# CULVER SCHOOL DISTRICT NO. 4
## Jefferson County, Oregon

## ANNUAL FINANCIAL REPORT

## YEAR ENDED JUNE 30, 2022

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**BOARD OF EDUCATION**

**JUNE 30, 2022**

| | Term Expires |
|---|---|
| Scott Leeper – Chair | June 30, 2025 |
| Mike Knepp | June 30, 2025 |
| Lindsay Cloud | June 30, 2023 |
| Seth Taylor – Vice Chair | June 30, 2023 |
| Sabria Rios | June 30, 2025 |

All board members receive mail at the District Office address below.

ADMINISTRATION

Stefanie Garber – Superintendent
Megan VerVaecke – Business Manager
412 West E Street
PO Box 259
Culver, Oregon 97734

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**ANNUAL FINANCIAL REPORT**

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**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**ANNUAL FINANCIAL REPORT**

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# INDEPENDENT AUDITORS' REPORT

SENSIBA SAN FILIPPO LLP

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

*Independent Auditor's Report*

To the Board of Directors
Culver School District
Deschutes County, Oregon

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities and each major fund of Culver School District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Culver School District, as of June 30, 2022, 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.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of a Matter***

As further described in Notes 7 and 18, the District implemented GASB Statement No 87 – Leases during the year, resulting in a restatement to its beginning net position on July 1, 2020. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of net pension liability and contributions – PERS, schedule of the proportionate share of net OPEB liability and contributions – Retiree Health Insurance Account, schedule of changes in total OPEB liability and related ratios – medical benefit, and the schedules of revenues, expenditures, and changes in fund balance, budget and actual for the general and special revenue funds be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis, schedule of the proportionate share of net pension liability and contributions – PERS, schedule of the proportionate share of net OPEB liability and contributions – RHIA, and the schedule of changes in total OPEB liability and related ratios – implicit health subsidy, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The schedules of revenues, expenditures, and changes in fund balance, budget and actual for the general and special revenue funds 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 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 schedules of revenues, expenditures, and changes in fund balance, budget and actual for the general and special funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the budgetary schedules for the debt service and capital project funds, the bonded debt obligation schedules and the information required by Oregon Department of Education, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2022 on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering District's internal control over financial reporting and compliance.

**Other Reporting Required by Oregon Minimum Standards for Audits of Oregon Municipal Corporations**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 27, 2022 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 our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Brenda Bartlett

Sensiba San Filippo, LLP
Bend, Oregon

December 27, 2022

# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Culver School District No. 4, our discussion and analysis provide an overview of the District's financial activities for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the District's Financial Statements, which follows this Management's Discussion and Analysis.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2022 the District assets exceeded its liabilities by $3.8 million.
- The District has $6.2 million invested in capital assets, net of depreciation.
- Ending Net Position increased by $1.1 million in FY2021-22 primarily due to a large decrease in long-term liabilities and an increase in our current assets.

**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, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provides information about the activities of the District as a whole and presents a longer-term view of the District's finances. For our government activities, these statements tell how we financed our services in the short-term as well as what remains for future spending.

Our fund financial statements are included later in the financial report. Fund statements also may give you some insights into the District's overall financial health. They report the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant fund, the General Fund.

**Government-wide financial statements.** These statements present information on the District's finances in a manner similar to private sector business. One of the most important questions asked about the District is, "Is the District as a whole 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 on its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

*The Statement of Net Position.* The statement of net position shows the District's assets and liabilities, with the difference between the two reported as net position. All capital assets and long-term liabilities, and general government functions, are shown in the Statement of Net Position.

*The Statement of Activities***.** The statement of activities shows revenue, 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.

**Fund financial statements.** Governmental funds account for the same functions as reported as governmental activities in the government-wide statements. The governmental fund reporting focuses on how money flows in and out of the 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 convert 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 government 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

During the fiscal year ended June 30, 2022, the District implemented Governmental Accounting Standards Board Statement No. 87 – *Leases*, resulting in recognition of right to use assets and a related lease liability. The standard requires retroactive reporting and accordingly, right to use assets and related liabilities were recognized as of July 1, 2020, resulting in restatement of the financial statements for the fiscal year ended June 30, 2021. Total assets, liabilities and net position are compared as follows:

| | June 30, | |
|---|---|---|
| | 2022 | 2021 |
| Assets | | (As restated) |
| Current and other assets | $ 4,963,241 | $ 4,354,073 |
| Capital assets (net) | 12,078,138 | 12,483,535 |
| Total assets | 17,041,379 | 16,837,608 |
| Deferred Outflows of Resources | 3,476,123 | 3,757,168 |
| Total Assets and Pension Related Deferrals | $ 20,517,502 | $ 20,594,776 |
| Liabilities | | |
| Other liabilities | $ 1,525,186 | $ 1,262,580 |
| Long-term liabilities | 10,541,754 | 15,641,081 |
| Total liabilities | 12,066,940 | 16,903,661 |
| Deferred Inflows of Resources | 4,686,130 | 1,034,799 |
| Net Position | | |
| Restricted | 6,887,265 | 6,380,375 |
| Unrestricted | (3,122,833) | (3,724,059) |
| Total net position | $ 3,764,432 | $ 2,656,316 |

The District's revenues and expenses for fiscal year 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| **REVENUES** | | |
| Program revenues | | |
| Charges for services | $ 166,772 | $ 85,414 |
| Operating grants | 2,327,623 | 1,986,489 |
| General revenues | | |
| Property taxes | 2,775,562 | 2,578,697 |
| State revenue sharing | 6,617,492 | 6,279,521 |
| Miscellaneous | 150,673 | 255,542 |
| Total revenues | 12,038,122 | 11,185,663 |
| **EXPENSES** | | |
| Instruction | 5,960,758 | 6,377,051 |
| Support services | 4,394,292 | 4,226,893 |
| Community services | 450,164 | 419,111 |
| Interest on long-term debt | 124,792 | 217,822 |
| Total expenses | 10,930,006 | 11,240,877 |
| Change in net position | 1,108,116 | (55,214) |
| Net position - beginning | - | 2,711,530 |
| Net position - beginning (restated) | 2,656,316 | - |
| Net position - ending | $ 3,764,432 | $ 2,656,316 |

Approximately 25% of the District's activities are paid by property taxes, with another 61% from the State of Oregon shared revenues and 21% from various operating grants.

Ending Net Position increased by $1.1 million primarily due to 1) increases in various revenue sources, including grants, property taxes, and State revenue sharing, with an 8% total increase in revenues; combined with 2) an overall 3% decrease in operating expenses. The District's expenses decreased due to some positions remaining vacant during the year due to a very difficult labor market.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The focus of government funds is to provide information on near term inflows, outflows, and balances of spendable resources. Unassigned fund balance measures the District net resources for appropriation in the next fiscal year. As of June 30, 2022 total fund balance of the governmental funds was $3.8 million, of which $2.8 million is unassigned.

Summary of ending fund balances for the governmental funds for 2022 and 2021 are as follows:

| | 2022 | 2021 | Change |
|---|---|---|---|
| General Fund | $ 2,817,033 | $ 2,663,507 | $ 153,527 |
| Special Revenue Fund | 349,428 | 318,880 | 30,549 |
| Debt Service Fund | 44,375 | (15,859) | 60,234 |
| Capital Projects Fund | 609,384 | 589,516 | 19,868 |
| | $ 3,820,220 | $ 3,556,044 | $ 264,178 |

There were no Budget adjustments in the General Fund. Budget adjustments in the Special Revenue Fund were made to Federal and State revenue sources received and expected to be spent in FY2021-22:

| | Original Appropriation | Increase | Decrease | Final Appropriation |
|---|---|---|---|---|
| Special Revenue Fund | | | | |
| Instruction | $ 968,298 | $ 91,732 | $ - | $ 1,060,030 |
| Support Services | 944,781 | 477,012 | - | 1,421,793 |
| Enterprise Services | 429,470 | 53,509 | - | 482,979 |
| Interfund Transfers | 119,888 | - | - | 119,888 |
| | $ 2,462,437 | $ 622,253 | $ - | $ 3,084,690 |

## CAPITAL ASSETS

The following is a summary of capital assets compared for the years ended June 30, 2021 and 2022. The District had no capital asset additions during the year, but disposed of a fully depreciated bus during the year.

| | 2022 | 2021 |
|---|---|---|
| Land and land improvements | $ 1,737,297 | $ 1,737,297 |
| Buildings | 16,378,285 | 16,378,285 |
| Equipment | 1,714,459 | 1,670,697 |
| Less: accumulated depreciation | (7,664,379) | (7,302,744) |
| Total capital assets, net | $ 12,165,662 | $ 12,483,535 |

See footnote 6 for further information on capital assets.

## DEBT ADMINISTRATION

During the year, the District fully paid off its 2008 General Obligation (GO) bonds and made principal payments of $5,380,000 on its 2014 GO bond issue. Capitalized lease obligations were converted into financing notes payable during the implementation of GASB 87 – *Leases*. Total long-term debt outstanding on June 30, 2022 was $5,865,847, including bond premium on the 2014 GO bonds. See footnote 8 for information on the District's debt.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor affecting the District's operating fund is the stability of the funding level for the State of Oregon's State School Fund. For the year ended June 30, 2022, the State School Fund – General Support provided approximately 55% of the District's program resources. Local property taxes provided approximately an additional 23%. Although Oregon Legislators during the 2021 legislative session increased statewide school funding, it continues to remain an unknown factor facing Oregon's schools, especially in light of staffing shortages that have driven wages higher in order to retain staff. The significant reliance on State funding, coupled with the Oregon Department of Education's increasing mandates is challenging, especially in a smaller District. The District continues to depend on its cash carryover in order to meet the growing demands of the District along with the State and Federal mandates.

Salaries and benefit costs are expected to increase approximately 6% in 2022-2023, due to contractual obligations and substantial increases in benefit costs. The increase is based on staff receiving a 2.5% COLA and full experience step, plus the new expense of the Oregon Paid Family Leave Insurance that is a required payroll expense by law. Additional positions have been added as needed in areas due to increased needs and workloads. The health insurance benefits cap also increased $50 per month per employee. The District will use its increase in the State School Fund and cash carryover in order to meet this obligation.

The District's enrollment remained steady during the 2021-2022 school year but took a slight dip towards the end of year. Enrollment is expected to remain stable for the 2022-2023 school year. Total enrollment was 662 at the end of the 2021-2022 school year. The District's budget committee and School Board considered all of these factors while preparing the District's budget for 2022-2023 fiscal year.

## REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Culver School District's finances for all those interested. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to Culver School District, PO Box 259, Culver, Oregon 97734.

