

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022



12700 SW 72nd Ave.
Tigard, OR 97223

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

For the Year Ended June 30, 2022

ANNUAL FINANCIAL REPORT

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

BOARD OF EDUCATION

TERM EXPIRES

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June 30, 2025

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June 30, 2025

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June 30, 2023

Ron Frame, Chair

June 30, 2025

Will Moore

June 30, 2023

Board members receive mail at the District Office address listed below

ADMINISTRATION
Jeff Leo, Superintendent
Joni Spencer, Business Manager
12950 NW Main Street
Banks, OR 97106

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON
TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
<u>BASIC FINANCIAL STATEMENTS</u>	
FINANCIAL STATEMENTS AND SCHEDULES:	
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of Balance Sheet of Governmental Funds to	
Statement of Net Position	11
Statement of Revenue, Expenditures and Changes in	
Fund Balance – Governmental Funds	12
Reconciliation of Statement of Revenues, Expenditures and Changes in	
Fund Balance – Governmental Funds – To Statement of Activities	13
Internal Service Fund Financial Statements	
Statement of Proprietary Net Position – Internal Service Fund	14
Statement of Revenue, Expenses and Changes in	
Net Position – Internal Service Fund	15
Statement of Cash Flows – Internal Service Fund	16
Notes to Basic Financial Statements	17
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of the Proportionate Share of the Net Pension Liability and Contributions	49
Schedule of the Proportionate Share of the Net OPEB Liability/(Asset) and Contributions	50
Schedule of Changes in Other Post-Employment Benefits (OPEB) Liability	51
Schedule of Revenue, Expenditures and Changes in	
Fund Balance – Actual & Budget – General Fund	52
Schedule of Revenue, Expenditures and Changes in	
Fund Balance – Actual & Budget – Special Projects Fund	53

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON
TABLE OF CONTENTS

PAGE
NUMBER

SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget – Debt Service Fund	54
Schedule of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget– Capital Projects Fund	55
Schedule of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget– Pension Obligation Bond Fund	56
Schedule of Expenditures of Federal Awards	57

INDEPENDENT AUDITORS’ REPORT REQUIRED BY OREGON STATE REGULATIONS 58

GRANT COMPLIANCE REVIEW

Independent Auditors’ Report on Internal Control Structure over Financial Reporting	60
Independent Auditors’ Report on Compliance with Requirements Applicable to Major Programs and Internal Control Structure	62
Schedule of Findings and Questioned Costs	64



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December 16, 2022

To the Board of Education
Banks School District No. 13
Washington County, Oregon

INDEPENDENT AUDITORS' REPORT

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Banks School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Banks School District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

The District adopted new accounting guidance, GASB Statement No. 87- Leases during the fiscal year under audit. Our opinions are not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Banks School 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.

Responsibilities of Management for the Financial Statements

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

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Banks School 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 Banks School 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, budgetary comparison information, and required supplementary information, as listed in the table of contents, 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other

knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are 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 listing of board members containing their term expiration dates, located before the table of contents, but does not include the basic financial statements and our auditors' 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 16, 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 the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in dark ink, appearing to read "Kenny Allen", with a stylized, cursive script.

Kenny Allen, CPA
PAULY, ROGERS AND CO., P.C.

**BANKS SCHOOL DISTRICT NO. 13
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

INTRODUCTION

As management of Banks School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2022. It should be read in conjunction with the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2022, the District's government-wide assets exceeded liabilities by \$2,031,174.
- At June 30, 2022, the General Fund had a total fund balance of \$3,089,437. This represents 26.5% of the total General Fund expenditures and 69.8% of the total governmental funds balance.
- The District has \$7,113,834 of long term outstanding debt as of June 30, 2022. The District's total debt decreased by approximately \$1,578,201 during the 2021-22 fiscal year due to the regular scheduled debt service payments.
- The Debt Service Fund's primary revenue source is property taxes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the assets and liabilities of the District at year end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements can be found on pages 8 through 9.

**BANKS SCHOOL DISTRICT NO. 13
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District funds can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The District has four major funds; the General Fund, the Special Projects Fund, the Debt Service Fund, and the Capital Projects Fund. The fund financial statements are on pages 10 through 13.

