

DALLAS SCHOOL DISTRICT NO. 2
POLK COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



12700 SW 72nd Ave.
Tigard, OR 97223

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2013

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DALLAS SCHOOL DISTRICT
DALLAS, OREGON

BOARD OF DIRECTORS 2012-13

Michael Bollman, Chair	June 2015
Mike Blanchard	June 2013
Jon Woods	May 2013
LuAnn Meyer	June 2013
Matt Posey	June 2015

ADMINISTRATION

Christy M. Perry, Superintendent
Tami Montague, Business Manager

Board members receive mail at the District address listed below.

Dallas School District
111 SW Ash Street
Dallas, Oregon 97338

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DALLAS SCHOOL DISTRICT
DALLAS, OREGON

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DALLAS SCHOOL DISTRICT
DALLAS, OREGON

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October 29, 2013

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Dallas School District
Polk County, Oregon**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dallas School District, Dallas, Oregon, (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' 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 auditors' 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 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 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.

Basis for Modified Opinion

Management has not obtained an actuarial valuation of the post-employment benefit obligation related to the early retirement plan. Accounting principles generally accepted in the United States of America require that actuarially determined annual required contributions related to postemployment benefits, other than retirement benefits, attributable to employee services already rendered be recorded as expenses as employees earn the benefits, which, if not funded would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect net position, liabilities and expenses of the government-wide financial statements is not reasonably determinable.

Modified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Modified Opinion” above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dallas School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013. Our opinion 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, and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information 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 Schedule of Funding Progress and Employer Contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal expenditures 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 supplementary information, as listed in the table of contents, and the schedule of expenditures of federal expenditures 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 supplementary information, as listed in the table of contents, and the schedule of federal expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, 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.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 29, 2013 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 29, 2013, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

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DALLAS SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Dallas School District No. 2, Dallas, Oregon, we offer readers this narrative overview and analysis of the financial activities of the district for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the Basic Financial Statements, which follow this MD&A.

FINANCIAL HIGHLIGHTS

- At June 30, 2013, the District's total fund balances equal \$2,650,848
- The District's general fund ending balance of \$1,496,059 represents 6.4% of total general fund revenues.
- The District has \$19,077,278 invested in capital assets, net of depreciation.
- District net position increased by \$1,615,531 to \$15,606,943.

OVERVIEW OF THE FINANCIAL STATEMENTS

The School District's annual report consists of a series of financial statements that show information for the District as a whole and its funds. The Statement of Net Position and the Statement of Activities provides information about the activities of the District and presents a longer-term view of the District's finances. Our fund financial statements are included later in the financial report. For our governmental activities, these statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the District's overall financial health. Fund financial statements also report the District's operations in more detail than the government-wide financial statements by providing information about the District's major funds, the general fund and the special grants and revenues fund.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements present information on the District's finances in a manner similar to private sector businesses. One of the most important questions asked about the District is, "Is the District better off or worse off financially as a result of the year's activities." The Statement of Net Position and Statement of Activities report information on the District as a whole and its activities in a way that helps answer this question. We prepared these statements to include all assets and liabilities, using the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position shows the District's assets and liabilities, with the difference between the two reported as net position. Capital assets and long-term liabilities are shown in the Statement of Net Position. Over time increases or decreases in net position may serve as a useful indication of whether the District's financial position is improving or deteriorating.

The Statement of Activities shows revenues, expenses, and the change in net position for the District as a whole. Revenues and expenses attributable to specific functions are segregated from general revenues, to display the extent to which general revenues support each function. This statement presents information showing how the District's net position changed during the most recent fiscal year.

FUND FINANCIAL STATEMENTS

Governmental funds account for the same functions as reported as governmental activities in the government-wide financial statements. The governmental fund reporting focuses on how money flows in and out of funds and the balances left at year end that are available for spending. They are reported using the accounting method called "modified accrual" accounting, which measures cash and all other financial assets that can readily be converted to cash. This information is essential for preparation of and compliance with annual budgets. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the

Statement of Activities) and governmental funds in reconciliations following the governmental funds statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets, liabilities and net position as of June 30, 2012 and June 30, 2013 are as follows (details on pg. 4):

	2012	2013	Difference	%
Assets				
Current and other assets	\$ 5,455,396	\$ 5,160,796	\$ (294,600)	-5.7%
Capital assets (net)	19,166,132	19,077,278	(88,854)	-0.5%
Total assets	24,621,528	24,238,074	(383,454)	-1.6%
Liabilities				
Other liabilities	3,965,116	4,111,131	146,015	3.6%
Long-term liabilities	6,665,000	4,520,000	(2,145,000)	-47.5%
Total liabilities	10,630,116	8,631,131	(1,998,985)	-23.2%
Net Position				
Investment in capital assets, net of related debt	10,422,541	12,412,278	1,989,737	16.0%
Net position: restricted	947,266	1,153,398	206,132	17.9%
Net position: unrestricted	2,621,605	2,041,267	(580,338)	-28.4%
Total net position	\$ 13,991,412	\$ 15,606,943	\$ 1,615,531	10.4%

The District's General Fund revenues and expenses for fiscal year 2012-2013, as compared to fiscal year 2011-2012 are as follows (details on pg. 5):

	2012	2013	Difference	%
Revenues				
Charges for Services	\$ 563,770	\$ 304,819	\$ (258,951)	-85.0%
Operating Grants	4,022,409	2,683,931	(1,338,478)	-49.9%
General Revenues				
Property Taxes	7,687,931	7,730,070	42,139	0.5%
State Revenue Sharing	16,832,190	16,937,143	104,953	0.6%
Miscellaneous	1,325,373	1,594,082	268,709	16.9%
Total Revenues	\$ 30,431,673	\$ 29,250,045	\$ (1,181,628)	-4.0%
Expenses				
Instruction	16,709,935	16,772,684	\$ 62,749	0.4%
Support Services	9,611,447	9,919,647	308,200	3.1%
Community Services	850,472	861,329	10,857	1.3%
Depreciation	-	-	-	-
Interest on Long-Term Debt	186,053	80,854	(105,199)	-130.1%
Total Expenses	\$ 27,357,907	\$ 27,634,514	\$ 276,607	1.0%
Change in Net Position	3,073,766	1,615,531	(1,458,235)	-90.3%
Beginning Net Position	10,917,646	13,991,412	3,073,766	22.0%
Ending Net Position	\$ 13,991,412	\$ 15,606,943	\$ 1,615,531	10.4%

The district's cash position remains steady. Cash and cash equivalents decreased slightly to \$3,889,940 down \$489,628 from June 30, 2012.

Ending net position as of June 30, 2013 reflected a \$1,615,531 (10.4%) increase over ending net position on June 30, 2012. Large percentage changes in the detail of these reports are due primarily to revenue and expenditures associated with voter approved capital repair project activity around the district.

FUND FINANCIAL ANALYSIS

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Unreserved fund balance measures the District's net resources available for appropriation in the next fiscal year. As of June 30, 2013, total fund balance of the governmental funds was \$2,650,848. These amounts are available to use, in accordance with applicable restrictions on the nature of the expenditures.