# BASIC FINANCIAL STATEMENTS

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**STATEMENT OF NET POSITION**

**JUNE 30, 2022**

| | 2022 | 2021 (As restated) |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and investments | $ 4,049,208 | $ 3,701,971 |
| Property taxes receivable | 114,730 | 117,850 |
| Grants receivable | 106,438 | 165,154 |
| Accounts receivable | 463,283 | 101,211 |
| Prepaid expenses | 32,766 | 15,789 |
| Supply inventory | 23,296 | 24,918 |
| Net other postemployment benefit asset | 101,927 | 113,447 |
| Non-Current Assets | | |
| Right of use assets, net of amortization | 71,593 | 113,733 |
| Capital assets - nondepreciable | 1,737,297 | 1,737,297 |
| Capital assets - depreciable, net of depreciation | 10,340,841 | 10,746,238 |
| **TOTAL ASSETS** | 17,041,379 | 16,837,608 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension related deferrals - PERS | 3,376,491 | 3,718,098 |
| Deferred outflows - other postemployment benefits | 99,632 | 39,070 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | 3,476,123 | 3,757,168 |
| **LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable | 129,829 | 109,936 |
| Payroll liabilities | 663,312 | 344,589 |
| Interest payable | 9,925 | 17,926 |
| Long-term debt due within one year | 673,731 | 745,607 |
| Leases payable due within one year | 48,389 | 44,522 |
| Noncurrent liabilities | | |
| Net other postemployment benefit liability | 142,348 | 113,574 |
| Net pension liability - PERS | 5,154,963 | 9,495,682 |
| Accrued compensated absences | 21,731 | 32,308 |
| Bond premium | 346,980 | 405,317 |
| Long-term debt due in more than one year | 4,845,136 | 5,515,215 |
| Leases payable due in more than one year | 30,596 | 78,985 |
| **TOTAL LIABILITIES** | 12,066,940 | 16,903,661 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred revenue - grant funds | 45,783 | |
| Pension related deferrals - PERS | 4,538,423 | 945,714 |
| Deferred inflows - other postemployment benefits | 101,924 | 89,085 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 4,686,130 | 1,034,799 |
| **NET POSITION** | | |
| Net investment in capital assets | 6,212,291 | 5,779,045 |
| Restricted | | |
| Restricted for Capital Projects | 609,384 | 589,516 |
| Restricted for Debt Service | 44,375 | |
| Restricted for Private Donations | 21,215 | 11,814 |
| Unrestricted | (3,122,833) | (3,724,059) |
| **TOTAL NET POSITION** | $ 3,764,432 | $ 2,656,316 |

See notes to financial statements

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

## STATEMENT OF ACTIVITIES

**YEAR ENDED JUNE 30, 2022**

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position Governmental Activities | |
|---|---|---|---|---|---|
| **FUNCTIONS** | Expenses | Charges for Services | Operating Grants and Contributions | 2022 | 2021 (Restated) |
| Instruction | $ 5,960,758 | $ 161,091 | $ 1,444,457 | $ (4,355,210) | $ (5,200,580) |
| Support Services | 4,394,292 | 5,151 | 868,196 | (3,520,945) | (3,347,198) |
| Community Services | 450,164 | 530 | 14,970 | (434,664) | (403,374) |
| Interest on long-term debt | 124,792 | - | - | (124,792) | (217,822) |
| Total governmental activities | $ 10,930,006 | $ 166,772 | $ 2,327,623 | (8,435,611) | (9,168,974) |
| General revenues: | | | | | |
| Property taxes levied for general purposes | | | | 1,905,547 | 1,833,771 |
| Property taxes levied for debt service | | | | 870,015 | 744,926 |
| State revenue sharing | | | | 6,617,492 | 6,279,521 |
| Income Not Restricted to Specific Programs | | | | | |
| Local sources | | | | 2,467 | 141,103 |
| Intermediate sources | | | | 14,090 | 28,724 |
| Federal, unrestricted | | | | 135,842 | 52,051 |
| Gain (Loss) on disposal of capital assets | | | | - | (13,000) |
| Gain (Loss) on Investments | | | | (29,952) | - |
| Interest and investment earnings | | | | 28,226 | 46,664 |
| Total general revenues | | | | 9,543,727 | 9,113,760 |
| **CHANGE IN NET POSITION** | | | | 1,108,116 | (55,214) |
| Net Position - beginning | | | | 2,656,316 | 2,711,530 |
| Net Position - ending | | | | $ 3,764,432 | $ 2,656,316 |

See notes to financial statements

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**BALANCE SHEET**
**GOVERNMENTAL FUNDS**

**JUNE 30, 2022 AND SUMMARIZED INFORMATION FOR JUNE 30, 2021**

| | | Special | Debt | Capital | Totals | |
|---|---|---|---|---|---|---|
| ASSETS | General | Revenues | Service | Projects | 2022 | 2021 |
| Cash and investments | $ 3,047,851 | $ 352,720 | $ 39,253 | $ 609,384 | $ 4,049,208 | $ 3,701,971 |
| Property taxes receivable | 80,251 | | 34,479 | | 114,730 | 117,851 |
| Accounts receivable | 45,457 | 417,826 | | | 463,283 | 101,211 |
| Interfund receivable | 435,698 | | | | 435,698 | 72,495 |
| Interfund loan | | | | | | 15,859 |
| Grants receivable | | 106,438 | | | 106,438 | 165,154 |
| Supply inventory | | 23,296 | | | 23,296 | 24,917 |
| Total assets | $ 3,609,257 | $ 900,280 | $ 73,732 | $ 609,384 | $ 5,192,653 | $ 4,199,458 |
| LIABILITIES | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | $ 61,523 | $ 68,306 | $ | $ | $ 129,829 | $ 109,936 |
| Interfund payable | | 435,698 | | | 435,698 | 72,495 |
| Interfund loan | | | | | | 15,859 |
| Payroll liabilities | 662,247 | 1,065 | | | 663,312 | 344,589 |
| Total liabilities | 723,770 | 505,069 | | | 1,228,839 | 542,879 |
| DEFERRED INFLOWS | | | | | | |
| Deferred revenue - grant funds | | 45,783 | | | 45,783 | |
| Unavailable revenue - property taxes | 68,454 | | 29,357 | | 97,811 | 100,535 |
| Total deferred inflows | 68,454 | 45,783 | 29,357 | | 143,594 | 100,535 |
| FUND BALANCES | | | | | | |
| Nonspendable | | 23,296 | | | 23,296 | 24,917 |
| Restricted for: | | | | | | |
| Private donations | | 21,215 | | | 21,215 | 13,431 |
| Energy program | | 60,637 | | | 60,637 | 41,020 |
| Debt service | | | 44,375 | | 44,375 | |
| Capital projects | | | | 609,384 | 609,384 | 589,516 |
| Committed for property principal payment reserve | | | | | | 4,261 |
| Assigned for: | | | | | | |
| Textbook replacement | | 40,581 | | | 40,581 | 40,325 |
| Asset replacement | | 25,363 | | | 25,363 | 25,203 |
| Employee pension fund | | 81,162 | | | 81,162 | 80,650 |
| Student body funds | | 98,559 | | | 98,559 | 111,990 |
| Unassigned | 2,817,033 | (1,385) | | | 2,815,648 | 2,624,731 |
| Total fund balances | 2,817,033 | 349,428 | 44,375 | 609,384 | 3,820,220 | 3,556,044 |
| Total liabilities, deferred inflows and fund balances | $ 3,609,257 | $ 900,280 | $ 73,732 | $ 609,384 | $ 5,192,653 | $ 4,199,458 |

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**RECONCILIATION OF GOVERNMENTAL FUNDS**
**BALANCE SHEET TO STATEMENT OF NET POSITION**

**JUNE 30, 2022**

| | | |
|---|---|---|
| **TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** | | $ 3,820,220 |
| The net PERS pension asset (liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries. | | (5,053,036) |
| Deferred inflows and outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date. | | |
| Deferred outflows - PERS | | 3,376,491 |
| Deferred inflows - PERS | | (4,538,423) |
| Deferred Outflows - other postemployment benefits | | 99,632 |
| Deferred Inflows - other postemployment benefits | | (101,924) |
| Net other postemployment benefit assets applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund assets. | | |
| The cost of capital assets (land, buildings, improvements, equipment and vehicles) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets amount the assets of the District as a whole. | | |
| Net Capital Assets | | 12,078,138 |
| Right of use assets are not financial resources and therefore are not reported in the governmental funds. | | 71,593 |
| Prepaid expenses are reported as assets in the District's governmental activities. | | 32,766 |
| 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. All liabilities, both current and long term are reported in the Statement of Net Position. | | |
| Long-Term Liabilities: | | |
| General obligation bonds payable | $ (5,380,000) | |
| Notes payable - buses | $ (138,867) | |
| Interest payable | (9,925) | |
| Net other postemployment benefit liability | (142,348) | |
| Accrued compensated absences | (21,731) | (5,692,871) |
| Lease financings are not recorded in the governmental funds, but rather are recognized as a liability in the Statement of Net Position. | | (78,985) |
| The unamortized portion of bond premium revenue is not available to pay for current period revenues, and therefore is not reported in the governmental funds. | | (346,980) |
| Unavailable revenue related to property taxes. | | 97,811 |
| **NET POSITION** | | $ 3,764,432 |

See notes to financial statements

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2021 AND SUMMARIZED INFORMATION FOR JUNE 30, 2022**

| | General | Special Revenue | Debt Service | Capital Projects | Totals 2022 | Totals 2021 |
|---|---|---|---|---|---|---|
| Revenues | | | | | | |
| Local sources | $ 2,048,958 | $ 160,918 | $ 872,477 | $ 49,826 | $ 3,132,179 | $ 2,868,233 |
| Intermediate sources | 14,090 | | | | 14,090 | 28,724 |
| State sources | 6,614,501 | 736,928 | 955 | 62,789 | 7,415,173 | 6,849,577 |
| Federal sources | 18,629 | 1,526,284 | | | 1,544,913 | 1,468,485 |
| Total revenues | 8,696,178 | 2,424,130 | 873,432 | 112,615 | 12,106,355 | 11,215,019 |
| Expenditures | | | | | | |
| Instruction | 5,065,024 | 859,379 | | | 5,924,403 | 5,779,298 |
| Support services | 3,280,037 | 1,127,593 | | 85,904 | 4,493,534 | 4,013,697 |
| Community services | | 461,205 | | | 461,205 | 403,266 |
| Capital outlay | | | | | | 90,340 |
| Debt service | | | 933,085 | | 933,085 | 972,333 |
| Total expenditures | 8,345,061 | 2,448,177 | 933,085 | 85,904 | 11,812,227 | 11,258,934 |
| Excess (deficiency) of revenues over (under) expenditures | 351,117 | (24,047) | (59,653) | 26,711 | 294,128 | (43,915) |
| Other financing sources (uses) | | | | | | |
| Gain (Loss) on Investments | (21,335) | (1,774) | | (6,843) | (29,952) | |
| Transfers in | | 176,256 | 119,887 | | 296,143 | 320,654 |
| Transfers out | (176,256) | (119,887) | | | (296,143) | (320,654) |
| Total other financing sources and (uses) | (197,591) | 54,595 | 119,887 | (6,843) | (29,952) | |
| Net change in fund balances | 153,526 | 30,548 | 60,234 | 19,868 | 264,176 | (43,915) |
| Fund balances - beginning of year | 2,663,507 | 318,880 | (15,859) | 589,516 | 3,556,044 | 3,599,959 |
| Fund balances - end of year | $ 2,817,033 | $ 349,428 | $ 44,375 | $ 609,384 | $ 3,820,220 | $ 3,556,044 |