Proprietary Funds

The District maintains an Internal Service Fund. The Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an Internal Service Fund to account for its pension obligation bonds. The financial statements of the Internal Service Fund are found on pages 14 through 16.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the basic financial statements and should be read in conjunction with them. The notes to the financial statements are on pages 17 through 48.

Other Information

Additional information is included on pages 49-57. This information presents both the Required Supplementary Information and other Supplementary Information, including the Schedule of Proportionate Share of the Net Pension Liability, Schedule of Changes in Other Post Employment Benefits Liability, required budgetary comparison information, the Schedule of Expenditures of Federal Awards, and other required financial schedules.

**BANKS SCHOOL DISTRICT NO. 13
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary Statement of Net Position

	<u>2022</u>	<u>2021</u>
Assets and deferred outflows of resources		
Current assets	\$ 6,720,845	\$ 6,501,331
Capital assets	14,921,628	15,534,539
Other noncurrent assets	206,972	0
Deferred outflows of resources	<u>3,906,408</u>	<u>3,842,124</u>
Total assets and deferred outflows of resources	<u>25,755,853</u>	<u>25,877,994</u>
Liabilities and deferred inflows of resources		
Current liabilities	2,210,473	1,885,581
Proportionate share of net pension liability	6,418,282	12,378,189
Other noncurrent liabilities	9,287,982	9,255,189
Deferred inflows of resources	<u>5,807,942</u>	<u>704,988</u>
Total liabilities and deferred inflows of resources	<u>23,724,679</u>	<u>24,223,947</u>
Net Position		
Invested in capital assets, net of related debt	9,600,610	9,152,598
Restricted for debt service	194,886	221,400
Restricted for special projects	484,963	375,518
Unrestricted	<u>(8,249,285)</u>	<u>(8,095,469)</u>
Total net position	<u>\$ 2,031,174</u>	<u>\$ 1,654,047</u>

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. At June 30, 2022, the District's net assets exceeded liabilities by \$2,031,174.

A large portion of the District's net position reflects its investment in capital assets. Capital assets of the District include land, buildings, improvements, vehicles, and equipment, representing approximately 57.9% of total assets and deferred outflows of resources. Current assets consist mainly of cash, investments, grant and property taxes receivable. Other noncurrent assets include lease assets recognized per the provisions of GASB 87 and an OPEB plan asset recognized per the provisions of GASB 75 for the Retirement Health Insurance Account (RHIA) program available to Oregon PERS retirees.

Deferred outflows and inflows of resources include pension related deferrals recognized per the provisions of GASB 68, and OPEB RHIA and Total OPEB related deferrals recognized per the provisions of GASB 75.

**BANKS SCHOOL DISTRICT NO. 13
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

The District's proportionate share of the net pension liability is recognized per the provisions of GASB 68 and accounts for 27.1% of total liabilities and deferred inflows of resources. The District's liability for general obligation bonds (including bond premiums) totals \$5,075,577 and is used to finance capital asset acquisition and construction. This liability accounts for 21.4% of total liabilities and deferred inflows of resources. Current liabilities primarily consist of accounts payable, payroll withholdings, and accrued benefits. Other noncurrent liabilities include pension obligation bonds outstanding, a direct borrowing note payable, total OPEB liability recognized per the provisions of GASB 75, and lease obligations recognized per the provisions of GASB 87.

Prior period adjustments affecting net position totaling (\$789,783) were recognized in 2021-22. See page 48 of this report for further information.

Summary Statement of Activities

	<u>2022</u>	<u>2021</u>
Revenues:		
Program Revenues:		
Instruction	\$ 1,299,039	\$ 1,340,628
Support Services	523,531	28,017
Community Services	<u>436,914</u>	<u>193,512</u>
Total program revenues	<u>2,259,484</u>	<u>1,562,157</u>
General revenues:		
Property taxes	4,744,372	4,591,029
State school fund	6,888,383	7,263,789
State timber revenue	1,236,014	1,014,600
Earning on investments	18,914	27,732
Other	<u>291,071</u>	<u>736,754</u>
Total general revenues	<u>13,178,754</u>	<u>13,633,904</u>
Total revenues	<u>15,438,238</u>	<u>15,196,061</u>
Program expenses:		
Instruction	8,652,036	9,375,567
Support services	4,967,341	5,062,307
Community services	<u>322,383</u>	<u>279,952</u>
Total program expenses	<u>13,941,760</u>	<u>14,717,826</u>
Other expenses:		
Interest expense	<u>329,568</u>	<u>70,691</u>
Total other expenses	<u>329,568</u>	<u>70,691</u>
Total expenses	<u>\$ 14,271,328</u>	<u>\$ 14,788,517</u>