Summary of Ending Fund Balances for 2012 and 2013 are as follows (details on pg.6):

	6/30/2012	6/30/2013
General Fund	\$ 2,093,384	\$ 1,496,059
Capital Projects Fund	509,054	524,877
Other Governmental Funds	301,061	324,493
Debt Service Fund	138,134	305,419
	\$ 3,041,633	\$ 2,650,848

CAPITAL ASSETS

Capital assets are those items that are valued at \$5000 and above, either singly or when purchased in bulk. Capital assets were valued as follows on June 30, 2012 and June 30, 2013 (details on pg. 19):

	6/30/2012	6/30/2013
Land and land improvements	\$ 121,067	\$ 121,067
Buildings	14,838,212	14,887,853
Equipment	5,624,437	5,832,940
Construction in Progress	9,375,887	9,502,014
Accumulated Depreciation	(10,852,062)	(11,266,596)
	\$ 19,107,541	\$ 19,077,278

At June 30, 2013 the District had \$19,077,278 invested in a broad range of capital assets, including land, buildings, and equipment. Equipment increased by \$208,503 reflecting district capitalized technology purchases and maintenance equipment. A Capital Improvement bond was passed by voters in November 2009 and most of the projects were completed during 2011-12 fiscal year.

DEBT ADMINISTRATION

As of June 30, 2013 the District had \$6,665,000 in debt obligation outstanding including the district voter approved general obligation bond (Series 2010) for \$8,600,000 fully maturing in 2016. In the current year the District retired \$2,020,000 in general obligation debt. Please see notes to the Basic Financial Statements on page 20 for debt maturity details.

REQUESTS FOR INFORMATION

This financial report is designed to provide our stakeholders, investors and creditors with an overview of the District's finances. If you have any questions about this report or need any clarification of information please contact the Business Office at Dallas School District No. 2, 111 SW Ash St., Dallas Oregon 97338.

Respectfully submitted

A handwritten signature in cursive script that reads "Tamira Montague".

Tamira Montague, Business Manager

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Cash and Investments	\$ 3,889,940
Receivables:	
Accounts and Grants	551,192
Property Taxes	718,273
Supplies Inventories	1,391
Capital Assets - Nondepreciable	9,623,081
Capital Assets - Depreciable, Net of Depreciation	9,454,197
	<hr/>
Total Assets	24,238,074
	<hr/>
LIABILITIES:	
Accounts Payable	228,576
Accrued Salaries and Benefits	1,123,310
Unearned Revenue	576,143
Accrued Vacation Payable	37,049
Interest Payable	1,053
Noncurrent Liabilities	
Due within one year	2,145,000
Due in more than one year	4,520,000
	<hr/>
Total Liabilities	8,631,131
	<hr/>
NET POSITION:	
Net Investment in Capital Assets	12,412,278
Restricted for:	
Capital Projects	524,877
Student Activity	276,503
Food Service	46,599
Debt Service	305,419
Unrestricted	2,041,267
	<hr/>
Total Net Position	\$ 15,606,943
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

Functions/Programs	Expense	PROGRAM REVENUES		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 16,772,684	\$ 93,684	\$ 1,296,550	\$ (15,382,450)
Support Services	9,919,647	16,016	723,296	(9,180,335)
Community Services	861,329	195,119	664,085	(2,125)
Interest on Long-Term Debt	80,854	-	-	(80,854)
Total Governmental Activities	<u>\$ 27,634,514</u>	<u>\$ 304,819</u>	<u>\$ 2,683,931</u>	<u>(24,645,764)</u>

GENERAL REVENUES:

Property Taxes, Levied for Operations	5,515,254
Property Taxes, Levied for Debt Service	2,214,816
State Sources	16,937,143
Other State and Local Sources	1,028,126
Other Intermediate Sources	524,027
Investment Earnings	41,929

Total General Revenues

26,261,295

Changes in Net Position

1,615,531

Net Position - Beginning

13,991,412

Net Position - Ending

\$ 15,606,943

See accompanying notes to the basic financial statements.

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013**

	<u>GENERAL FUND</u>	<u>SPECIAL GRANTS AND REVENUES FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS:				
Cash and Investments	\$ 2,608,975	\$ 148,284	\$ 1,132,681	\$ 3,889,940
Inventory	-	-	1,391	1,391
Receivables				
Accounts and Grants	11,272	5,103	-	16,375
Property Taxes	515,212	-	203,061	718,273
Intergovernmental Accounts	46,435	391,425	96,957	534,817
Total Assets	\$ 3,181,894	\$ 544,812	\$ 1,434,090	\$ 5,160,796
LIABILITIES, AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 100,206	\$ 14,869	\$ 113,501	\$ 228,576
Accrued Salaries and Benefits	1,123,310	-	-	1,123,310
Interest Payable	-	-	1,053	1,053
Unearned Revenue	462,319	529,943	164,747	1,157,009
Total Liabilities	1,685,835	544,812	279,301	2,509,948
Fund Balances (Deficit):				
Non-spendable	-	-	1,391	1,391
Restricted for:				
Capital Projects	-	-	524,877	524,877
Student Activity	-	-	276,503	276,503
Food Service	-	-	46,599	46,599
Debt Service	-	-	305,419	305,419
Committed	113,797	-	-	113,797
Unassigned	1,382,262	-	-	1,382,262
Total Fund Balances (Deficit)	1,496,059	-	1,154,789	2,650,848
Total Liabilities and Fund Balances	\$ 3,181,894	\$ 544,812	\$ 1,434,090	\$ 5,160,796

See accompanying notes to the basic financial statements.

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2013

TOTAL FUND BALANCES-GOVERNMENTAL FUNDS	\$	2,650,848
Capital assets are not financial resources and therefore are not reported in the governmental funds.		
Cost	\$	30,343,874
Accumulated Depreciation		<u>(11,266,596)</u>
		19,077,278
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.		
Deferred Revenue Related To Property Taxes.		580,866
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
Long term Liabilities:		
Accrued Vacation Payable		(37,049)
General Obligation Bonds Payable & Flexfund Note Payable		<u>(6,665,000)</u>
		<u>(6,702,049)</u>
TOTAL NET POSITION	\$	<u>15,606,943</u>

See accompanying notes to the basic financial statements.

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013**

	GENERAL FUND	SPECIAL GRANTS AND REVENUES FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local Sources	\$ 6,075,619	\$ 109,562	\$ 3,052,352	\$ 9,237,533
Intermediate Sources	248,899	275,128	-	524,027
State Sources	17,010,230	262,494	158,011	17,430,735
Federal Sources	5,212	1,471,129	640,433	2,116,774
Total Revenues	23,339,960	2,118,313	3,850,796	29,309,069
EXPENDITURES:				
Current:				
Instruction	14,364,588	1,603,692	603,932	16,572,212
Support Services	9,301,630	499,452	-	9,801,082
Community Services	-	15,169	835,865	851,034
Facilities Acquisition	-	-	28,126	28,126
Capital Outlay	242,734	-	103,812	346,546
Debt Service	-	-	2,100,854	2,100,854
Total Expenditures	23,908,952	2,118,313	3,672,589	29,699,854
Excess of Revenues Over (Under) Expenditur	(568,992)	-	178,207	(390,785)
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	28,333	28,333
Transfer Out	(28,333)	-	-	(28,333)
Total Other Financing Sources (Uses)	(28,333)	-	28,333	-
Net Change in Fund Balance	(597,325)	-	206,540	(390,785)
Beginning Fund Balance	2,093,384	-	948,249	3,041,633
Ending Fund Balance	\$ 1,496,059	\$ -	\$ 1,154,789	\$ 2,650,848

See accompanying notes to the basic financial statements.

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2013

TOTAL NET CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS \$ (390,785)

Governmental 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 capital outlays exceeded depreciation expense in the current period:

Expenditures for capital assets	\$ 384,271	
Less current year depreciation	<u>(414,534)</u>	(30,263)

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

2,020,000

Decrease in OPEB liability
Decrease in OPEB asset

135,627
(58,591)

Inventory in the Statement of Activities differs from the amount reported in the governmental funds because inventory is recognized as an expenditure in the funds when it is purchased, and thus requires the use of current financial resources. In the Statement of Activities, however, inventory is recognized when actually used.