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2022**

| | | |
|---|---|---|
| **TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS** | | $ 264,176 |
| The revenue (expense) represents the changes in net asset (liability) from year to year due to changes in total asset (liability) and the fair value of plan net position available to pay benefits. | | |
| PERS | $ 406,403 | |
| Other postemployment benefits | 7,429 | 413,832 |
| Governmental funds report lease financing as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which amortization exceeded lease financing. | | (42,140) |
| Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expense when earned. | | 10,577 |
| Fixed asset additions are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital assets additions exceeds depreciation. | | |
| Depreciation expense, net of adjustments | (405,397) | (405,397) |
| Expenses paid in advance of receiving good or services are reported as expenditures in governmental funds. However, in the Statement of Net Position, these expenses are reported as an asset. | | 16,977 |
| Repayment of principal long-term debt and leases is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position. | | |
| Long-term debt principal repayment | 741,955 | |
| Lease financing principal repayment | 44,522 | 786,477 |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. | | 8,001 |
| Bond issue premiums are reported as revenue received in the Governmental Funds. For government-wide reporting, these costs are reported as a liability and amortized over the life of the bond. This represents the amount expensed in the Statement of Activities. | | 58,337 |
| Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes unavailable revenue for all property taxes levied but not received, however in the Statement of Activities, there is not unavailable revenue and the full property tax receivable is accrued. | | (2,724) |
| **CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** | | $ 1,108,116 |

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**
Culver School District No. 4 (the District) is a municipal corporation governed by an elected Board of Directors. Administration officials are approved by the Board. The daily functioning is under the supervision of the Superintendent-Clerk. As required by accounting principles generally accepted in the United States of America, all activities have been included in these basic financial statements.

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

**Government-wide and Fund Financial Statements**
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 the District's taxpayers or citizenry, as a whole; revenues reduce the cost of the function to be financed from general revenues. The Statement of Activities presents charges for services and operating grants and contributions under program revenues.

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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**Fund Financial Statements**
The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a 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. The minimum number of funds are maintained consistent with legal and managerial requirements.

**Governmental Fund Types**
Governmental funds are used to account for the 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, which is 60 days. 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, pension costs, and claims and judgments, which are not recognized as expenditures because they will be liquidated with future expendable financial resources. Principal and interest on general long-term debt, long-term leases, and claims and judgments are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general-long term debt and acquisitions under capital leases are reported as other financing sources.

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.

These are the following major governmental funds:

General Fund – This fund accounts for the financial operations not accounted for in any other fund. Principal sources of revenue are property taxes and distributions from the State of Oregon. Expenditures in the fund are made for instructional purposes and related support services.

Special Revenue Funds – This fund accounts for the revenue and expenditures restricted for specific educational projects or programs. Principal revenue sources are federal grants and other local sources.

Debt Service Fund – Bond principal and interest payments are accounted for in the Debt Service Fund. The main source of revenue is local property taxes.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital Projects Funds – The Capital Projects Funds account for bus replacement, major improvement and construction projects. Major financing is from bond proceeds, interest income and fund balance carryforward.

### Use of Estimates
The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the 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 and expenditures during the reporting period. Actual results could differ from those estimates.

### Cash and Cash Equivalents
The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### Property Taxes
Uncollected real and personal property taxes are reflected on the statement of net position and the balance sheet as receivables. Uncollected taxes are deemed by management to be substantially collectible or recoverable are due from property owners within the District.

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

### Grants
Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability in the balance sheet and statement of net position.

### Supplies Inventories
General Fund operating and maintenance supplies and food and other cafeteria supplies recorded in the Special Revenue Funds are valued at cost using the first-in, first-out method. All inventory items are charged to expenditures of user departments at the time of withdrawal from inventory (consumption method) for the government wide statements. Food inventories include the value of United States Department of Agriculture donated commodities; revenues and expenditures in Special Revenue Funds include the value of donated commodities.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### Prepaid Items
In the governmental fund statements, prepaid items are accounted for using the purchase method where items are expensed as purchased. In the government-wide statements, prepaid items are capitalized and expensed as they are consumed.

### Capital Assets
Capital assets, which include land, buildings, equipment and construction in progress, 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. Capital assets are recorded at historical cost or estimated historical cost.

Donated capital assets are recorded at their estimated fair market value on the date donated. Theo cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|---|---|
| Buildings and Improvements | 50 years |
| Equipment and Vehicles | 5 to 15 years |

### Lease Assets
Lease assets are assets which the City leases for a term of more than one year. The value of leases is determined by the net present value of the leases at the City's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

### 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 no policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued in the government-wide statements.

### Leases Payable
In the government-wide financial statements, leases payable are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources.

### Long-Term Obligations
In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts 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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 while discounts on debt issuances 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 or Resources

In addition to assets, the basic financial statements 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 periods and so will not be recognized as an outflow of resources. As of June 30, 2022 there were deferred outflows representing PERS pension related deferrals and OPEB health insurance related deferrals reported in the Statement of Net Position.

In addition to liabilities, the basic financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and acquisition of net position that applies to a future period(s) and so will be recognized as an inflow of resources (revenue) until that time. At June 30, 2022 there were deferred inflows reported in the governmental funds balance sheet representing unavailable revenue from property tax and unspent grant funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. At June 30, 2022 there were also deferred inflows reported in the Statement of Net Position representing PERS pension related deferrals and OPEB health insurance related deferrals.

### 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:

*Net Investment in Capital Assets* – 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 assets that are not included in the other categories previously mentioned.

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**Fund Balances**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, is followed. 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 are – nonspendable, restricted, committed, assigned and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- 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 the 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.

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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

**Fair Value Inputs and Methodologies and Hierarchy**
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

> <u>Level 1</u> – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access
> <u>Level 2</u> – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)
> <u>Level 3</u> – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

## NOTE 2 – BUDGETARY INFORMATION

A budget is prepared and legally adopted for each fund in accordance with Oregon Local Budget Law. The budget is prepared using the modified accrual basis of accounting. The budgeting process begins by appointing Budget Committee members in early fall. Budget recommendations are developed by management through spring, with the Budget Committee approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June, and the hearing is held in June. The budget is adopted, appropriations are made and the tax levy is declared no later than June 30. Expenditure budgets are appropriated at the major function level (instruction, support services, community services, debt service, contingency, and transfers) for the general fund, special revenue fund, debt service fund, and capital projects fund. Expenditure appropriations may not legally be over expended, except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels). Such transfers require approval by the Board.

Budget amounts shown in the financial statements include the original budget amounts and four appropriation increases. Appropriations lapse at the end of each fiscal year. Expenditures of the various funds were within authorized appropriations.

## NOTE 3 – BUDGET/GAAP REPORTING DIFFERENCES

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 the same as generally accepted accounting principles in the United States of America with the exceptions that capital outlay expenditures are expenses when purchased, depreciation and amortization are not calculated, principal on debt and capital lease payments are budgeted as expenditures when paid, property taxes are recorded when received, pension costs and compensated absences are not recorded until paid, and inventories of supplies are budgeted as expenditures when purchased.

## NOTE 4 - CASH AND INVESTMENTS

The cash management policies are governed by state statues. 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 of Interfund Payables. In addition, cash is separately held by some of the funds.

Cash and investments at June 30, 2022 (recorded at fair value), consisted of:

| | |
|---|---|
| Deposits with financial institutions: | |
| Demand deposits | $ 1,142,793 |
| Bond Account - County | 63,442 |
| State Treasurer's Investment Pool | 1,439,723 |
| Jefferson County Investment Pool | 1,403,250 |
| | $ 4,049,208 |

**Deposits**
Deposits with financial institutions include bank demand deposits. Oregon Revised Statues require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements as of June 30, 2022 was $4,107,387, of which $250,000 was covered by federal depository insurance and the remainder was collateralized by the Oregon Public Funds Collateralization Program (PFCP).

**Investments**
Statues authorize investing in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Fitch Ratings and Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record (A-2/P-2 if Oregon commercial paper) and the state treasurer's investment pool.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued.

## NOTE 4 - CASH AND INVESTMENTS - continued

The LGIP seeks to exchange shares at $1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at $1.00 per share, it is possible to lose money by investing in the pool. These investments are measured using an estimated fair value percentage of 98.98% of book value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

The audited financial reports of the Oregon Short Term Fund can be found here:

https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx

If the link has expired, please contact the Oregon Short Term Fund directly.

| | | Investment Maturities (months) | | |
|---|---|---|---|---|
| Investment Type | Fair Value | Less than 3 | 3-18 | 18-59 |
| State Treasurer's Investment Pool | $ 1,439,723 | $ 1,439,723 | $ - | $ - |
| Jefferson County Investment Pool | 1,403,250 | 1,403,250 | - | - |
| Bond Account - County | 63,442 | 63,442 | - | - |
| | $ 2,906,415 | $ 2,906,415 | $ - | $ - |

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 were no investments that have a maturity date greater than three months.

Credit Risk – Deposits
In the case of deposits, this 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. As of June 30, 2022, none of the bank balance was exposed to custodial credit risk.

Credit Risk – Investments
Oregon Revised Statutes do 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
As June 30, 2022, 50% of total investments were in the State Treasurer's Investment Pool and 48% of total investments were in the Jefferson County Investment Pool. State statutes do not limit the percentage of investments in these types of instruments.

## NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable is comprised primarily of claims for reimbursement of costs under various federal and state grant programs. No allowance for uncollectible accounts had been recorded because management considers all receivables to be collectible.