**BANKS SCHOOL DISTRICT NO. 13
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Summary Statement of Activities, continued

	<u>2022</u>	<u>2021</u>
Change in net position	1,166,910	407,544
Beginning net position	1,654,047	1,246,503
Prior period adjustments	<u>(789,783)</u>	<u>0</u>
Ending net position	<u>\$ 2,031,174</u>	<u>\$ 1,654,047</u>

Revenues

Since the District's mission is to provide a free and appropriate public education for kindergarten through twelfth grade students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide 85.4% of the funding required for governmental programs. The combination of property taxes and the state school fund combine to account for 88.3% of general revenues and 75.3% of total revenues.

Expenses

Expenses related to governmental activities are presented in several broad functional categories. Costs of direct classroom instruction and activities account for 60.6% of total expenses. In addition, costs of supporting services related to students, instructional staff, and school administration account for 34.8% of total expenses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Government Funds

The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending.

At June 30, 2022, the District's governmental funds reported combined ending fund balances of \$4,429,328. Of this amount, \$3,074,194 constitutes unassigned fund balance, which is available for spending at the District's discretion.

**BANKS SCHOOL DISTRICT NO. 13
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS, continued

General Fund

The General Fund is the chief operating fund of the District. At June 30, 2022, the General Fund ending fund balance was \$3,089,437. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total ending fund balance represents about 26.5% percent of total General Fund expenditures for 2021-22.

Special Projects Fund

At June 30, 2022, the Special Projects Fund had a total fund balance of \$484,963. This fund includes federal and state grants, student body activities, food service and the athletics/activities funds.

Debt Service Fund

In 2021-22, the expenditures of this fund totaled \$1,345,695 and were used for principal and interest payments on general obligation bonds.

Capital Projects Fund

There were no expenditures from this fund for 2021-22.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Banks School District's finances. Questions concerning any of the information provided in the report or request for additional financial information should be addressed to the Banks School District office at 12950 NW Main Street, Banks, OR 97106.

BANKS SCHOOL DISTRICT
WASHINGTON COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities
ASSETS:	
Cash and investments	\$ 5,679,019
Property taxes receivable	69,696
Accounts receivable	956,887
Prepaid expense	15,243
Noncurrent assets:	
Lease Assets - GASB 87	43,058
OPEB RHIA	163,914
Capital assets not being depreciated	911,815
Capital assets, net of accumulated depreciation	14,009,813
Total assets	21,849,445
DEFERRED OUTFLOWS OF RESOURCES:	
OPEB RHIA deferral	5,540
Pension related deferral	3,845,342
Total OPEB related deferral	55,526
Total deferred outflows of resources	3,906,408
LIABILITIES:	
Accounts payable	245,803
Payroll liabilities	1,907,061
Unearned revenue	57,609
Noncurrent liabilities:	
Due within one year:	
Leases payable	14,691
Bonds payable	1,300,725
Accrued bond interest payable	310,308
Note Payable	47,022
Due in more than one year:	
Proportionate share of net pension liability	6,418,282
Total OPEB liability	473,449
Leases payable	28,245
Bonds payable	5,574,852
Accrued bond interest payable	1,347,455
Note payable	191,235
Total liabilities	17,916,737
DEFERRED INFLOWS OF RESOURCES:	
OPEB RHIA deferral	45,999
Pension related deferral	5,623,556
Total OPEB related deferral	138,387
Total deferred inflows of resources	5,807,942
NET POSITION:	
Net investment in capital assets	9,600,610
Restricted for debt service	194,886
Restricted for special projects	484,963
Unrestricted	(8,249,285)
Total net position	\$ 2,031,174

