students w/Disabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250	Less Restrict Prog Students w/Disabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1260	Early Intervention	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1271	Remediation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1272	Title I	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1280	Alternative Education	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1291	English as a Second Language	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1292	Teen Parent Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1293	Migrant Education	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1294	Youth Corrections Education	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1299	Other Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1300	Adult/Continuing Education Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1400	Summer School Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Instruction		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2110	Attendance & Social Work Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2120	Guidance Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2130	Health Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2140	Psychological Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2150	Speech Pathology & Audiology	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2160	Other Treatment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2190	Service Direction, Student Support	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2210	Improvement of Instruction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2220	Educational Media Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2230	Assessment & Testing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2240	Instructional Staff Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2310	Board of Education Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2320	Executive Administration Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2410	Office of the Principal Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2490	Other Support Services - School Admin	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2510	Direction of Business Support Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2520	Fiscal Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2540	Operation & Maint of Plant Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2550	Student Transportation Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2570	Internal Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2610	Direction of Central Support Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2620	Planning, Research, Development, Eval.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2630	Information Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2640	Staff Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2660	Technology Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2670	Records Management Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2690	Other Support Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2700	Supplemental Retirement Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Support Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	Food Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	Other Enterprise Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	Community Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3500	Custody & Care of Children Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Enterprise and Community Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4110	Service Area Direction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4120	Site Acquisition & Development Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4150	Bldg Acquisition, Construction & Imprv.	346,890	-	-	29,102	-	-	317,462	-	326	-	-	-	-	-
4190	Other Facilities Construction Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction		346,890	-	-	29,102	-	-	317,462	-	326	-	-	-	-	-
5100	Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5200	Transfers to Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5300	Apportionment of Funds by ESD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6000	Contingencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7000	Unappropriated Ending Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Requirements and Balances		\$ 346,890	\$ -	\$ -	\$ 29,102	\$ -	\$ -	\$ 317,462	\$ 326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPLEMENTAL INFORMATION 2014-15

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	\$	232,578
Function 2550	\$	-

B. Replacement of Equipment - General Fund:

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

\$	59,107
----	--------

Exclude these functions:	Exclude these functions:
1113, 1122 & 1132 Co-curricular Activities	4150 Construction
1140 Pre-kindergarten	2550 Pupil Transportation
1300 Continuing Education	3100 Food Service
1400 Summer School	3300 Community Services



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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited the basic financial statements of Douglas County School District No. 19 (the District) as of and for the year ended June 30, 2015, and have issued our report thereon dated December 29, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our audit, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

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

Stewart C. Parmele CPA, Partner

Stewart C. Parmele CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 29, 2015

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Douglas County School District No. 19 (the District) as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-1.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Stewart C. Parmele CPA, Partner

Stewart C. Parmele CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 29, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited Douglas County School District No. 19 (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, 2015. The District's major federal programs are identified in the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-1 to be a significant deficiency.

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

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Stewart C. Parmele CPA, Partner

Stewart C. Parmele CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 29, 2015

DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Grant Award	Balance June 30, 2014	Receipts	Expenditures	(Receivable)/ Deferred Balance 6/30/2015
U.S. Department of Education:							
Passed Through Oregon Department of Education:							
TITLE I	84.010	32690	\$ 677,371	-	332,135	(582,225)	(250,090)
TITLE I	84.010	28228	690,201	(178,566)	342,698	(164,132)	-
Program total				(178,566)	674,833	(746,357)	(250,090)
Special Education Grants - IDEA	84.027	33385	317,275	-	122,906	(216,988)	(94,082)
Special Education Grants - IDEA	84.027	28558	300,025	(73,695)	145,104	(71,409)	-
Special Education Grants - IDEA Enhancement	84.027	33812	2,652	-	-	(1,870)	(1,870)
Special Education Grants - IDEA Enhancement	84.027	29887	2,652	(745)	745	-	-
Special Education Grants-SPRI	84.027	32231	2,050	-	104	(873)	(769)
Special Education Grants-SPRI	84.027	28005	2,025	(1,409)	1,409	-	-
Program total				(75,849)	270,268	(291,140)	(96,721)
Special Education Grants - IDEA	84.173	33539	3,672	-	3,672	(3,672)	-
Program total				-	3,672	(3,672)	-
Title IIA Improving Teacher Quality	84.367	33014	115,226	-	57,192	(96,652)	(39,460)
Title IIA Improving Teacher Quality	84.367	28750	112,297	(46,431)	55,852	(9,421)	-
Program total				(46,431)	113,044	(106,073)	(39,460)
Title VI Rural and Low Income Schools	84.358	33865	26,630	-	-	(19,538)	(19,538)
Program total				-	-	(19,538)	(19,538)
Passed through Douglas Education Service District:							
Perkins Basic	84.048	DESD	12,279	-	7,616	(12,279)	(4,663)
Perkins Basic	84.048	DESD	8,258	(3,127)	3,127	-	-
Program total				(3,127)	10,743	(12,279)	(4,663)
Passed through Oregon University System:							
Gear Up	84.334S	U of O	25,000	-	2,940	(18,287)	(15,347)
Gear Up	84.334S	U of O	51,166	(15,356)	35,040	(19,684)	-
Program total				(15,356)	37,980	(37,971)	(15,347)
Total Department of Education				(319,329)	1,110,540	(1,217,030)	(425,819)
U.S. Department of Agriculture							
Passed Through Oregon Department of Education:							
Food Distribution Program	10.550	2014-15		-	46,501	(46,501)	-
School Breakfast Program	10.553	2014-15		(28,213)	154,752	(149,645)	(23,106)
National School Lunch	10.555	2014-15		(68,771)	387,105	(375,457)	(57,123)
National School Lunch - Summer	10.559	2014-15		(4,840)	29,144	(30,214)	(5,910)
Program total				(101,824)	617,502	(601,817)	(86,139)
Passed through Douglas ESD:							
Federal Forest Fees	10.666	2014-15		-	188,101	(188,101)	-
Program total				-	188,101	(188,101)	-
Total Department of Agriculture				(101,824)	805,603	(789,918)	(86,139)
Total Federal Financial Assistance				\$ (421,153)	1,916,143	(2,006,948)	(511,958)

Note A - Significant accounting policies

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

Note B - Food distribution

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

Note C - Interest Subsidy Payment Received

During 2005-06 fiscal year, the District received a Qualified School Construction Bond for \$500,000. During this fiscal year, the District received \$6,068 in an interest subsidy from the U.S. Treasury, which was paid directly to US Bank to be used to reduce future debt service payments made by the District. During the 2011-12 fiscal year, the District received a Qualified School Construction Bond for \$350,000. During the fiscal year, the District received \$16,188 in an interest subsidy from the U.S. Treasury, which was paid directly to the Bank of New York Mellon Trust Company to be used to reduce future debt service payments made by the District.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2015**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Douglas County School District No. 19.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the district were disclosed during the audit.

Federal Awards

4. One significant deficiency relating to the audit of one major federal award program was reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 expressed an unmodified opinion.
6. The audit disclosed findings which the auditor is required to be report under Section 510(a) of OMB Circular A-133.
7. The program tested as major programs include:

U.S. Department of Education – IDEA cluster	CFDA # 84.027; 84.173
U.S. Department of Education – Title IIA	CFDA # 84.367
U.S. Department of Agriculture – Federal Forest Fees	CFDA # 10.666
8. The threshold for distinguishing Types A and B Programs was \$300,000 and \$100,000 respectively.
9. Douglas County School District No. 19 qualified as a low-risk auditee under the criteria specified in OMB Circular A-133.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

Department of Education

IDEA cluster CFDA #84.027; 84.173
Grant period – Year ended June 30, 2015

Type: Significant Deficiency in internal control over compliance

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2015**

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT
(CONTINUED)**

2015-1 Time and Effort Documentation

Criteria: In accordance with OMB Circular A-87, the costs of compensation for personnel services are allowable if adequate support exists. When employees are expected to work solely on a single Federal Award or cost objective, charges for their salary and/or wages must be supported by at least semi-annual certifications that the employee worked solely on that program or cost objective. When the employee works on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

Statement of Condition: There was a lack of semi-annual certifications documenting that the employees were engaged solely on that program or cost objective.

Cause: Management did not submit Semi-Annual Certification's for single cost object employees.

Effect or Potential Effect: The lack of the time and effort semi-annual certifications could result in the District having to pay back monies received under this Federal program.

Questioned Costs: No question costs. In December 2015, management provided confirmation that the questioned employees did in fact work on IDEA for fiscal 2015.

Perspective Information: The identified instances of noncompliance may have an impact to the District because the District may have to refund the granting agency for those related payroll expenditures.

Recommendations: We recommend the District complete the process of semi-annual certifications documenting time charges for each federal program.

Response:

The District's leadership team took the following corrective action:

- Review time and effort process and progress with administrators during meetings throughout the year.
- Review time and effort procedures during the annual meeting with Federal Program Coordinators.
- Regular and recurring review of time and effort documentation throughout the year by District Office staff.