## NOTE 6 - CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2022, are as follows:

| | Balance June 30, 2021 | Increases | Decreases | Balance June 30, 2022 |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land | $ 1,737,297 | $ | $ | $ 1,737,297 |
| Total capital assets not being depreciated | 1,737,297 | | | 1,737,297 |
| Capital assets being depreciated | | | | |
| Building and improvements | 16,378,285 | | | 16,378,285 |
| Vehicles and equipment | 1,670,697 | | 43,762 | 1,626,935 |
| Total capital assets being depreciated | 18,048,982 | | 43,762 | 18,005,220 |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 6,194,585 | 305,343 | | 6,499,928 |
| Vehicles and equipment | 1,108,159 | 100,054 | (43,762) | 1,164,451 |
| Total accumulated depreciation | 7,302,744 | 405,397 | (43,762) | 7,664,379 |
| Total capital assets being depreciated, net | 10,746,238 | (405,397) | 87,524 | 10,340,841 |
| Total capital assets, net | $ 12,483,535 | $ (405,397) | $ 87,524 | $ 12,078,138 |

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

| | |
|---|---|
| Instruction | $ 304,218 |
| Support Services | 100,779 |
| Community Services | 400 |
| | $ 405,397 |

## NOTE 7 – RIGHT OF USE ASSETS

Right of use asset activity for the year ended June 30, 2022, was as follows:

| | Balance June 30, 2021 (As restated) | Increases | Decreases | Balance June 30, 2022 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Right of use assets | | | | |
| Copiers | $ 60,939 | $ - | $ - | $ 60,939 |
| Chromebooks | 149,760 | - | - | 149,760 |
| | 210,699 | | | 210,699 |
| Less accumulated amortization | 96,966 | 42,140 | - | 139,106 |
| Total right of use assets, net | $ 113,733 | $ (42,140) | $ - | $ 71,593 |

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

| | |
|---|---|
| Instruction | $ 8,285 |
| Support Services | 33,855 |
| | $ 42,140 |

## NOTE 8 – LONG-TERM OBLIGATIONS

On February 5, 2008, $1,800,000 of Full Faith and Credit Obligation bonds were issued to provide resources to acquire land. On February 20, 2014, $8,800,000 of General Obligation bonds were issued to refinance $725,000 of the 2008 bond and to make improvements to school buildings. A portion of the net proceeds of $9,665,912 (including an $865,912 premium and after payment of $120,483 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2008 Full Faith and Credit bonds' total debt service payments were reduced over 9 years by $897,587. There are no significant default remedy clauses noted in the agreements that would impact the financial statements or require disclosure under GASB 88.

On January 18, 2019, an Installment Purchase Agreement was entered into with Mercedes-Benz Financial Services to acquire a new school bus. Another Installment Purchase Agreement for a school bus was entered into with Mercedes-Benz Financial Services in January, 2021.

## NOTE 8 – LONG-TERM OBLIGATIONS - continued

All long-term obligations are payable from the general and debt service funds. The following are changes in long-term debt during the year ended June 30, 2022.

| | Beginning Balance | Issued | Matured and Redeemed | Ending Balance | Due in One Year |
|---|---|---|---|---|---|
| Notes Payable | | | | | |
| Bus Purchase 2018-2019 (Bus #8) | $ 76,510 | $ | $ 24,344 | $ 52,166 | $ 25,485 |
| Bus Purchase 2020-2021 (Bus #14) | 114,312 | | 27,611 | 86,701 | 28,246 |
| Bonds Payable | | | | | |
| GO Bond 2008 | 115,000 | | 115,000 | | |
| GO Bond 2014 | 5,955,000 | | 575,000 | 5,380,000 | 620,000 |
| Premium related to Bond | | | | | |
| Bond premium | 405,317 | | 58,337 | 346,980 | |
| | $ 6,666,139 | $ - | $ 800,292 | $ 5,865,847 | $ 673,731 |

Future maturities of Long-Term Obligations are as follows:

| Year Ending June 30, | Bus Purchase 2018-2019 (Bus #8) | Bus Purchase 2020-2021 (Bus #14) | GO Bond 2014 | Total |
|---|---|---|---|---|
| 2023 | $ 25,485 | $ 28,246 | $ 620,000 | $ 673,731 |
| 2024 | 26,681 | 28,896 | 665,000 | 720,576 |
| 2025 | | 29,560 | 715,000 | 744,560 |
| 2026 | | | 765,000 | 765,000 |
| 2027 | | | 815,000 | 815,000 |
| 2028-2029 | | | 1,800,000 | 1,800,000 |
| | $ 52,166 | $ 86,701 | $ 5,380,000 | $ 5,518,867 |

## NOTE 9 – LEASES PAYABLE

On June 28, 2018, a lease agreement was entered into with Marlin Leasing Corporation to acquire new Chromebooks for all students grades 3-12. The District entered into a five-year lease agreement for copy machines in November 2020.

| | Beginning Balance | Issued | Matured and Redeemed | Ending Balance | Due in One Year |
|---|---|---|---|---|---|
| Chromebooks | $ 69,216 | $ | $ 32,851 | $ 36,365 | $ 36,365 |
| Copiers | 54,291 | | 11,671 | 42,620 | 12,024 |
| | $ 123,507 | $ - | $ 44,522 | $ 78,985 | $ 48,389 |

Future maturities are as follows:

| Year Ending June 30, | Chromebooks | Copiers | Total |
|---|---|---|---|
| 2023 | $ 36,365 | $ 12,024 | $ 48,389 |
| 2024 | | 12,392 | 12,392 |
| 2025 | | 12,768 | 12,768 |
| 2026 | | 5,436 | 5,436 |
| | $ 36,365 | $ 42,620 | $ 78,985 |

## NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – IMPLICIT RATE SUBSIDY

**Postemployment Healthcare Plan**

The District reports its liability for other postemployment benefits consistent with established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

## NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – IMPLICIT RATE SUBSIDY – continued

**Plan Description**

The District sponsors a self-pay early retirement health insurance program for its retirees. The plan provides post-retirement healthcare benefits for eligible retirees and their dependents through the District's group health insurance plans. The District's post-retirement plan was established in accordance with Oregon Revised Statutes (ORS) 243.303 which states, in part, that for the purposes of establishing healthcare premiums, the calculated rate must be based on the cost of all plan members, including both active employees and retirees. Because claim costs are generally higher for retiree groups than for active members, the premium amount does not represent the full cost of coverage for retirees. The resulting additional cost, or implicit subsidy, is required to be valued under GASB Statement 75 related to Other Post-Employment Benefits (OPEB). Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective. The plan does not issue a stand-alone financial report.

**Funding Policy**

The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan. The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the District to fund these benefits in advance.

**Actuarial Methods and Assumptions**

The District engaged an actuary to perform an evaluation as of July 1, 2021, using entry age normal actuarial funding method. The OPEB liability was determined based on measurement dates of June 30, 2022 and 2023, using the following actuarial assumptions:

## NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – IMPLICIT RATE SUBSIDY - continued

| | |
|---|---|
| Discount Rate | 3.50% |
| General Inflation | 2.00% |
| Annual Salary Increases | 3.00% plus merit increases/decreases ranging from (0.59)% to 4.15% |

Health Care Cost Trend

Medical and Vision:

| Year | Rate | Year | Rate |
|---|---|---|---|
| 2022 | 3.50% | 2032 | 5.50% |
| 2023 | 4.00% | 2033 | 5.40% |
| 2024 | 4.50% | 2034 | 5.30% |
| 2025 | 5.00% | 2035 | 5.20% |
| 2026 | 5.50% | 2036 | 5.10% |
| 2027 | 6.00% | 2037 | 5.00% |
| 2028 | 5.90% | 2038 | 4.90% |
| 2029 | 5.80% | 2039 | 4.80% |
| 2030 | 5.70% | 2040 | 4.70% |
| 2031 | 5.60% | 2041 | 4.60% |
| | | 2041+ | 4.50% |

Demographic assumptions regarding retirement, mortality, and turnover are based on Oregon PERS valuation assumptions as of December 31, 2020. Mortality rates: Election rate and lapse assumptions are based on experience implied by valuation data for this and other Oregon public employers. Mortality rates used are the Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees.

Future retiree coverage: 40% of active members were assumed to elect coverage upon retirement. 60% of male members and 35% of female members who elect coverage upon retirement are also assumed to elect spouse coverage. Retirees for whom the Employer will never pay any portion of the health care premiums are assumed to have a 5% probability of lapsing (dropping) coverage per year. Female spouses are assumed to be two years younger than male spouses.

Under GASB 75, unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The assumptions in this report reflect the Bond Buyer 20-Year General Obligation Bond Index.

## NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – IMPLICIT RATE SUBSIDY - continued

For the measurement date of July 1, 2021, 102 participants were covered under the plan, all of which were active participants.

### Changes in OPEB Liability

The District recognized $2,679 of OPEB expense related to the implicit rate subsidy for the year ended June 30, 2022.

| | |
|---|---|
| Balance as of June 30, 2021 | $ 113,574 |
| Changes for the year: | |
| Service cost | 12,482 |
| Interest on total OPEB liability | 2,710 |
| Difference between expected and actual experience | 47,013 |
| Effect of economic/demographic gains/losses | |
| Effect of assumptions changes or inputs | (22,207) |
| Benefit payments | (11,224) |
| Balance as of June 30, 2022 | $ 142,348 |

### Sensitivity Analysis

The following analysis presents the net OPEB liability using a discount rate of 3.50%, as well as what the District's net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower and one percentage point higher than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption:

| | 1% Decrease 2.50% | Current Discount rate 3.50% | 1% Increase 4.50% |
|---|---|---|---|
| Total OPEB Liability | $ 153,093 | $ 142,348 | $ 132,148 |

| | 1% Decrease 3.50% | Current Trend Rate 4.50% | 1% Increase 5.50% |
|---|---|---|---|
| Total OPEB Liability | $ 122,896 | $ 142,348 | $ 166,025 |

## NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – IMPLICIT RATE SUBSIDY - continued

**Deferred Inflow and Outflows**

Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows (gains) and deferred outflows (losses). Economic and demographic gains and losses and changes in the Total OPEB Liability due to changes in assumptions are recognized over the closed period equal to the average expected remaining service lives of all covered active and inactive participants. The amortization period of 8.1 year is calculated as the weighted average of expected remaining service lives assuming zero years for all retirees.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources as follows:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 43,095 | $ 42,793 |
| Changes of assumptions or other input | 22,654 | 20,356 |
| Total | $ 65,749 | $ 63,149 |

Changes of assumptions or inputs reported as deferred outflows of resources will be recognized in OPEB expense as follows:

| Year ending June 30, | |
|---|---|
| 2023 | $ (1,289) |
| 2024 | (1,289) |
| 2025 | (1,289) |
| 2026 | (1,289) |
| 2027 | (1,289) |
| Thereafter | 9,045 |
| | $ 2,600 |

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS – PERS RETIREE HEALTH INSURANCE PLAN

### Plan Description

The District contributes to the Oregon Public Employees Retirement System (PERS) which is a cost sharing multiple employer defined benefit pension plan. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. Participation by school districts is mandatory. PERS administers the Retirement Health Insurance Account (RHIA), a cost-sharing, multiple employer defined benefit other postemployment benefit plan (OPEB). RHIA plan assets may be sued to pay the benefits of any employer that is a member of PERS. Contributions to RHIA are mandatory for PERS members.

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

### Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to $60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of $60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410.

To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS – PERS RETIREE HEALTH INSURANCE PLAN - continued

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by PERS, and the District currently contributes 0.06% of annual covered OPERF payroll and 0.00% of OPSRP payroll under a contractual requirement in effect until June 30, 2022. Consistent with GASB Statement 75, the PERS Board of Trustees sets the employer contribution rates as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined. The basis for the employer's portion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the plan with the total actual contributions made in the fiscal year of all employers. The City's contributions to RHIA for the years ended June 30, 2020, 2021, and 2022 were $3,976, $794, and $1,715 respectively, which equaled the required contributions each year.