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.

(59,025)

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

(1,432)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 1,615,531

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of American (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

A. The Financial Reporting Entity

Dallas School District (the District) is a municipal corporation governed by an elected five member Board of Directors. Administration officials are approved by the Board. The daily functioning is under the supervision of the Superintendent-Clerk. As required by generally accepted accounting principles, all activities have been included in these financial statements.

The District was organized for the purpose of educating children residing within the boundaries of the District in assuring excellent and equitable educational opportunities and outcomes for all students. In carrying out this mission, the District provides programs and services that reflect documented educational needs and that are most cost-effectively delivered on a regional basis.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts which provide services. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements, in accordance with GASB 61.

B. Government-wide and Fund Financial Statements

The Statement of Net Position and Statement of Activities display information as a whole.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program Revenues included in the Statement of Activities derive directly from the program itself or from parties outside taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the general revenues.

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All direct expenses are reported by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities.

The accounts are organized and operated on the basis of funds. A fund is an independent self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

GOVERNMENTAL FUND TYPES

Governmental funds are used to account for general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property tax revenue and proceeds from sale of property are not considered available and, therefore, are not recognized until received. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, interfund transactions, and certain compensated absences and claims and judgments which are recognized as expenditures because they will be liquidated with expendable financial resources.

Revenues susceptible to accrual are interest, state, county and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Financial operations are accounted for in the following major funds:

General Fund

This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. The principal revenue sources are property taxes and an apportionment from the State of Oregon School Support Fund. Expenditures in this fund are made for instruction, supporting services, community services and interest.

Special Grants and Revenues Fund

This fund accounts for revenue and expenditures restricted for specific education projects or programs. The principal revenue source is federal grants and other local sources.

Other Governmental Funds

The Other Governmental Funds account for the aggregate of all non-major governmental funds.

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds Rolled Into the General Fund for GASB 54 Purposes

As discussed at Note 1(D), financial statements for periods beginning after June 15, 2010 must report as Special Revenue funds only those which have a substantial portion of revenue inflows from restricted or committed revenue sources. The following fund is combined into the General Fund because the primary revenue source is transfers from the General Fund or there is no revenue to report.

Facilities Maintenance and Repair Fund

This fund was established for the purpose of accumulating funds to pay for maintenance and repair of capital assets. It is funded by transfers from the General Fund, interest earned on investments, and facility rentals.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental funds are accounted for on a spending measurement focus. Only current assets and current liabilities are generally included in their balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position.

The 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes associated with the current fiscal period, are considered to be susceptible to accrual, if received in cash by the District or a County collecting such taxes within 60 days after year-end. All other revenue items are recognized in the accounting period when they become both measurable and available.

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of ninety days or less from the date of acquisition. At June 30, 2013, short-term investments consist of the local government investment pool. Investments are stated at cost, which approximates market. The local government investment pool operates in accordance with appropriate state laws and regulations.

Property Taxes

Property taxes are levied on all taxable property as of July 1, the beginning of the fiscal year, and become a lien on that date. Property taxes are payable on 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 15 are considered delinquent and interest is assessed.

Uncollected property taxes are shown in the fund financial statement. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established by management. Property taxes collected within approximately sixty days of fiscal year end are recognized as revenue. The remaining balance of taxes receivable is recorded as deferred revenue because it is not deemed available to finance operations of the current period.

Intergovernmental Receivables

Expenditures at June 30 due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as deferred revenue.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital outlays that significantly extend the useful life of capital assets are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Land is not depreciated. Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	100
Building Improvements	15-50
Vehicles	4-10
Film, Equipment and Video	5-10
Office Equipment	5
Computer Equipment	5

Compensated Absences

It is policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is not a policy to pay any amounts when an employee separates from service. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Policy permits employees who work a twelve-month schedule and at least one-half time on either a weekly or monthly basis, and employees that work 9 months to earn vacation.

Long Term Obligations

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 bonds outstanding method. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. As permitted by GASB Statement No. 34 the cost of prior bond issuance is amortized prospectively from the date of adoption of GASB Statement No. 34.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 future period and so will not be recognized as an outflow of resources (expenditure) until then. The District does not have any items that qualify for reporting in the category.

In addition to liabilities, the statement of financial 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 periods and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in the category.

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans

Substantially all employees are participants in Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures as funded.

Net Position

Net position comprises the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – consists of all other amounts that are not included in the other categories previously mentioned.

Fund Balance

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of this statement is to enhance the usefulness of the fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. This nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The authority to classify portions of ending fund balance as Assigned is granted to the Superintendent and Business Manager.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

The governing body has approved the following order of spending regarding fund balance categories: restricted resources are spent first when both restricted and unrestricted (committed, assigned, or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable) and unassigned. There were no assigned fund balances as of June 30, 2013.

Use of Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A budget is prepared and legally adopted for all funds on the modified accrual basis of accounting in the main program categories required by the Oregon Local Budget Law.

Expenditure budgets are appropriated at the following levels for each fund:

LEVEL OF CONTROL

- Instruction
- Support Services
- Community Services
- Facilities Acquisition and Construction
- Interfund Transactions
- Debt Service
- Operating Contingency

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the budgetary financial statements reflect the final budget.

Excess of Expenditures over Appropriations

Expenditures of the various funds were within authorized appropriations.

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. BUDGETARY BASIS OF ACCOUNTING

Financial position, results of operations, and changes in fund balance/net position are reported on the basis of accounting principles generally accepted in the United States of America (GAAP). The budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis of accounting is substantially the same as generally accepted accounting principles in the United States of America with the exceptions that capital outlay expenditures are expensed when purchased, depreciation is not calculated, property taxes are recorded as revenue when received instead of when levied, OPEB and compensated absences expenses are recorded when paid instead of when incurred, inventories of supplies are expensed when purchased, and principal payments and proceeds on long term debt are recorded as revenues when received and expenditures when paid.

4. CASH AND INVESTMENTS

Cash management policies are governed by state statutes. Statutes authorize investing in banker's acceptances, time certificates of deposit, commercial paper, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

A cash pool is maintained that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments or amounts Due To Other Funds.

In addition, cash is separately held by some of the funds.

Cash and Investments (recorded at cost) consisted of:

Deposits with Financial Institutions:	
Demand Deposits	\$ 803,982
Investments	3,085,958
Total Cash and Investment	<u>\$ 3,889,940</u>

DEPOSITS

Deposits with financial institutions include bank demand deposits. The total bank balance per the bank statements is \$1,138,344 of which \$758,931 is covered by federal depository insurance. The remainder was covered by the collateral held in a multiple financial institutions' collateral pool administered by the Oregon State Treasurer. Oregon Revised Statutes requires deposits be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

Credit Risk – Deposits

In the case of deposits, there is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. All deposits were either FDIC insured or collateralized.

INVESTMENTS

In accordance with Governmental Accounting Standards Board (GASB) Statement No.31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value at June 30, 2013. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. As of June 30, 2013 the fair value of the position in the LGIP is the approximate value of the pool shares as reported in the Oregon Short Term Fund audited financial statements.

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (CONTINUED)

The LGIP is administered by the Oregon State Treasury. The LGIP 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 of the LGIP.

At year-end, Investment balances were as follows:

Investment Type	Fair Value	Investment Maturities (in Months)	
		Less than 3	More than 3
State Treasurer's Local Government Investment Pool	\$ 3,085,958	\$ 3,085,958	\$ -
Total	\$ 3,085,958	\$ 3,085,958	\$ -

Amounts in the State Treasurer's Local Government Investment Pool are not required by law to be collateralized.

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date greater than three months.

Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration of Credit Risk

At June 30, 2013, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2013, investments were in compliance with all percentage restrictions.

5. RECEIVABLES

Special revenue fund grants receivable are comprised of claims for reimbursement of costs under various federal and state grant programs. Property taxes are levied and become a lien on all taxable property as of July 1. Taxes unpaid and outstanding on May 16 are considered delinquent. No allowance for uncollectible accounts has been recorded because all receivables are considered by management to be collectible at year end.

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u>	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>June 30, 2013</u>
Governmental Activities:						
Capital Assets Not Being Depreciated:						
Land	\$	121,067	\$ -	\$ -	\$	121,067
Construction in Progress		9,375,887	126,127	-		9,502,014
Total Capital Assets Not Being Depreciated		<u>9,496,954</u>	<u>126,127</u>	<u>-</u>		<u>9,623,081</u>
Capital Assets Being Depreciated:						
Buildings and Improvements		14,838,212	49,641	-		14,887,853
Machinery and Equipment		5,624,437	208,503	-		5,832,940
Total Capital Assets Being Depreciated		<u>20,462,649</u>	<u>258,144</u>	<u>-</u>		<u>20,720,793</u>
Accumulated Depreciation:						
Buildings and Improvements		5,851,062	254,898	-		6,105,960
Machinery and Equipment		5,001,000	159,636	-		5,160,636
Total Accumulated Depreciation		<u>10,852,062</u>	<u>414,534</u>	<u>-</u>		<u>11,266,596</u>
Governmental Activities						
Capital Assets, Net	\$	<u>19,107,541</u>	\$ 798,805	\$ -	\$	<u>19,077,278</u>

Depreciation expense was charged to functions/programs of the primary government for governmental activities as follows:

Governmental Activities:		
Instruction	\$	252,339
Support Services		149,237
Community Services		<u>12,958</u>
Total Depreciation Expense-		
Governmental Activities	\$	<u>414,534</u>

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT

General Obligation Bonds

General obligation bonds were issued to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$8,600,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds were issued in 2010 as 10 year bonds with interest plus principal approximating equal debt service payments each year. General obligation bonds currently outstanding are as follows:

<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Issued</u>	<u>Matured And Redeemed</u>	<u>Outstanding June 30, 2013</u>
2010 bond	0.90%	\$ 8,600,000	8,600,000	-	1,995,000	6,605,000
Total Bonds Payable			<u>\$ 8,600,000</u>	<u>\$ -</u>	<u>\$ 1,995,000</u>	<u>\$ 6,605,000</u>

Future maturities of bonds are payable as follows:

<u>Fiscal Year Ending June 30</u>	<u>GO Bond 2010</u>	
	<u>Principal</u>	<u>Interest</u>
2014	2,115,000	59,445
2015	2,200,000	40,410
2016	2,290,000	20,610
Total	<u>\$6,605,000</u>	<u>\$120,465</u>

Improvement Notes

Notes were issued to provide funds for improvements to facilities at schools. The original amount of improvement notes in 2005-06 was \$250,000.

Improvement notes are direct obligations and pledge the full faith and credit of the District. These notes were issued as 5 and 10 year notes with total payment of interest and principal equal amounts each year. Improvement notes currently outstanding are as follows:

<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Issued</u>	<u>Matured And Redeemed</u>	<u>Outstanding June 30, 2013</u>
05-06 notes	2.70-4.00%	\$ 250,000	85,000	-	25,000	60,000
Total Notes Payable			<u>\$ 85,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 60,000</u>

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for improvement notes are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2014	30,000	2,370
2015	30,000	1,200
Total	<u>\$ 60,000</u>	<u>\$ 3,570</u>

Total long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additons	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 8,600,000	\$ -	\$ 1,995,000	\$ 6,605,000	\$ 2,115,000
Notes Payable	85,000	-	25,000	60,000	30,000
Net Pension Obligation	135,627	-	135,627	-	-
Compensated Absences	35,618	1,431	-	37,049	-
Total Long-term Liabilities	<u>\$ 8,856,244</u>	<u>\$ 1,431</u>	<u>\$ 2,155,627</u>	<u>\$ 6,702,049</u>	<u>\$ 2,145,000</u>

8. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM

Contributions are made to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the contributions for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (ORSRP) is a hybrid successor plan to the OPERF and consists of two programs. The Pension Program, the defined benefit portion of the plan, applies to qualifying employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contributions portion of the plan. PERS members retain their existing PERS accounts, but any future contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

NOTES TO BASIC FINANCIAL STATEMENTS

9. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)

Funding Policy

Members of PERS are required to contribute 6% of their salary covered under the plan. A contribution is required by ORS 238.225 at an actuarially determined rate. The rate effective July 1, 2013 is 19.48% of salary covered under the plan for Tier 1 and Tier 2 employees and 17.97% for employees covered under the Oregon Public Services Retirement Plan (OPSRP). The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Contributions to PERS for the years ended June 30, 2013, 2012, and 2011 were approximately \$2,300,557, \$2,232,918, and \$1,886,898, respectively, equal to the required contributions for each year. These numbers do not include the 6.00% paid by the District for employee contributions, which was an additional \$711,555 and \$697,353 for the years ended June 30, 2013 and 2012.

The actuary has determined, based upon the District's small impact on the state wide pool, that no material implicit rate subsidy exists and therefore there is no OPEB obligation for implicit post-employment benefits.

10. PROPERTY TAX LIMITATION

The voters of the State of Oregon approved ballot measure 5, a constitutional limit on property taxes for schools and non-school government operations, in November, 1990. School operations include community colleges, local school districts, and education service districts.

The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this initiative has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The voters of the State of Oregon passed ballot measure 50 in May, 1997 to further reduce property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit.

Measure 50 reduced the amount of operating property tax revenues available for the 1998-99 fiscal year and thereafter. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the property tax limitations. The measure also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State of Oregon to minimize the impact of the tax cuts to the school districts. The ultimate impact to the District as a result of the measure has been greater reliance on state funding and less reliance on local funding.

11. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which commercial insurance is purchased. There were no significant reductions in insurance coverage from coverage in prior years in any of the major categories of risk. Also, the amounts of any settlements have not exceeded insurance coverage for any of the past three fiscal years.

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

12. COMMITMENTS AND CONTINGENCIES

Substantially all amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the management expects such amounts, if any, to be immaterial.

A substantial portion of operating funding is received from the State of Oregon. State funding is determined through state wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate they can cause either increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the operations cannot be determined.

13. INTERFUND TRANSFERS & INTERFUND RECEIVABLE/PAYABLE

Amounts were comprised of the following:

	<u>Transfers</u> <u>Out</u>	<u>Transfers</u> <u>In</u>
General Fund	\$ 28,333	\$ -
Debt Service- Other	-	28,333
	<u>\$ 28,333</u>	<u>\$ 28,333</u>

Transfers were made from the General Fund to the Debt Service – Other Fund to be used for debt repayment.

14. OTHER POST EMPLOYMENT BENEFITS

Plan Description – The Other Post-Employment Benefits (OPEB) valued in the actuarial report of June 30, 2009 includes two separate components: subsidized health care benefits for all employee groups (depending on hire date), and stipend benefits for certain employees. Part of the long-term assumption regarding the future cost of the active plan cost will maintain a reasonable relationship to direct compensation.

Funding Policy – The OPEB Plan is unfunded as defined by GASB. Contributions to the Plan have been determined on a pay-as-you-go basis.

Annual Pension Cost and Net Pension Obligations – The annual early retirement stipend plan was calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Funding Status and Funding Progress – See page 24 for funding information.

The Board resolved to delay compliance with the GASB requirement for obtaining an updated actuarial valuation of OPEB obligations. No actuarial valuation has been completed for this plan since June 30, 2009. The liability reported was actuarially determined as of the date.