See accompanying notes to basic financial statements.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$ 8,652,036	\$ -	\$ 1,299,039	\$ (7,352,997)
Support Services	4,967,341	146,513	377,018	(4,443,810)
Community Services	322,383	744	436,170	114,531
Interest on Long Term Debt	329,568	-	-	(329,568)
Total Governmental Activities	<u>\$ 14,271,328</u>	<u>\$ 147,257</u>	<u>\$ 2,112,227</u>	<u>(12,011,844)</u>
General Revenues:				
Property taxes				4,744,372
State school support				8,124,397
Earnings on investments				18,914
Other local & intermediate				<u>291,071</u>
Total general revenues				<u>13,178,754</u>
Change in net position				1,166,910
Net position beginning of year				<u>1,654,047</u>
Prior period adjustments				<u>(789,783)</u>
Net position end of year				<u>\$ 2,031,174</u>

See accompanying notes to basic financial statements.

**BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON**

**BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2022**

	GENERAL FUND	SPECIAL PROJECTS FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL
ASSETS:					
Cash and Investments	\$ 4,428,676	\$ 377,196	\$ 188,105	\$ 660,042	\$ 5,654,019
Receivables:					
Property Taxes	50,543	-	19,153	-	69,696
Accounts	426,645	527,169	3,073	-	956,887
Prepaid Expenses	15,243	-	-	-	15,243
 Total Assets	<u>\$ 4,921,107</u>	<u>\$ 904,365</u>	<u>\$ 210,331</u>	<u>\$ 660,042</u>	<u>\$ 6,695,845</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 106,798	\$ 139,005	\$ -	\$ -	\$ 245,803
Payroll Liabilities	1,684,273	222,788	-	-	1,907,061
Unearned Revenue	-	57,609	-	-	57,609
 Total Liabilities	<u>1,791,071</u>	<u>419,402</u>	<u>-</u>	<u>-</u>	<u>2,210,473</u>
Deferred Inflows of Resources:					
Unavailable Revenue - property taxes	40,599	-	15,445	-	56,044
 Total Deferred Inflows of Resources	<u>40,599</u>	<u>-</u>	<u>15,445</u>	<u>-</u>	<u>56,044</u>
Fund Balances:					
Nonspendable	15,243	-	-	-	15,243
Restricted for debt service	-	-	194,886	-	194,886
Restricted for special projects	-	484,963	-	-	484,963
Assigned	-	-	-	660,042	660,042
Unassigned	3,074,194	-	-	-	3,074,194
 Total Fund Balance	<u>3,089,437</u>	<u>484,963</u>	<u>194,886</u>	<u>660,042</u>	<u>4,429,328</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,921,107</u>	<u>\$ 904,365</u>	<u>\$ 210,331</u>	<u>\$ 660,042</u>	<u>\$ 6,695,845</u>

See accompanying notes to basic financial statements.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

**Reconciliation of Balance Sheet of Governmental Funds to
Statement of Net Position**

June 30, 2022

Total Fund Balances	\$	4,429,328
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Capital Assets, net		14,921,628
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.		
		56,044
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:		
Bonds Payable - net of premium/discount	\$ (6,875,577)	
Note Payable	(238,257)	
Accrued Interest	<u>(1,657,763)</u>	(8,771,597)
The right-to-use asset and associated liability related to long term leases are not recognized in the governmental funds under GASB 87		
Lease Assets - GASB 87	\$ 43,058	
Leases Payable - GASB 87	<u>(42,936)</u>	122
The proportionate share of the PERS net pension liability is not reported as a liability in the District's governmental activities.		
		(6,418,282)
The proportionate share of the OPEB RHIA asset is not reported as an asset in the governmental funds		
		163,914
The Total OPEB Liability is liability related to the other post employment benefits for health insurance premiums.		
		(473,449)
The pension related deferrals are not reported as deferred inflows or outflows in the District's governmental activities.		
Deferred Outflow - RHIA	\$ 5,540	
Deferred Inflow - RHIA	(45,999)	
Deferred Outflow - PERS	3,845,342	
Deferred Inflow - PERS	(5,623,556)	
Deferred Outflow - OPEB	55,526	
Deferred Inflow - OPEB	<u>(138,387)</u>	(1,901,534)
An internal service fund is used to charge the costs of repaying the pension obligation bonds to the individual funds. The assets and liabilities of the internal service fund are included in the statement net position.		
		<u>25,000</u>
Total Net Position	\$	<u><u>2,031,174</u></u>