At June 30, 2022, the City reported a net OPEB asset of $101,927 for its proportionate share of the net OPEB liability/(asset). The OPEB liability/(asset) was measured as of June 30, 2021, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2019. Consistent with GASB Statement No. 75, paragraph 59(a), the City's proportion of the net OPEB liability/(asset) is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. As of the measurement date of June 30, 2021 and 2020, the City's proportion was 0.02968 percent and 0.05568 percent, respectively.

Components of OPEB Expense/(Income)

| | | |
|---|---|---|
| Employer's proportionate share of collective system OPEB Expense/(Income) | $ | (16,670) |
| Net amortization of employer-specific deferred amounts from: | | 7,442 |
| Changes in proportionate share | | - |
| Total | $ | (9,228) |

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS – PERS RETIREE HEALTH INSURANCE PLAN - continued

Components of Deferred Outflows/Inflows of Resources

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|---|---|
| Differences between expected and actual experience | $ | $ 2,836 |
| Changes of assumptions | 2,006 | 1,516 |
| Net difference between projected and actual earnings on investments | - | 24,223 |
| Changes in proportionate share | 31,877 | 10,200 |
| Total | $ 33,883 | $ 38,775 |

The amount of contributions subsequent to the measurement date are immaterial and therefore are not reported as a reduction of the net OPEB liability/(asset).

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

| Year ending June 30, | |
|---|---|
| 2023 | $ 50 |
| 2024 | 8,239 |
| 2025 | (5,530) |
| 2026 | (7,651) |
| 2027 | - |
| Thereafter | - |
| | $ (4,892) |

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS Retirement Health Insurance Account Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the Year Ended June 30, 2021.

https://www.oregon.gov/pers/emp/pages/gasb.aspx

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS – PERS RETIREE HEALTH INSURANCE PLAN - continued

Actuarial Methods and Assumptions

| | |
|---|---|
| Valuation Date | December 31, 2019 |
| Experience Study Report | 2018, Published July 24, 2019 |
| Actuarial cost method | Entry Age Normal |
| Inflation rate | 2.40 percent |
| Investment rate of return | 6.90 percent |
| Discount rate | 6.90 percent |
| Projected salary increase | 3.40 percent |
| Retiree healthcare participation | Healthy retirees: 32%; Disabled retirees: 20% |
| Mortality | Healthy retirees and beneficiaries: Pub-2010 Healthly retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. |

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2018 Experience Study which is reviewed for the four-year period ending December 31, 2018.

Discount Rate - The discount rate used to measure the total OPEB liability as of the measurement date of June 30, 2021 and 2020 was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS – PERS RETIREE HEALTH INSURANCE PLAN - continued

Long-Term Expected Rate of Return **-** To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Sensitivity of the City's proportionate share of the net OPEB liability/(asset) to changes in the discount rate – The following presents the City's proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 6.90 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-perentage-point higher (7.90 percent) than the current rate.

| | Current Discount rate | Total OPEB Asset |
|---|---|---|
| 1% decrease | 5.90% | $ 90,139 |
| Current rate | 6.90% | 101,927 |
| 1% increase | 7.90% | 111,996 |

Changes Subsequent to the Measurement Date

There are no changes subsequent to the June 30, 2021 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS – PERS RETIREE HEALTH INSURANCE PLAN - continued

Long-term Expected Rate of Return

| Asset Class | Target Allocation* | | Annual Arithmetic Return | 20-year Annualized (Geometric) Return | Standard Deviation |
|---|---|---|---|---|---|
| Global Equity | 30.62% | | 7.11% | 5.85% | 17.50% |
| Private Equity | 25.50% | | 11.35% | 7.71% | 30.00% |
| Core Fixed Income | 23.75% | | 2.80% | 2.73% | 3.38% |
| Real Estate | 12.25% | | 6.29% | 5.66% | 12.00% |
| Master Limited Partnerships | 0.75% | | 7.65% | 5.71% | 21.30% |
| Infrastructure | 1.50% | | 7.24% | 6.26% | 15.00% |
| Commodities | 0.63% | | 4.68% | 3.10% | 18.85% |
| Hedge Fund of Funds - Multistrate | 1.25% | | 5.24% | 5.11% | 8.45% |
| Hedge Fund Equity - Hedge | 0.63% | | 5.85% | 5.31% | 11.05% |
| Hedge Fund - Macro | 5.62% | | 5.33% | 5.06% | 7.90% |
| US Cash | -2.50% | ^ | 1.77% | 1.76% | 1.20% |
| | | | | | |
| Assumed Inflation Mean | | | | 2.40% | 1.65% |

1 Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Publi Employees Retirement Fund, including revisions adopted at the OIC meeting on June 2, 2021.

2 The arithmetic mean is a component that goes into calculating the geometric mean. Expected rates of return are presented using the geometric mean, which the Board uses in setting the discount rate.

^ Negative allocation to cash represents levered exposure from allocation to Risk Parity strategy.

*(Source: June 30, 2021 PERS ACFR, Table 31; p. 74)*

## NOTE 12 – PUBLIC PENSION RETIREMENT PLAN

### Plan Description

The District contributes to the Oregon Public Employees Retirement System (PERS) which is a cost sharing multiple employer defined benefit pension plan. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. Participation by school districts is mandatory. PERS issues a publicly available financial report which can be obtained on their website, www.oregon.gov/PERS.

PERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Public Employees Retirement Board (Board) to administer and manage the System. All members of the Board are appointed by the governor and confirmed by the state Senate. The governor designates the chairperson. One member must be a public employer manager or a local elected official, one member must be a union-represented public employee or retiree, and three members must have experience in business management, pension management, or investing.

The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One. As of June 30, 2021, there were 13,991 active plan members, 129,357 retired plan members or their beneficiaries currently receiving benefits, 9,103 inactive plan members entitled to but not yet receiving benefits, for a total of 152,451 Tier One members. For Tier Two members, as of June 30, 2021, there were 29,322 active plan members, 18,832 retired plan members or their beneficiaries currently receiving benefits, 13,498 inactive plan members entitled to but not yet receiving benefits, for a total of 61,652.

The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit), which is part of the Plan and the Individual Account Program, which is reported as a separate plan in PERS financial statements. Membership includes public employees hired on or after August 29, 2003. As of June 30, 2021, there were 136,785 active plan members, 8,311 retired plan members or their beneficiaries currently receiving benefits, 7,520 inactive plan members entitled to but not yet receiving benefits, and 18,263 inactive plan members not eligible for refund or retirement, for a total of 170,879 OPSRP Pension Program members.

## NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) of OPSRP. PERS members retain their existing Plan accounts, but member contributions are now deposited into the member's IAP account, not into the member's Defined Benefit Plan account. Accounts are credited with earnings and losses net of administrative expenses. OPSRP is part of PERS and is administered by the Board. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and such rules are to be considered part of the plan for IRS purposes.

For the year ended June 30, 2022, the District's total payroll for all employees was $4,883,143. Total covered payroll was $4,667,157. Covered payroll refers to all compensation paid by the District to active employees covered by PERS.

### Contributions

PERS members are required to contribute 6% of their salary and the employer makes contributions at an actuarially determined rate as adopted by the PERS Board. The rate for Tier One and Tier Two for the year ended June 30, 2022 was 32.03% of covered annual payroll. The rate for OPSRP for the year ended June 30, 2022 was 26.58%. The contribution requirements of plan members are established by state statute. The employer contribution is set and may be amended by the Retirement Board. The District's contributions to Oregon PERS for the year ended June 30, 2022 was $1,333,360. In addition, employee contributions made by the District under employment contracts were $300,915 employee contributions for the year ended June 30, 2022.

<u>Pension Assets, Pension Income, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions</u>

At June 30, 2022, the District reported a liability of $5,154,963 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. Update procedures were used to roll forward the total pension liability to the measurement date.

The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. The projected long-term contribution effort is equal to the sum of the present value of the future normal costs (PVFNC) and the unfunded actuarial liability (UAL). The contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

The projected long-term contribution effort is estimated by projecting the present value of all future normal cost rate contributions. The PVFNC represents the portion of the projected long-term contribution effort related to future service.

## NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued

An employer's PVFNC depends on both the Normal Cost Rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For PERS funding, employers have three different payrolls, each with a different Normal Cost Rate:

- Tier One/Tier Two payroll
- OPSRP General Service payroll
- OPSRP Police & Fire payroll

A UAL exists when Plan assets are less than the actuarial liability as measured by the Plan's actuarial funding valuations. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The UAL represents the portion of the projected long-term contribution effort related to past service. In determining the employer's projected long-term contribution effort to the Plan, the UAL component was adjusted for supplemental lump-sum payments made during the measurement period, if applicable.

After the employer's projected long-term contribution effort is calculated, that amount is reduced by the value of the employer's supplemental lump-sum payments, known as side accounts, transition surpluses and pre-SLGRP (State and Local Government Rate Pool) surpluses as of the valuation date. Side accounts decrease the employer's projected long-term contribution effort because side accounts are effectively pre-paid contributions.

The employer's projected long-term contribution effort does not include contributions toward the current value of transition liabilities and pre-SLGRP (State and Local Government Rate Pool) liabilities, which PERS has determined meet the definition of separately financed employer liabilities.

## NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued

For the year ended June 30, 2022, the District recognized pension expense of $650,639. The District's proportionate share of the collective net pension liability was .04308%, a decrease from its proportionate share of .04351%, at the previous measurement date. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 482,539 | $ |
| Changes of assumptions | 1,290,443 | 13,568 |
| Net difference between projected and actual earnings on investments | - | 3,816,179 |
| Changes in proportionate share | - | 708,677 |
| Differences between employer contributions and employer's proportionate share of system contributions | 574,174 | - |
| Total prior to post-measurement date contributions | 2,347,156 | 4,538,424 |
| Contributions subsequent to measurement date | 1,029,336 | - |
| | $3,376,492 | $4,538,424 |

The difference between projected and actual earnings attributable to each measurement period is amortized over a closed five-year period.

The $1,029,336 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

**NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued**

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Year ending June 30, | | |
|---|---|---|
| 2023 | $ | (438,963) |
| 2024 | | (434,193) |
| 2025 | | (573,353) |
| 2026 | | (886,539) |
| 2027 | | 141,781 |
| | $ | (2,191,267) |

Differences between expected and actual experience, changes in assumptions, changes in employer proportion and changes between employer contributions and proportionate share of contributions are amortized over the remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined at the beginning of each measurement period are:

- Year ended June 30, 2021 – 5.4 years
- Year ended June 30, 2020 – 5.3 years
- Year ended June 30, 2019 – 5.2 years
- Year ended June 30, 2018 – 5.2 years
- Year ended June 30, 2017 – 5.3 years
- Year ended June 30, 2016 – 5.3 years
- Year ended June 30, 2015 – 5.4 years
- Year ended June 30, 2014 – 5.6 years

## NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued

Actuarial Methods and Assumptions

| | |
|---|---|
| Valuation Date | December 31, 2019 |
| Experience Study Report | 2018, Published July 24, 2019 |
| Actuarial cost method | Entry Age Normal |
| Inflation rate | 2.40 percent |
| Investment rate of return | 6.90 percent |
| Discount rate | 6.90 percent |
| Projected salary increase | 3.40 percent |
| Retiree healthcare participation | Healthy retirees: 32%; Disabled retirees: 20% |
| Mortality | Healthy retirees and beneficiaries: Pub-2010 Healthly retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. |

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2018 Experience Study which is reviewed for the four-year period ending December 31, 2018.