REQUIRED SUPPLEMENTARY INFORMATION

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**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

June 30, 2013

Annual OPEB Cost and Net OBEB Obligation relating to Early Retirement Plan:

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b)-(a) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
2010	\$ -	\$ 8,030,698	\$ 8,030,698	-	\$ 7,636,626	105.16
2009	-	8,291,033	8,291,033	-	7,636,626	108.57

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 720,695	96.78
2009	717,457	87.11

Annual Pension Cost and Net Pension Obligation

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b)-(a) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
2010	\$ -	\$ 188,575	188,575	-	7,636,626	2.47
2009	-	250,964	250,964	-	7,636,626	3.29

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 53,106	132.26
2009	53,988	146.70

The above amounts are the most current the District has obtained.

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013**

GENERAL FUND

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Local Sources	\$ 5,934,728	\$ 5,934,728	\$ 6,072,374	\$ 137,646
Intermediate Sources	515,000	515,000	248,899	(266,101)
State Sources	16,450,430	16,450,430	17,010,230	559,800
Federal Sources	3,500	3,500	5,212	1,712
Total Revenue	<u>22,903,658</u>	<u>22,903,658</u>	<u>23,336,715</u>	<u>433,057</u>
EXPENDITURES:				
Instruction	14,172,373	14,472,373 (1)	14,364,588	107,785
Support Services	9,274,713	9,474,713 (1)	9,391,173	83,540
Operating Contingencies	1,005,628	505,628 (1)	-	505,628
Total Expenditures	<u>24,452,714</u>	<u>24,452,714</u>	<u>23,755,761</u>	<u>696,953</u>
OTHER FINANCING SOURCES, (USES)				
Transfers Out	(28,333)	(28,333) (1)	(28,333)	-
Net Change in Fund Balance	(1,577,389)	(1,577,389)	(447,379)	1,130,010
Beginning Fund Balance	<u>1,577,389</u>	<u>1,577,389</u>	<u>1,829,641</u>	<u>252,252</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,382,262	<u>\$ 1,382,262</u>

(1) Appropriation Level

Reconciliation to Governmental Fund Balance as required by GASB #54

Ending Fund Balance

Special Revenue - Facilities Repair and Maintenance

113,797
\$ 1,496,059

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013**

SPECIAL GRANTS AND PROJECTS FUND

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE TO
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	\$ 204,000	\$ 204,000	\$ 109,562	\$ (94,438)
Intermediate Sources	357,400	357,400	275,128	(82,272)
State Sources	302,911	302,911	262,494	(40,417)
Federal Sources	1,602,756	1,602,756	1,471,129	(131,627)
Total Revenue	\$ 2,467,067	\$ 2,467,067	\$ 2,118,313	\$ (348,754)
EXPENDITURES:				
Instruction	1,861,630	1,861,630 (1)	1,603,692	257,938
Support Services	504,437	504,437 (1)	499,452	4,985
Community Services	20,000	20,000 (1)	15,169	4,831
Total Expenditures	2,386,067	2,386,067	2,118,313	262,923
OTHER FINANCING SOURCES, (USES)				
Transfers In	3,000	3,000	-	3,000
Transfers Out	(364,000)	(364,000)	-	(364,000)
Net Change in Fund Balance	(280,000)	(280,000)	-	280,000
Beginning Fund Balance	280,000	280,000	-	(280,000)
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

(1) Appropriation Level

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SUPPLEMENTARY INFORMATION

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**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2013

	<u>STUDENT ACTIVITY</u>	<u>CAPITAL PROJECTS</u>	<u>FOOD SERVICE</u>	<u>DEBT SERVICE GO BONDS</u>	<u>DEBT SERVICE OTHER</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
ASSETS:						
Cash and Investments	\$ 276,503	\$ 532,451	\$ 55,569	\$ 268,158	\$ -	\$ 1,132,681
Inventory	-	-	1,391	-	-	1,391
Receivables:						
Property Taxes	-	-	-	203,061	-	203,061
Intergovernmental	-	-	96,957	-	-	96,957
Total Assets	\$ 276,503	\$ 532,451	\$ 153,917	\$ 471,219	\$ -	\$ 1,434,090
LIABILITIES, AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ -	\$ 7,574	\$ 105,927	\$ -	\$ -	\$ 113,501
Interest Payable	-	-	-	1,053	-	1,053
Unearned Revenue	-	-	-	164,747	-	164,747
Total Liabilities	-	7,574	105,927	165,800	-	279,301
Fund Balances (Deficit):						
Nonspendable	-	-	1,391	-	-	1,391
Restricted	276,503	524,877	46,599	305,419	-	1,153,398
Total Fund Balances (Deficit)	276,503	524,877	47,990	305,419	-	1,154,789
Total Liabilities and Fund Balances	\$ 276,503	\$ 532,451	\$ 153,917	\$ 471,219	\$ -	\$ 1,434,090

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGETARY (NON-GAAP) BASIS
ALL OTHER GOVERNMENTAL
For the Year Ended June 30, 2013**

REVENUES:	STUDENT ACTIVITY	CAPITAL PROJECTS	FOOD SERVICE	DEBT SERVICE GO BONDS	DEBT SERVICE OTHER	TOTAL OTHER GOVERNMENTAL FUNDS
Local Sources	\$ 610,759	\$ 1,438	\$ 200,349	\$ 2,239,806	\$ -	\$ 3,052,352
State Sources	-	140,512	17,499	-	-	158,011
Federal Sources	-	-	640,433	-	-	640,433
Total Revenues	610,759	141,950	858,281	2,239,806	-	3,850,796
EXPENDITURES:						
Instruction	603,932	-	-	-	-	603,932
Community Services	-	-	835,865	-	-	835,865
Facilities Acquisition	-	28,126	-	-	-	28,126
Capital Outlay	-	98,001	5,811	-	-	103,812
Debt Service	-	-	-	2,072,521	28,333	2,100,854
Total Expenditures	603,932	126,127	841,676	2,072,521	28,333	3,672,589
OTHER FINANCING SOURCES:						
Transfers In	-	-	-	-	28,333	28,333
Total Other Financing Sources	-	-	-	-	28,333	28,333
Net Change in Fund Balance	6,827	15,823	16,605	167,285	-	206,540
Beginning Fund Balance	269,676	509,054	31,385	138,134	-	948,249
Ending Fund Balance	\$ 276,503	\$ 524,877	\$ 47,990	\$ 305,419	\$ -	\$ 1,154,789

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013**

STUDENT ACTIVITY

	BUDGET			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:	ORIGINAL	FINAL	ACTUAL	
Local Sources	\$ 950,000	\$ 950,000	\$ 610,759	\$ (339,241)
EXPENDITURES:				
Instruction	1,100,000	1,100,000 (1)	603,932	496,068
Net Change in Fund Balance	(150,000)	(150,000)	6,827	156,827
Beginning Fund Balance	250,000	250,000	269,676	19,676
Ending Fund Balance	\$ 100,000	\$ 100,000	\$ 276,503	\$ 176,503

(1) Appropriation Level

DALLAS SCHOOL DISTRICT
DALLAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013

CAPITAL CONSTRUCTION BOND PROJECTS

	<u>BUDGET</u>		<u>ACTUAL</u>	VARIANCE TO
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	\$ 162,000	\$ 162,000	\$ 1,438	\$ (160,562)
State Sources	-	-	140,512	140,512
Federal Sources	100,000	100,000	-	(100,000)
Total Revenues	<u>262,000</u>	<u>262,000</u>	<u>141,950</u>	<u>(120,050)</u>
EXPENDITURES:				
Facilities Acquisition	<u>926,000</u>	<u>926,000 (1)</u>	<u>126,127</u>	<u>799,873</u>
Net Change in Fund Balance	(300,000)	(300,000)	15,823	(1,283,923)
Beginning Fund Balance	<u>300,000</u>	<u>300,000</u>	<u>509,054</u>	<u>209,054</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 524,877</u>	<u>\$ 524,877</u>