See accompanying notes to basic financial statements.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	GENERAL FUND	SPECIAL PROJECTS FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL
REVENUES:					
Local Sources					
Property Taxes	\$ 3,461,481	\$ -	\$ 1,285,480	\$ -	\$ 4,746,961
Other Local Sources	105,789	290,866	6,401	38,891	441,947
Intermediate Sources	28,893	17,172	-	-	46,065
State Sources					
State School Fund	6,695,833	-	-	-	6,695,833
Common School Fund	122,970	-	-	-	122,970
Other Restricted State Grants	1,365,958	1,044,161	-	-	2,410,119
Federal Grants	-	976,932	-	-	976,932
Total Revenues	11,780,924	2,329,131	1,291,881	38,891	15,440,827
EXPENDITURES:					
Current					
Instruction	7,050,295	1,791,308	-	-	8,841,603
Support Services	4,575,905	387,444	-	-	4,963,349
Community Services	-	311,238	-	-	311,238
Capital Outlay	19,736	-	-	-	19,736
Debt Service	-	26,501	1,345,695	-	1,372,196
Total Expenditures	11,645,936	2,516,491	1,345,695	-	15,508,122
Excess of Revenues Over, (Under) Expenditures	134,988	(187,360)	(53,814)	38,891	(67,295)
Other Financing Sources, (Uses):					
Lease Proceeds	19,736	-	-	-	19,736
Transfers In	-	296,805	27,300	-	324,105
Transfers Out	(324,105)	-	-	-	(324,105)
Total Other Financing Sources, (Uses)	(304,369)	296,805	27,300	-	19,736
Net Change in Fund Balance	(169,381)	109,445	(26,514)	38,891	(47,559)
Beginning Fund Balance	3,258,818	375,518	221,400	621,151	4,476,887
Ending Fund Balance	\$ 3,089,437	\$ 484,963	\$ 194,886	\$ 660,042	\$ 4,429,328

See accompanying notes to basic financial statements.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

**Reconciliation of Statement of Revenues, Expenditures
and Changes in Fund Balance – Governmental Funds –
To Statement of Activities
For the Year Ended June 30, 2022**

Net Change in Fund Balance	\$	(47,559)
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Amounts reported for governmental activities in the statement
of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which fixed assets exceed depreciation:

Capital Asset Additions	\$	149,257	
Depreciation expense		<u>(762,168)</u>	(612,911)

Repayment of bond principal and post retirement obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Additions to bond principal and post retirement obligations is an other financing source in the governmental funds but reduces the liability in the Statement of Net Position. Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are considered unavailable and amortized in the Statement of Activities.

Bond and Loan Proceeds	\$	1,560,407	
GO Bond Payment and Loan Payment		17,794	
Bond Premium		<u>17,794</u>	1,578,201

Under the accrual basis of accounting, interest on long-term debt is accrued when payments are not due until after year end.

(186,267)

Lease assets are reported as an expenditure in the governmental funds. The Statement of Net Assets includes those lease assets among the assets of the District as a whole, net of debt payments and amortization

122

Pension expense represents the change in net pension asset (liability) from year to year due to changes in total pension liability and the fair value of the pension plan net position available to pay PERS pension benefits, and is not included in the governmental funds.

407,018

The expense related to OPEB liability represents the net changes in the liability balance from year to year and is not recorded in the governmental funds.

(34,996)

RHIA Expense represents the changes in RHIA Asset (Liability) from year to year due to changes in total RHIA liability (asset) and the fair value of RHIA plan net position available to pay RHIA benefits.

123,455

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 no unavailable revenue and the full property tax receivable is accrued.

(2,589)

An internal service fund is used to charge the costs of repaying the pension obligation bonds to the individual funds. The net revenue of the internal service fund is included in the statement of activities.