*Long-Term Expected Rate of Return*
To develop an analytical basis for the selection of the long-term expected rate of return assumption, in April 2019, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

## NOTE 12 – PUBLIC PENSION RETIREMENT PLAN – continued

Long-term Expected Rate of Return

| Asset Class | Target Allocation* | | Annual Arithmetic Return | 20-year Annualized (Geometric) Return | Standard Deviation |
|---|---|---|---|---|---|
| Global Equity | 30.62% | | 7.11% | 5.85% | 17.50% |
| Private Equity | 25.50% | | 11.35% | 7.71% | 30.00% |
| Core Fixed Income | 23.75% | | 2.80% | 2.73% | 3.38% |
| Real Estate | 12.25% | | 6.29% | 5.66% | 12.00% |
| Master Limited Partnerships | 0.75% | | 7.65% | 5.71% | 21.30% |
| Infrastructure | 1.50% | | 7.24% | 6.26% | 15.00% |
| Commodities | 0.63% | | 4.68% | 3.10% | 18.85% |
| Hedge Fund of Funds - Multistrate | 1.25% | | 5.24% | 5.11% | 8.45% |
| Hedge Fund Equity - Hedge | 0.63% | | 5.85% | 5.31% | 11.05% |
| Hedge Fund - Macro | 5.62% | | 5.33% | 5.06% | 7.90% |
| US Cash | -2.50% | ^ | 1.77% | 1.76% | 1.20% |
| | | | | | |
| Assumed Inflation Mean | | | | 2.40% | 1.65% |

1 Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Publi Employees Retirement Fund, including revisions adopted at the OIC meeting on June 2, 2021.

2 The arithmetic mean is a component that goes into calculating the geometric mean. Expected rates of return are presented using the geometric mean, which the Board uses in setting the discount rate.

^ Negative allocation to cash represents levered exposure from allocation to Risk Parity strategy.

*(Source: June 30, 2021 PERS ACFR, Table 31; p. 74)*

*Discount Rate*
The discount rate used to measure the total pension liability of the Plan was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

| | 1% Decrease 5.90% | Discount Rate 6.90% | 1% Increase 7.90% |
|---|---|---|---|
| Proportionate share of net pension liability | $ 10,123,115 | $ 5,154,963 | $ 998,424 |

*Plan Fiduciary Net Position*
GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected rate of return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 often requires that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of solvency, it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume the plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

## NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued

Based on these circumstances, it is the PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

## NOTE 13 – PROPERTY TAX LIMITATIONS

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. The permanent operating property tax rate was fixed at $4.8766 per thousand of assessed value.

Measure 50 reduced the amount of operating property tax revenues available to the District for its 1998-1999 fiscal year, and thereafter. This reduction was accomplished by rolling assessed property values back to their 1995-1996 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 reductions. 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 school districts. The ultimate impact to the District as a result of this measure has been greater reliance on state funding and less reliance on local funding.

## NOTE 14 - 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. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage for the last three fiscal years.

## NOTE 15 – INTERFUND TRANSFERS AND INTERFUND RECEIVABLE / PAYABLE

Transfers were made to fund operations and the internal receivables/payables are used as a pooling of cash between various funds.

Amounts are comprised of the following:

| | Transfer In | Transfer Out | Interfund Receivable | Interfund Payable |
|---|---|---|---|---|
| General Fund | $ | $ 176,256 | $ 435,698 | $ |
| Special Revenue Fund | 176,256 | 119,887 | | 435,698 |
| Debt Service Fund | 119,887 | | | |
| Total | $ 296,143 | $ 296,143 | $ 435,698 | $ 435,698 |

## NOTE 16 – COMMITMENTS AND CONTINGENCIES

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 operations cannot be determined.

As of June 30, 2022, the District had ordered but not received a 14-passenger bus for approximately $77 thousand. The District had also ordered but not received approximately $140 thousand of cafeteria equipment.

## NOTE 17 – TAX ABATEMENTS

As of June 30, 2022, the Culver School District potentially had tax abatements through various state allowed programs that impacted levied taxes. Based on the information available from the county as of the date of issuance of these basic financial statements, there were no material abatements disclosed by the county for the year ended June 30, 2022 for any program covered under GASB 77.

## NOTE 18 – RESTATEMENT

As required by GASB Statement No. 87, the City has restated its financial statements in order to recognize the District's right to use assets and related lease liabilities as of July 1, 2020. Net position as of June 30, 2021 was originally reported as $2,627,739. The restated ending net position is $2,656,316.

## REQUIRED SUPPLEMENTARY INFORMATION

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

**YEAR ENDED JUNE 30, 2022**

| Year Ended June 30, | (a) Employer's proportion of the net pension liability (asset) (NPL(A)) | (b) Employer's proportionate share of the NPL(A) | (c) CAL's covered payroll | (b/c) NPL(A) as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---|---|---|---|---|---|
| 2022 | 0.043078% | $ 5,154,963 | $ 4,667,157 | 110.5% | 87.6% |
| 2021 | 0.043511% | 9,495,682 | 4,368,292 | 217.4% | 75.8% |
| 2020 | 0.192373% | 8,444,850 | 3,810,209 | 221.6% | 80.2% |
| 2019 | 0.199727% | 7,572,557 | 3,629,236 | 208.7% | 82.1% |
| 2018 | 0.193411% | 7,356,264 | 3,709,595 | 198.3% | 83.1% |
| 2017 | 0.209208% | 8,279,537 | 3,782,760 | 218.9% | 80.5% |
| 2016 | 0.222334% | 3,301,675 | 3,560,360 | 92.7% | 91.9% |
| 2015 | 0.240095% | (1,225,592) | 3,122,355 | -39.3% | 103.6% |
| 2014 | 0.240095% | 2,759,224 | 3,170,086 | 87.0% | 92.0% |

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

## SCHEDULE OF CONTRIBUTIONS
## PENSION PLAN

### YEAR ENDED JUNE 30, 2022

| Year Ended June 30, | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | Employer's covered payroll | Contributions as a percent of covered payroll |
|---|---|---|---|---|---|
| 2022 | $ 1,333,360 | $ 1,333,360 | - | $ 5,059,231 | 26.4% |
| 2021 | 1,322,507 | 1,322,507 | - | 4,667,157 | 28.3% |
| 2020 | 1,157,220 | 1,157,220 | - | 4,368,292 | 26.5% |
| 2019 | 894,463 | 894,463 | - | 3,810,209 | 23.5% |
| 2018 | 866,038 | 866,038 | - | 3,629,236 | 23.9% |
| 2017 | 705,508 | 705,508 | - | 3,709,595 | 19.0% |
| 2016 | 736,298 | 736,298 | - | 3,782,760 | 19.5% |
| 2015 | 708,224 | 708,224 | - | 3,560,360 | 19.9% |
| 2014 | 616,608 | 616,608 | - | 3,122,355 | 19.7% |

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**NET OPEB LIABILITY (ASSET) - RHIA**
**YEAR ENDED JUNE 30, 2022**

## SCHEDULE OF PROPORTIONATE SHARE

| Year Ended June 30, | (a) Employer's proportion of the net pension liability (asset) (NPL(A)) | (b) Employer's proportionate share of the NPL(A) | (c) CAL's covered payroll | (b/c) NPL(A) as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---|---|---|---|---|---|
| 2022 | 0.029682% | $ (101,927) | $ 4,667,157 | -2.2% | 183.9% |
| 2021 | 0.055677% | (113,447) | 4,368,292 | -2.6% | 150.1% |
| 2020 | 0.034559% | (66,781) | 3,810,209 | -1.8% | 144.4% |

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

## SCHEDULE OF CONTRIBUTIONS

| Year Ended June 30, | (a) Statutorily Required Contribution | (b) Contributions During Year | (b)-(a) Difference | (c) Covered Payroll | (b/c) Contributions as a Percentage of Payroll |
|---|---|---|---|---|---|
| 2022 | $ 1,715 | $ 1,715 | $ | $ 5,059,231 | 0.0% |
| 2021 | 794 | 794 | - | 4,667,157 | 0.0% |
| 2020 | 3,976 | 3,976 | - | 4,368,292 | 0.1% |

The above table presents the most recent actuarial valuations for the District's post-retirement health insurance and it provides information that approximates the funding progress of the plan.

**SCHEDULE OF CHANGES IN OTHER OPEB LIABILITY**
**IMPLICIT HEALTH INSURANCE SUBSIDY**

**YEAR ENDED JUNE 30, 2022**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Total OPEB liability, beginning | $ 113,574 | $ 100,660 | $ 118,813 | $ 132,032 | $ 139,407 |
| Service Cost | 12,482 | 12,060 | 7,178 | 6,935 | 6,700 |
| Interest | 2,710 | 2,517 | 4,876 | 4,630 | 5,025 |
| Changes of benefit terms | | | (64,189) | | |
| Differences between expected and actual experience | 47,013 | | | | |
| Changes of assumptions | (22,207) | | 33,982 | | |
| Benefit payments | (11,224) | (1,663) | - | (24,784) | (19,100) |
| Total OPEB liability, ending | $ 142,348 | $ 113,574 | $ 100,660 | $ 118,813 | $ 132,032 |
| Estimated covered employee payroll | $ 4,900,321 | $ 4,916,342 | $ 4,528,899 | $ 3,756,259 | $ 3,629,236 |
| Total OPEB liability as a percentage of covered employee payroll | 2.9% | 2.3% | 2.2% | 3.2% | 3.6% |

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**GENERAL FUND**
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**BUDGET AND ACTUAL**