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013**

FOOD SERVICE FUND

	BUDGET			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
Local Sources:	\$ 230,060	\$ 230,060	\$ 200,349	\$ (29,711)
State Sources	10,000	10,000	17,499 (2)	7,499
Federal Sources	642,000	642,000	640,433	(1,567)
Total Revenue	882,060	882,060	858,281	(23,779)
EXPENDITURES:				
Community Services	922,865	922,865 (1)	841,676	81,189
Net Change in Fund Balance	(40,805)	(40,805)	16,605	57,410
Beginning Fund Balance	75,000	75,000	31,385	(43,615)
Ending Fund Balance	\$ 34,195	\$ 34,195	\$ 47,990	\$ 13,795

(1) Appropriation Level

(2) This amount includes the state revenue match of \$9,604 for National School Lunch Program support.

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013**

DEBT SERVICE- GO BONDS

	BUDGET		ACTUAL	VARIANCE TO
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	\$ 2,122,540	\$ 2,122,540	\$ 2,239,806	\$ 117,266
EXPENDITURES:				
Debt Service	2,072,540	2,072,540 (1)	2,072,521	19
Net Change in Fund Balance	50,000	50,000	167,285	117,247
Beginning Fund Balance	50,000	50,000	138,134	88,134
Ending Fund Balance	\$ 100,000	\$ 100,000	\$ 305,419	\$ 205,381

(1) Appropriation Level

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013**

DEBT SERVICE

	BUDGET		ACTUAL	VARIANCE TO
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
EXPENDITURES:				
Debt Service:	\$ 28,333	\$ 28,333 (1)	\$ 28,333	\$ -
OTHER FINANCING SOURCES:				
Transfers In	28,333	28,333	28,333	-
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

(1) Appropriation Level

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013**

FACILITY REPAIR & MAINTENANCE

	BUDGET			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES:				
Local Sources	\$ 6,850	\$ 6,850	\$ 3,245	\$ (3,605)
EXPENDITURES:				
Support Services	268,850	268,850 (1)	153,191	115,659
OTHER FINANCING SOURCES:				
Transfers In	132,000	132,000	-	(132,000)
Transfers Out	(132,000)	(132,000) (1)	-	132,000
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balance	(262,000)	(262,000)	(149,946)	112,054
Beginning Fund Balance	262,000	262,000	263,743	1,743
Ending Fund Balance	\$ -	\$ -	\$ 113,797	\$ 113,797

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB #54 due to its financing resources being derived primarily from General Fund transfers.

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED

For the Year Ended June 30, 2013

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/12	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS		INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/13
GENERAL FUND:							
Current:							
2012-13	\$ 5,656,011	\$ 141,773	\$ (9,868)		\$ 3,585	\$ 5,268,212	\$ 239,743
Prior Years:							
2011-12	252,392	-	(68)		10,260	125,078	137,506
2010-11	144,268	-	(18)		14,440	75,385	83,305
2009-10	102,832	-	(18)		21,657	84,756	39,715
2008-09	30,673	-	(16)		10,080	33,735	7,002
2007 & Prior	11,503	-	(15)		2,161	5,708	7,941
Total Prior	541,668	-	(135)		58,598	324,662	275,469
Total General Fund	\$ 6,197,679	\$ 141,773	\$ (10,003)		\$ 62,183	\$ 5,592,874	\$ 515,212
RECONCILIATION TO REVENUE:							GENERAL FUND
Cash Collections by County Treasurer Above							\$ 5,592,874
Accrued at 6/30/12							(93,294)
Accrued at 6/30/13							99,093
Taxes in lieu							(24,394)
Total Revenue							\$ 5,574,279

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED

For the Year Ended June 30, 2013

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/12	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/13
<u>DEBT SERVICE FUND:</u>						
Current:						
2012-13	\$ 2,236,190	\$ 56,052	\$ (3,901)	\$ 1,419	\$ 2,082,868	\$ 94,788
Prior Years:						
2011-12	105,001	2	(35)	4,268	52,036	57,196
2010-11	55,798	-	(10)	5,585	29,157	32,216
2009-10	35,937	-	(15)	7,569	29,620	13,870
2009-08	8,545	-	(1,182)	2,808	8,231	1,940
2007 & Prior	4,410	-	(11)	821	2,170	3,050
Total Prior	209,691	2	(1,253)	21,051	121,214	108,273
Total Debt Svc Fund	<u>\$ 2,445,881</u>	<u>\$ 56,054</u>	<u>\$ (5,154)</u>	<u>\$ 22,470</u>	<u>\$ 2,204,082</u>	<u>\$ 203,061</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above

Accrued at 6/30/12

Accrued at 6/30/13

Taxes in lieu

Total Revenue

DEBT SERVICE FUND
\$ 2,204,082
(35,122)
38,390
7,466
<u>\$ 2,214,815</u>

OTHER FINANCIAL SCHEDULES

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DALLAS SCHOOL DISTRICT
DALLAS, OREGON

SUPPLEMENTAL INFORMATION
As Required by The Oregon Department of Education
For the Year Ended June 30, 2013

A. Energy bills for heating - all funds:		<u>Objects 325 and 326</u>
	Function 2540	\$ 334,344
	Function 2550	-

B. Replacement of equipment - General Fund:			<u>Amount</u>
Include all General Fund expenditures in Object 542, except for the following exclusions:			
Exclude these functions:			
1113, 1122 & 113: Co-curricular activities	Construction	\$	45,622
1,140 Pre-kindergarten	Pupil transportation		
1,300 Continuing education	Food service		
1,400 Summer school	Community services		

**2012 - 2013 DISTRICT REVENUE SUMMARY
DALLAS SCHOOL DISTRICT**

Revenue from Local Sources

	Fund 100	Fund 200	Fund 300	Fund 400
1110 Ad Valorem Taxes Levied by District	\$ 5,574,279		\$ 2,214,816	
1190 Penalties and Interest on Taxes	\$ 974			
1312 Tuition from Other Districts	\$ 93,684			
1500 Earnings on Investments	\$ 33,964	\$ 151	\$ 6,375	\$ 1,438
1600 Food Service		\$ 187,180		
1700 Extracurricular Activities	\$ 99,379	\$ 610,759		
1800 Community Services Activities		\$ 33,745		
1910 Rentals	\$ 16,016			
1920 Contributions and Donations From Private Sources	\$ 1,500	\$ 72,064		
1940 Services Provided Other Local Education Agencies	\$ 79,728			
1960 Recovery of Prior Years' Expenditure	\$ 1,691	\$ 4,982		
1970 Services Provided Other Funds				
1980 Fees Charged to Grants	\$ 71,577			
1990 Miscellaneous	\$ 102,827	\$ 11,789	\$ 18,615	
Total Revenue from Local Sources	\$6,075,619	\$920,670	\$2,239,806	\$1,438

Revenue from Intermediate Sources

	Fund 100	Fund 200	Fund 300	Fund 400
2101 County School Funds	\$ 39,027			
2102 Education Service District Apportionment	\$ 209,872	\$ 275,128		
Total Revenue from Intermediate Sources	\$248,899	\$275,128	\$0	\$0