**YEAR ENDED JUNE 30, 2022**

| | Original Budget | Final Budget | | Actual | Variance to Final Budget |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Local sources | $ 2,001,982 | $ 2,001,982 | | $ 2,048,958 | $ 46,976 |
| Intermediate sources | 3,000 | 3,000 | | 14,090 | 11,090 |
| State sources | 5,929,234 | 5,929,234 | | 6,614,501 | 685,267 |
| Federal sources | - | - | | 18,629 | 18,629 |
| Total revenues | 7,934,216 | 7,934,216 | | 8,696,178 | 761,962 |
| Expenditures | | | | | |
| Instruction | 5,451,620 | 5,451,620 | (1) | 5,065,024 | 386,596 |
| Support services | 3,531,188 | 3,531,188 | (1) | 3,280,037 | 251,151 |
| Contingency | 100,000 | 100,000 | (1) | - | 100,000 |
| Total expenditures | 9,082,808 | 9,082,808 | | 8,345,061 | 737,747 |
| Excess (deficiency) of revenues over (under) expenditures | (1,148,592) | (1,148,592) | | 351,117 | 1,499,709 |
| Other financing sources (uses) | | | | | |
| Interfund Loan Repayments | 35,000 | 35,000 | | 15,859 | (19,141) |
| Transfers out | (221,635) | (221,635) | (1) | (176,256) | 45,379 |
| Total other financing sources and (uses) | (186,635) | (186,635) | | (160,397) | 26,238 |
| Net change in fund balance | (1,335,227) | (1,335,227) | | 190,720 | 1,525,947 |
| Fund balance - beginning of year | 2,144,309 | 2,144,309 | | 2,647,648 | 503,339 |
| Fund balance - end of year | $ 809,082 | $ 809,082 | | $ 2,838,368 | $ 2,029,286 |

| Reconciliation to GAAP Fund Balance: | |
|---|---|
| LGIP FMV Adjustment | (21,335) |
| GAAP Fund Balance | $ 2,817,033 |

(1) Appropriation level

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**SPECIAL REVENUE FUND**
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**BUDGET AND ACTUAL**

**YEAR ENDED JUNE 30, 2022**

| | Original Budget | Final Budget | | Actual | Variance to Final Budget |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Local sources | $ 202,808 | $ 202,808 | | $ 160,918 | $ (41,890) |
| State sources | 711,969 | 800,991 | | 736,928 | (64,063) |
| Federal sources | 1,159,211 | 1,692,442 | | 1,526,284 | (166,158) |
| Total revenues | 2,073,988 | 2,696,241 | | 2,424,130 | (272,111) |
| Expenditures | | | | | |
| Instruction | 968,298 | 1,060,030 | (1) | 859,379 | 200,651 |
| Support services | 944,781 | 1,421,793 | (1) | 1,127,593 | 294,200 |
| Community and enterprise | 429,470 | 482,979 | (1) | 461,205 | 21,774 |
| Total expenditures | 2,342,549 | 2,964,802 | | 2,448,177 | 516,625 |
| Excess (deficiency) of revenues over (under) expenditures | (268,561) | (268,561) | | (24,047) | 244,514 |
| Other financing sources (uses) | | | | | |
| Transfers in | 211,635 | 261,635 | | 176,256 | (85,379) |
| Transfers out | (119,888) | (119,888) | (1) | (119,887) | 1 |
| Total other financing sources and (uses) | 91,747 | 141,747 | | 56,369 | (85,378) |
| Net change in fund balance | (176,814) | (126,814) | | 32,322 | 159,136 |
| Fund balance - beginning of year | 313,074 | 313,074 | | 318,880 | 5,806 |
| Fund balance - end of year | $ 136,260 | $ 186,260 | | $ 351,202 | $ 164,942 |
| Reconciliation to GAAP Fund Balance: | | | | | |
| LGIP FMV Adjustment | | | | (1,774) | |
| GAAP Fund Balance | | | | $ 349,428 | |

(1) Appropriation level

# SUPPLEMENTARY INFORMATION

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**DEBT SERVICE FUND**
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**BUDGET AND ACTUAL**

**YEAR ENDED JUNE 30, 2022**

| | Original Budget | Final Budget | | Actual | Variance to Final Budget |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Local sources | $ 848,200 | $ 848,200 | | $ 872,477 | $ 24,277 |
| State Sources | - | - | | 955 | 955 |
| Total revenues | 848,200 | 848,200 | | 873,432 | 25,232 |
| Expenditures | | | | | |
| Debt service | 968,088 | 968,088 | (1) | 948,944 | 19,144 |
| Excess (deficiency) of revenues over (under) expenditures | (119,888) | (119,888) | | (75,512) | 44,376 |
| Other financing sources (uses) | | | | | |
| Transfers in | 119,888 | 119,888 | | 119,887 | (1) |
| Total other financing sources and (uses) | 119,888 | 119,888 | | 119,887 | (1) |
| Net change in fund balance | | | | 44,375 | 44,375 |
| Fund balance - beginning of year | - | - | | - | - |
| Fund balance - end of year | $ - | $ - | | $ 44,375 | $ 44,375 |

(1) Appropriation level

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**CAPITAL PROJECTS FUNDS**
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**BUDGET AND ACTUAL**

**YEAR ENDED JUNE 30, 2022**

| | Original Budget | Final Budget | | Actual | Variance to Final Budget |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Local sources | $ 32,135 | $ 32,135 | | $ 49,826 | $ 17,691 |
| State sources | 50,465 | 50,465 | | 62,789 | 12,324 |
| Total revenues | 82,600 | 82,600 | | 112,615 | 30,015 |
| Expenditures | | | | | |
| Support services | 649,561 | 649,561 | (1) | 85,904 | 563,657 |
| Total expenditures | 649,561 | 649,561 | | 85,904 | 563,657 |
| Excess (deficiency) of revenues over (under) expenditures | (566,961) | (566,961) | | 26,711 | 593,672 |
| Other financing sources (uses) | | | | | |
| Transfers in | 10,000 | 10,000 | | - | (10,000) |
| Total other financing sources and (uses) | 10,000 | 10,000 | | - | (10,000) |
| Net change in fund balance | (556,961) | (556,961) | | 26,711 | 583,672 |
| Fund balance - beginning of year | 571,309 | 571,309 | | 589,516 | 18,207 |
| Fund balance - end of year | $ 14,348 | $ 14,348 | | $ 616,227 | $ 601,879 |

| Reconciliation to GAAP Fund Balance: | |
|---|---|
| LGIP FMV Adjustment | (6,843) |
| GAAP Fund Balance | $ 609,384 |

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

## SCHEDULE OF BOND AND INTEREST TRANSACTIONS AND BALANCES

| Date of Issue | Matured Bonds & Coupons Outstanding July 1, 2020 | Bonds & Coupons Maturing During the Year | Bonds Redeemed & Coupons Paid During the Year | Matured Bonds & Coupons Outstanding June 30, 2021 | Due Within One Year |
|---|---|---|---|---|---|
| January 23, 2008 | $ 115,000 | $ | $ 115,000 | $ | $ |
| January 20, 2014 | 5,955,000 | - | 575,000 | 5,380,000 | 620,000 |
| | $ 6,070,000 | $ - | $ 690,000 | $ 5,380,000 | $ 620,000 |

## SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS

GENERAL OBLIGATION BONDS
SERIES 2014

| Year of Maturity | Due June 15 Principal | Due December 15 and June 15 Interest | Interest Rates |
|---|---|---|---|
| 2022-23 | 620,000 | 215,200 | 4.000% |
| 2023-24 | 665,000 | 190,400 | 4.000% |
| 2024-25 | 715,000 | 163,800 | 4.000% |
| 2025-26 | 765,000 | 135,200 | 4.000% |
| 2026-27 | 815,000 | 104,600 | 4.000% |
| 2027-28 | 870,000 | 72,000 | 4.000% |
| 2028-29 | 930,000 | 37,200 | 4.000% |
| | $ 5,380,000 | $ 918,400 | |

# OTHER FINANCIAL SCHEDULES

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**SUPPLEMENTAL INFORMATION**
**AS REQUIRED BY THE OREGON DEPARTMENT OF EDUCATION**

**YEAR ENDED JUNE 30, 2022**

A. Energy bills for heating - all funds:

| | | Objects 325 and 326 |
|---|---|---|
| | Function 2540 | $ 139,759 |
| | Function 2550 | 32,807 |

B. Replacement of equipment - General Fund:
Include all General Fund expenditures in Object 542, except for the following exclusions
Exclude these functions:

| | | | Amount |
|---|---|---|---|
| 1113, 1122 & 1132 | Co-curricular activities | Construction | $ - |
| 1140 | Pre-kindergarten | Pupil transportation | - |
| 1300 | Continuing education | Food service | - |
| 1400 | Summer school | Community services | - |

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2022**

| Federal Grantor / Pass Through Grantor / Program Title | Assistance Listing Number | Pass-Through Entity Number | Federal Expenditures |
|---|---|---|---|
| ***US. DEPARTMENT OF EDUCATION*** | | | |
| ***Passed through Oregon State Department of Education*** | | | |
| *Title 1-A* | 84.010 | 58241 | $ 20,559 |
| | 84.010 | 66951 | 189,766 |
| *ESSA Partnerships 20-21* | 84.010 | 65094 | 41,329 |
| | 84.010 | 60371 | 41,170 |
| | 84.010 | 67954 | 40,381 |
| | | | 333,205 |
| *IDEA Part B, Section 611* | 84.027 | 60640 | 9,765 |
| | 84.027 | 68600 | 78,878 |
| | 84.027 | 68351 | 1,889 |
| *IDEA Part B, Section 619* | 84.173 | 60483 | 2,207 |
| | 84.173 | 68887 | 1,293 |
| *Subtotal - Special Education cluster* | | | 94,032 |
| *Title II-A Improving Teacher Quality* | 84.367 | 58736 | 12,348 |
| | 84.367 | 67384 | 5,877 |
| | | | 18,225 |
| *ESSA Partnerships 19-20* | 84.377 | 54348 | 22,963 |
| | | | 22,963 |
| *Title IV-A Student Support and Academic Enrichment* | 84.424 | 54498 | 164 |
| | 84.424 | 58556 | 12,378 |
| | 84.424 | 66740 | 4,741 |
| | | | 17,283 |
| *COVID 19 - LEA ESSER II Fund* | 84.425D | 64558 | 313,825 |
| *COVID 19 - LEA ESSER III Fund* | 84.425U | 64863 | 161,227 |
| | | | 475,052 |
| *Total U.S. Department of Education* | | | $ 960,760 |
| ***Federal Communications Commission*** | | | |
| ***Passed Through Universal Service Administration*** | | | |
| *COVID 19 - Emergency Connectivity Fund* | 32.009 | n/a | 129,055 |
| *Total Federal Communications Commission* | | | $ 129,055 |

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2022**

| Federal Grantor / Pass Through Grantor / Program Title | Assistance Listing Number | Pass-Through Entity Number | Federal Expenditures |
|---|---|---|---|
| ***Department of Health and Human Services*** | | | |
| ***Passed Through Jefferson County School District 509J*** | | | |
| *Youth Transition Program -YTP* | 93.575 | 143297 | 39,405 |
| *Subtotal - 477 Cluster* | | | |
| *Total Department of Health and Human Services* | | | $ 39,405 |
| ***US. DEPARTMENT OF AGRICULTURE*** | | | |
| ***Passed Through Oregon Department of Education*** | | | |
| *School Breakfast Program* | 10.553 | 1603003 | $ 98,382 |
| *National School Lunch Program* | 10.555 | 1603003 | 252,537 |
| *Seamless Summer Option-Aditional Claim Revenue* | 10.555 | 1603003 | 2,733 |
| *Emergency Operational Costs* | 10.555 | 1603003 | 2,003 |
| *Supply Chain Assistance* | 10.555 | 1603003 | 12,167 |
| *Subtotal - Child Nutrition Cluster* | | | 367,822 |
| *The Emergency Food Assistance Program* | 10.569 | 1603003 | 23,883 |
| | | | 23,883 |
| *Pandemic Electronic Benefit Transfer* | 10.649 | 1603003 | 614 |
| | | | 614 |
| ***Passed Through Local Government - Jefferson County*** | | | |
| *Forest Fees - Safe and Rural Schools Act* | 10.666 | | 18,628 |
| *Subtotal - Federal Service Schools and Roads Cluster* | | | 18,628 |
| *Total U.S. Department of Agriculture* | | | $ 410,947 |
| ***Total U.S. Federal Awards*** | | | $ 1,540,167 |

**CULVER SCHOOL DISTRICT NO. 4**
**Jefferson County, Oregon**

**NOTES TO THE SCHEDULE OF**
**EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2022**

## NOTE A – PURPOSE OF THE SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of Culver School District (the District). The information in this schedule is prepared in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Expenditures on the SEFA are reported on the modified accrual basis of accounting. Expenditures are recorded when a liability is incurred. Such expenditures are recognized using the Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance, but rather uses a rate approved by the Oregon Department of Education each year. Federal Financial Assistance – Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

## NOTE C – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the US Department of Agriculture with similar state grants. When reporting expenditures on this schedule, the District assumes it expends federal monies first. The District reports commodities consumed on the schedule at fair value.

**AUDITORS' COMMENTS AND DISCLOSURES**
**REQUIRED BY STATE REGULATIONS**

SENSIBA SAN FILIPPO LLP

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

# INDEPENDENT AUDITORS' REPORT
# REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Culver School District
Deschutes County, Oregon

We have audited the basic financial statements of the Culver School District, Deschutes County, Oregon (the District) as of and for the year ended June 30, 2022 and have issued our report thereon dated December 27, 2022. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial 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**

During our work related to federal programs, we noted instances of noncompliance in the Federal Child Nutrition Program, further described in the Schedule of Findings and Questioned Costs contained within this Annual Financial Report.

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

**OAR 162-10-0230 Internal Control**

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

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

Brenda Bartlett

Brenda Bartlett, CPA
Sensiba San Filippo, LLP
Bend, Oregon

December 27, 2022

*Independent Auditor's Report*

The Board of Directors
Culver School District

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund, of Culver School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Culver School District's basic financial statements, and have issued our report thereon dated December 27, 2022.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Culver School District's internal control over financial reporting (internal control) as a basis for designing 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 Culver School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Culver School District's internal control.

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

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 or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Culver School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 two instances of noncompliance that is required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2022-001.

***Culver School District's Response to Findings***

Government Auditing Standards requires the auditor to perform limited procedures on the Culver School District's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. Culver School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Purpose of this Report***

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

Brenda Bartlett

Sensiba San Filippo, LLP
Bend, Oregon

December 27, 2022

*Independent Auditor's Report*

Board of Directors
Culver School District

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Culver School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Culver School District's major federal programs for the year ended June 30, 2022. Culver School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Culver School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Culver School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Culver School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Culver School District's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Culver School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Culver School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Culver School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Culver School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Culver School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on Culver School District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Culver School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 *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. A *material weakness in internal control over compliance* is a deficiency, or a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Culver School District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Culver School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Brenda Bartlett

Sensiba San Filippo, LLP
Bend, Oregon

December 27, 2022

**CULVER SCHOOL DISTRICT**
**DESCHUTES COUNTY, OREGON**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2022**

**Section I - Summary of Auditor's Results**

Financial Statements

| | |
|---|---|
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| • Material weaknesses identified? | No |
| • Significant deficiencies? | None reported |
| Noncompliance material to the financial statements noted? | No |

Federal Awards

| | |
|---|---|
| Internal control over major federal programs: | |
| • Material weaknesses identified? | Yes |
| • Significant deficiencies identified? | None reported |
| Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |

Identification of major federal programs:

| Assistance Listing No. | Name of Federal Program or Cluster |
|---|---|
| 84.425d, 84.425u | Elementary and Secondary School Emergency Relief Fund |
| 10.553, 10.555, 10.559 | Child Nutrition Cluster |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs | $750,000 |
| Auditee qualified as low-risk auditee? | No |

## CULVER SCHOOL DISTRICT
## DESCHUTES COUNTY, OREGON

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## YEAR ENDED JUNE 30, 2022

**Section II – Financial Statement Findings**

None reported.

**Section III – Federal Award Findings and Questioned Costs**

Finding 2022-001:

AL 10.553, 10.555, 10.559 Child Nutrition Cluster, US Department of Agriculture, Award ID: 1603003, Award Year: July 1, 2022 – June 30, 2022.

*Criteria:* The program requires that all purchases above the micro purchase threshold be procured using various competitive methods.

*Condition and context:* Culver School District procured two vendor contracts over the micro purchase threshold without obtaining an adequate number of quotes.

*Cause:* A new Nutrition Manager began the position during the fiscal year ended June 30, 2022 and was not provided with the proper training regarding required procurement methods.

*Effect:* Two procurements awarded to vendors were not bid in a competitive manner.

*Recommendation:* We recommend the District ensure training is provided to all employees with federal procurement responsibilities prior to conducting such procurement.

*Views of responsible officials:* The District has researched and identified a training through the Oregon Department of Education, USDA and The Institute of Child Nutrition where procurement was a topic on the agenda. The Nutrition Supervisor attended this training in August of 2022. The District will also continue to look for additional procurement trainings and resources that can be attended on an annual basis for all employees involved with federal procurement responsibilities. The District has also established a contact with the Oregon Department of Education and the Oregon Child Nutrition Coalition to reach out when questions arise in regard to procurement. The District will also be reviewing vendor totals on a more frequent basis throughout the year to identify if certain vendors are nearing the micro purchase threshold and if additional quotes need to be obtained from other vendors.

Finding 2022-002:

AL 10.553, 10.555, 10.559 Child Nutrition Cluster, US Department of Agriculture, Award ID: 1603003, Award Year: July 1, 2022 – June 30, 2022.

*Criteria:* The non-federal entity must have and use documented procurement procedures, consistent with CFR 200.320 for any procurements exceeding the micro-purchase threshold of $10,000, and must maintain records to detail the history of procurement including (1) rationale for the method of procurement, (2) selection of contract type, (3) contractor selection or rejection, and (4) the basis for the contract price. Small purchases (between $10,000 and $250,000) require price or rate quotations from an adequate number of qualified sources. Additionally, the non-federal entity must maintain written standards of conduct covering conflicts of interest for its employees engaged in the selection, award and administration of federal contracts.

*Condition and context:* Culver School District maintains written board policies regarding procurement, however they are not sufficiently developed to meet the requirements for federal procurement as required by CFR 200.320, described above. We identified three procurements during the fiscal year which exceeded the micro-purchase threshold of $10,000. Two of the contracts were not procured in accordance with the federal procurement requirement: one contract received only one quote, the other had no quotes.

*Cause:* In addition to the lack of formal documentation with relation to federal procurement described above, the Nutrition Manager did not receive adequate training related to using competitive methods of procurements for large awards.

*Effect:* Two of three procurements were awarded without evidence of employing competitive methods.

*Recommendation:* We recommend the District revisit their procurement policies to ensure they comply with requirements related to federal procurement. Additionally, annual training should be required for all employees with federal procurement responsibilities.

*Views of responsible officials:* The District is reviewing the current procurement policies to identify what changes are necessary to be compliant with federal guidelines on procurement. The District has also researched and selected a procurement training for the Nutrition Department to attend. The District will also be researching what trainings can be attended on an annual basis for all employees that have federal procurement responsibilities.

**Section IV – State Award Findings and Questioned Costs**

None reported.

Culver School District #4
PO Box 259 * 412 West E Street
Culver OR 97734

Stefanie Garber, Superintendent

**CORRECTIVE ACTION PLAN**
**For the Year Ended June 30, 2022**

**Finding 2022-001**

*Condition:*

The auditor noted a finding in Nutrition Services in regards to procurement. Two vendor contracts were procured above the micro purchase threshold without obtaining an adequate number of quotes. A new Nutrition Supervisor started with the District in August of 2021 and was not trained on procurement procedures prior to the former Supervisors departure.

*Corrective Action Plan*

Corrective Action Planned: The District's Business Manager and Nutrition Supervisor researched training resources available and have selected the appropriate training for the Nutrition Supervisor to attend to obtain procurement training. A contact with Oregon Department of Education and the Oregon Child Nutrition Coalition have also been established and are available for questions as they arise. The District will also review vendor purchases more frequently throughout the year to evaluate if other goods and services are close to the micro purchase threshold and would require additional quotes from vendors. The District will also be researching and identifying other procurement trainings that all staff that have federal procurement responsibilities can attend on an annual basis.

Name of Contact Person Responsible for Corrective Action: Megan VerVaecke & Kelli Keiski

Anticipated Completion Date: August 30, 2022. The Nutrition Supervisor attended training in August of 2022 that was put on through the Oregon Department of Education, USDA and the Institute of Child Nutrition. The District will continue to find additional trainings to keep up to date on procurement standards.

| | | | |
|---|---|---|---|
| Elementary: 541.546.6861 | Middle: 541.546.3090 | High: 541.546.2251 | District: 541.546.2541 |
| Fax: 541.546.7522 | Fax: 541.546.2137 | Fax: 541.546.2201 | Fax: 541.546.7517 |

**Finding 2022-002**

*Condition:*

The auditor noted a finding in Nutrition Services in regards to procurement documentation. The District maintains written board policies regarding procurement, however they are not sufficiently developed to meet the requirements for federal procurements as required by CFR 200.320. Three procurements were identified during the fiscal year that exceeded the micro purchase threshold of $10,000. Two of the three contracts were not procured in accordance with the federal procurement requirement: one contract received only one quote, the other had no quotes.

*Corrective Action Plan*

Corrective Action Planned: The District's Business Manager and Nutrition Supervisor researched training resources available and have selected the appropriate training for the Nutrition Supervisor to attend to obtain procurement training. A contact with Oregon Department of Education and the Oregon Child Nutrition Coalition have also been established and are available for questions as they arise. The District will also be researching and identifying other procurement trainings for all staff that have federal procurement responsibilities can attend on an annual basis. The District will also be reviewing the current procurement policies in place and identifying what needs to be updated in order for the policy to be compliant with Federal regulations. The policy will then go to the District's Board of Directors to approve any amendments.

Name of Contact Person Responsible for Corrective Action: Megan VerVaecke & Kelli Keiski

Anticipated Completion Date: June 30, 2023. The Nutrition Supervisor attended training in August of 2022 that was put on through the Oregon Department of Education, USDA and the Institute of Child Nutrition. The District will continue to find additional trainings to keep up to date on procurement standards and procurement document retention. The District is also in the process of reviewing the procurement policies for compliance with Federal guidelines. An amended policy will be taken to the District's Board of Directors within a month or two of this corrective action plan issue date.