Revenue from State Sources

	Fund 100	Fund 200	Fund 300	Fund 400
3101 State School Fund - General Support	\$ 16,616,692			
3102 State School Fund - School Lunch Match		\$ 9,604		
3103 Common School Fund	\$ 310,847			
3199 Other Unrestricted Grants-in-Aid	\$82,691	\$2,085		
3299 Other Restricted Grants-in-Aid	\$0	\$268,304		\$140,512
Total Revenue from State Sources	\$17,010,230	\$279,993	\$0	\$140,512

Revenue from Federal Sources

	Fund 100	Fund 200	Fund 300	Fund 400
4500 Restricted Revenue From the Federal Government Through the State	\$ 1,500	\$ 2,071,519		
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies		\$ 891		
4801 Federal Forest Fees	\$ 347			
4899 Other Revenue in Lieu of Taxes	\$3,365			
4900 Revenue for/on Behalf of the District		\$39,153		
Total Revenue from Federal Sources	\$5,212	\$2,111,563	\$0	\$0

Revenue from Other Sources

	Fund 100	Fund 200	Fund 300	Fund 400
5200 Interfund Transfers			\$ 28,333	
5400 Resources - Beginning Fund Balance	\$ 2,093,384	\$ 301,061	\$ 138,134	\$ 509,054
Total Revenue from Other Sources	\$2,093,384	\$301,061	\$166,467	\$509,054

Grand Totals

\$25,433,344	\$3,888,415	\$2,406,273	\$651,004
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**2012 - 2013 DISTRICT EXPENDITURE SUMMARY
DALLAS SCHOOL DISTRICT
FUND 100 - GENERAL FUND**

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-5	\$ 4,166,503	\$ 2,721,512	\$ 1,382,343	\$	\$ 62,648			
1121 Middle/Junior High Programs	\$ 1,935,369	\$ 1,291,380	\$ 622,134	\$ 5,952	\$ 15,803		\$ 100	
1131 High School Programs	\$ 2,651,328	\$ 1,717,044	\$ 894,211	\$ 5,463	\$ 34,610			
1132 High School Extracurricular	\$ 478,189	\$ 277,387	\$ 104,016	\$ 60,617	\$ 21,369		\$ 14,800	
1210 Programs for the Talented and Restrictive Programs for Students with Disabilities	\$ 13,607	\$ 9,291	\$ 3,095		\$ 1,221			
1220	\$ 1,835,267	\$ 1,100,040	\$ 632,164	\$ 99,860	\$ 3,203			
1233 Other Programs	\$ 977	\$ 735	\$ 228	\$ 14				
1250 Less Restrictive Programs for Students with Disabilities	\$ 946,826	\$ 600,749	\$ 324,956	\$ 20,186	\$ 935			
1260 Early Intervention	\$							
1271 Remediation	\$ 5,556	\$ 4,157	\$ 1,399					
1272 Title I	\$							
1280 Alternative Education	\$ 2,041,253	\$ 280,235	\$ 154,575	\$ 1,561,031	\$ 45,412			
1291 English Second Language Programs	\$ 285,366	\$ 172,959	\$ 109,784	\$ 1,392	\$ 1,231			
1294 Youth Corrections Education	\$ 1,564	\$ 1,176	\$ 388					
1400 Summer School Programs	\$ 2,783	\$ 2,090	\$ 693					
Total Instruction Expenditures	\$14,364,588	\$8,178,755	\$4,229,986	\$1,754,515	\$186,432	\$0	\$14,900	\$0
Support Services Expenditures								
2110 Attendance and Social Work Services	\$ 7,125	\$	\$	\$ 7,090	\$ 35			
2120 Guidance Services	\$ 465,140	\$ 297,467	\$ 158,957	\$ 3,851	\$ 4,865			
2130 Health Services	\$ 33,729	\$ 20,991	\$ 7,073	\$ 933	\$ 4,732			
2140 Psychological Services	\$ 194,331	\$ 36,206	\$ 10,775	\$ 146,980	\$ 370			
2190 Service Direction, Student Support Services	\$ 190,856	\$ 120,916	\$ 66,066	\$ 2,114	\$ 582		\$ 1,178	
2210 Improvement of Instruction Services	\$ 47,908	\$ 31,375	\$ 14,734	\$ 1,050	\$ 234		\$ 516	
2220 Educational Media Services	\$ 447,053	\$ 290,464	\$ 139,184	\$ 4,746	\$ 12,659			
2230 Assessment & Testing	\$ 71,806	\$ 44,373	\$ 25,130	\$ 2,303				
2310 Board of Education Services	\$ 121,832			\$ 61,448	\$ 707		\$ 59,678	
2320 Executive Administration Services	\$ 252,415	\$ 172,898	\$ 75,900	\$ 2,065	\$ 371		\$ 1,181	
2410 Office of the Principal Services	\$ 1,716,131	\$ 1,134,567	\$ 554,470	\$ 12,837	\$ 7,089		\$ 7,168	
2520 Fiscal Services	\$ 451,039	\$ 291,624	\$ 136,133	\$ 18,748	\$ 2,839		\$ 1,695	
2540 Operation and Maintenance of Plant Services	\$ 2,182,761	\$ 721,704	\$ 420,358	\$ 631,040	\$ 175,928	\$ 139,100	\$ 94,632	
2550 Student Transportation Services	\$ 1,429,628	\$ 17,897	\$ 8,699	\$ 1,401,590	\$ 1,443			
2570 Internal Services	\$ 160,926	\$ 44,365	\$ 14,889	\$ 78,287	\$ 23,386			
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$ 267	\$ 248	\$ 19					
2640 Staff Services	\$ 167,107	\$ 75,614	\$ 72,716	\$ 10,220	\$ 4,250		\$ 4,306	
2660 Technology Services	\$ 697,417	\$ 237,270	\$ 116,315	\$ 92,681	\$ 147,519	\$ 103,634		
2700 Supplemental Retirement Program	\$ 906,891	\$ 30,385	\$ 876,506					
Total Support Services Expenditures	\$9,544,364	\$3,568,362	\$2,697,925	\$2,477,981	\$387,009	\$242,734	\$170,353	\$0
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures								
5100 Debt Service	\$0							
5200 Transfers of Funds	\$28,333							\$28,333
Total Other Uses Expenditures	\$28,333	\$0	\$0	\$0	\$0	\$0	\$0	\$28,333
Grand Total	\$23,937,285	\$11,747,117	\$6,927,911	\$4,232,496	\$573,441	\$242,734	\$185,253	\$28,333

**2012 - 2013 DISTRICT EXPENDITURE SUMMARY
DALLAS SCHOOL DISTRICT
FUND 200 - SPECIAL REVENUE FUNDS**

Instruction Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600
1111 Primary, K-3		\$6,612			\$ 420	\$ 6,054		\$ 138
1113 Elementary Extracurricular		\$86,744	\$ 4,200	\$ 1,393	\$	\$ 81,151		
1121 Middle/Junior High Programs		\$1,100	\$	\$	\$ 600	\$ 500		
1122 Middle/Junior High School Extracurricular		\$101,784	\$3,935	\$777		\$97,072		
1131 High School Programs		\$2,424			\$380	\$953		\$1,091
1132 High School Extracurricular		\$436,122	\$3,935	\$777	\$1,365	\$430,045		\$0
1220 Restrictive Programs for Students with Disabilities		\$741,329	\$ 382,703	\$ 207,371	\$ 113,676	\$ 37,579		
1250 Less Restrictive Programs for Students with Disabilities		\$185,761	\$ 115,672	\$ 65,448	\$ 4,641			
1272 Title I		\$631,836	\$ 442,735	\$ 183,566	\$ 3,698	\$ 1,837		
1280 Alternative Education		\$5,589			\$ 5,110	\$ 479		
1291 English Second Language Programs		\$891	\$ 973	\$ 119	\$ 782	\$ (984)		
1400 Summer School Programs		\$7,433	\$6,006	\$1,427				
Total Instruction Expenditures		\$2,207,624	\$960,159	\$460,878	\$130,672	\$654,686	\$0	\$1,229
Support Services Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600
2130 Health Services		\$43				\$43		
2190 Service Direction, Student Support Services		\$117,192	\$85,434	\$30,667	\$146	\$945		
2210 Improvement of Instruction Services		\$203,200	\$85,790	\$46,811	\$57,422	\$1,283		\$11,894
2220 Educational Media Services		\$0						
2230 Assessment & Testing		\$976				\$976		
2240 Instructional Staff Development		\$57,404	\$25,584	\$5,795	\$23,750	\$2,275		
2490 Other Support Services - School Administration		\$28,090	\$17,424	\$7,097	\$3,569			
2520 Fiscal Services		\$0						
2540 Operation and Maintenance of Plant Services		\$11,007				\$11,007		
2610 Direction of Central Support Services		\$71,577						\$71,577
2660 Technology Services		\$9,963			\$3,562	\$6,401		
Total Support Services Expenditures		\$499,452	\$214,232	\$90,370	\$88,449	\$22,930	\$0	\$83,471
Enterprise and Community Services Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600
3100 Food Services		\$841,676	\$37,774	\$51,904	\$699,553	\$44,044	\$5,811	\$2,590
3300 Community Services		\$15,169	\$10,427	\$1,257	\$608	\$2,877		
Total Enterprise and Community Services Expenditures		\$856,845	\$48,201	\$53,161	\$700,161	\$46,921	\$5,811	\$2,590
Grand Total		\$3,563,921	\$1,222,592	\$604,409	\$919,282	\$724,537	\$5,811	\$87,290

**2012 - 2013 DISTRICT EXPENDITURE SUMMARY
DALLAS SCHOOL DISTRICT
FUND 300 - DEBT SERVICE FUNDS**

Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 600	Object 700
5100 Debt Service	\$2,100,854				\$2,100,854	
5200 Transfers of Funds						\$0
Total Other Uses Expenditures	\$2,100,854	\$0	\$0	\$0	\$2,100,854	\$0
Grand Total	\$2,100,854	\$0	\$0	\$0	\$2,100,854	\$0

2012 - 2013 DISTRICT EXPENDITURE SUMMARY
DALLAS SCHOOL DISTRICT
FUND 400 - CAPITAL PROJECT FUNDS

Facilities Acquisition and Construction Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600
4110	Service Area Direction	\$28,126	\$19,110	\$8,539	\$0	\$0		\$477
4120	Site Acquisition and Development Services	\$0					\$0	\$0
4150	Building Acquisition, Construction, and Improvement Services	\$98,001		\$0			\$98,001	\$0
Total Facilities Acquisition and Construction Expenditures		\$126,127	\$19,110	\$8,539	\$0	\$0	\$98,001	\$477
Other Uses Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600
Total Other Uses Expenditures		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total		\$126,127	\$19,110	\$8,539	\$0	\$0	\$98,001	\$477

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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October 29, 2013

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Dallas School District as of and for the year ended June 30, 2013, and have issued our report thereon dated October 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the 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 statements 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.

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

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

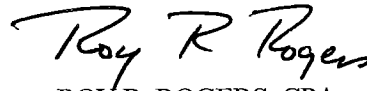
In connection with our testing nothing came to our attention that caused us to believe the Dallas School District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as noted below:

- 1) During our testing of State School Fund factors, we noted that one teacher's experience was incorrectly reported by one year.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

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



ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

GRANT COMPLIANCE REVIEW

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**DALLAS SCHOOL DISTRICT
DALLAS, OR**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Grant Period	Original Program or grant amount	Revenue Recognized	Expenditures
US. DEPARTMENT OF EDUCATION					
Passed Through Oregon Department of Education:					
Youth Transition Programs 11-13	84.126A	7/1/11-6/30/13	119,360	31,328	31,328
			119,360	31,328	31,328
IDEA, Part B, Section 611	84.027	7/1/10-9/30/12	482,417	30,986	30,986
	84.027	7/1/11-9/30/13	472,314	457,657	457,657
			954,731	488,643	488,643
IDEA, Part B, Section 619	84.173	7/1/09-9/30/12	3,071	-	-
	84.173	7/1/10-9/30/13	6,330	-	-
	84.173	7/1/11-9/30/14	5,523	-	-
			14,924	-	-
Title 1	84.010	7/1/10-9/30/12	639,956	184,004	184,004
	84.010	7/1/11-9/30/13	688,319	580,273	580,273
			1,328,275	764,277	764,277
Title II A Improving Teacher Quality	84.367	7/1/10-9/30/12	131,401	18,188	18,188
	84.367	7/1/11-9/30/13	130,820	130,820	130,820
			262,221	149,008	149,008 *
Enhance/Extended Assessment	84.027	10/1/10-9/30/12	5,305	-	-
	84.027	10/1/11-9/30/13	5,305	5,305	5,305
	84.027	10/1/11-9/30/13	900	900	900
			11,510	6,205	6,205
SPR &I	84.027	8/1/10-6/30/11	-	-	-
	84.027	8/1/11-6/30/13	3,245	3,245	3,245
			3,245	3,245	3,245
PADTC LongTerm Care & Treatment 09-11	84.027	7/1/11-6/30/13	20,900	14,951	14,951
	84.013	7/1/11-6/30/13	25,946	12,582	12,582
Kindergarten Readiness Assessment	93708	3/1/12-8/30/13	1,500	1,500	1,500
Passed through Sheridan School District:					
Title III Consortium	84.365	7/01/12-6/30/13	-	891	891
Total U.S. Department of Education			2,742,612	1,472,630	1,472,630
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					
Passed Through Oregon Department of Education:					
National School Lunch Program	10.555			462,352	462,352 *
National School Lunch Program-Breakfast	10.553			115,138	115,138 *
National School Lunch Summer Feeding Program	10.559			22,052	22,052 *
Commodities	10.555			39,153	39,153 *
CACFP Food Service	10.558			1,738	1,738
Total U.S. Department of Agriculture			-	640,433	640,433
U.S. DEPARTMENT OF INTERIOR					
Passed Through Polk County Treasurer:					
Revenue in Lieu of Taxes	15.605			3,364	3,364
Federal Forest Fees	15.611			347	347
Total U.S. Department of Interior			-	3,711	3,711
TOTALS			2,742,612	2,116,774	2,116,774

*major program

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October 29, 2013

To the Board of Directors
Dallas School District
Polk County, Oregon

INDEPENDENT AUDITORS' 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*

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, each major fund, and the aggregate remaining fund information of Dallas School District as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated October 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



ROY R. ROGERS, CPA
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October 29, 2013

To the Board of Directors
Dallas School District
Polk County, Oregon

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

Report on Compliance for Each Major Federal Program

We have audited Dallas School District's 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 major federal programs for the year ended June 30, 2013. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 compliance.

Opinion on Each Major Federal Program

In our opinion, Dallas School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

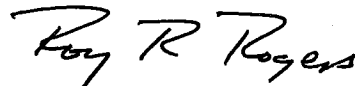
Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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 internal control over compliance.

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

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

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



ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of Auditors’ report issued: Modified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Noncompliance material to financial statements noted? Yes No

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of OMB Circular A-133? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Identification of major programs

CFDA Number(s):
10.553, 10.555, 10.559
84.367

Name of Federal Program:
Child Nutrition Cluster
Improving Teacher Quality Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

None

**DALLAS SCHOOL DISTRICT
DALLAS, OREGON**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.