(57,564)

Change in Net Position	\$	<u><u>1,166,910</u></u>
------------------------	----	-------------------------

See accompanying notes to basic financial statements.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

STATEMENT OF PROPRIETARY NET POSITION
INTERNAL SERVICE FUND
June 30, 2022

	Internal Service Fund
ASSETS:	
Current Assets	
Cash and Investments	\$ 25,000
Total Current Assets	<u>25,000</u>
Total Assets	<u>25,000</u>
LIABILITIES:	
Current Maturities of Pension Obligation Bonds	260,000
Noncurrent Liabilities:	
Pension Obligation Bonds Payable, Net of Current Maturities	<u>1,532,654</u>
Total Liabilities	<u>1,792,654</u>
NET POSITION:	
Unrestricted	<u>(1,767,654)</u>
Total Net Position	<u><u>\$ (1,767,654)</u></u>

See accompanying notes to basic financial statements.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2022

INTERNAL SERVICE FUND

OPERATING REVENUES:	
Assessments to other funds	\$ 291,742
Total Revenues	<u>291,742</u>
TOTAL OPERATING INCOME	<u>291,742</u>
OTHER REVENUES/(EXPENSES):	
Debt Service	(114,305)
Amortization of bond discount	<u>(1,225)</u>
Total other revenue/expenses	<u>(115,530)</u>
Change in Net Position	176,212
Beginning Net Position	<u>(1,943,866)</u>
Ending Net Position	<u><u>\$ (1,767,654)</u></u>

See accompanying notes to basic financial statements.

BANKS SCHOOL DISTRICT
WASHINGTON COUNTY, OREGON
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2022

	Pension Obligation Bonds
	<u> </u>
Cash flows from operating activities:	
Assessments received from other funds	\$ 291,742
	<u> </u>
Net cash provided (used) by operating activities	<u>291,742</u>
Cash flows from noncapital financing activities	
Principal paid on pension bonds	(235,000)
Interest paid on pension bonds	<u>(114,306)</u>
	<u> </u>
Net cash used by noncapital financing activities	<u>(349,306)</u>
Cash flows from investing activities	
Interest received from investments	<u>-</u>
	<u> </u>
Net cash provided by investing activities	<u>-</u>
	<u> </u>
Net increase in cash and cash equivalents	(57,564)
	<u> </u>
Cash and cash equivalents, beginning	<u>82,564</u>
	<u> </u>
Cash and cash equivalents, ending	<u><u>\$ 25,000</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 291,742
	<u> </u>
Net cash provided by operating activities	<u><u>\$ 291,742</u></u>

See accompanying notes to basic financial statements.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The Banks School District No. 13 is a municipal corporation, established under the provisions of Oregon Revised Statutes 332, and is governed by an elected five-member board. As required by generally accepted accounting principles, these financial statements present Banks School District No. 13 (the primary government) and any component units. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 61, are separate organizations that are included in the District's financial statements because of the significance of their operational or financial relationships with the District and the existence of a financial benefit/burden. There are no component units.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net position and the statement of activities) report information on the District as a whole, excluding nonfiduciary activities, if any. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from internal service activities, which rely to a significant extent on fees and charges for support. The activities are characterized as *governmental activities and business-type activities*.

The statement of activities reports the activities by *function*. The major functions are instruction and support services; however, amounts are also reported for community services (primarily food service). The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e., instruction, support services, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Direct expenses are not eliminated from the various functional categories, whereas indirect expenses are eliminated from the functional categories in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

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 is maintained consistent with legal and managerial requirements.

Separate fund financial statements are provided for governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The following *major governmental funds* are reported:

General Fund

This is the primary operating fund. This fund accounts for all financial resources and expenditures not required to be accounted for in another fund. The principal revenue sources are property taxes and an apportionment from the State of Oregon School Support Fund.

Special Projects Fund

This fund consists of all grant activity, fundraising, food service, and student body activities. Grant revenue is primarily from the federal government, while student body, food service, and fundraising revenues are primarily from local sources.

Debt Service Fund

This fund accounts for the repayment of general obligation debt. The primary revenue source is property taxes.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Capital Projects Fund

This fund accounts for the construction and acquisition of capital assets. The primary revenue source is interest on investments.

There is also an internal service fund:

Pension Obligation Bond Fund

This fund accounts for the repayment of the 2007 pension obligation bonds issued to advance fund the unfunded actuarial liability for the Oregon Public Employees Retirement System. The fund assesses other funds to provide the resources to pay the debt service on the pension obligation bonds.

The internal service fund uses the economic resources measurement focus and the accrual basis of accounting and distinguishes operating revenues and expenses from nonoperating items. Operating revenues consist of interfund assessments to other funds, while operating expenses include payments for debt services. All other revenues and expenses are reported as nonoperating revenues and expenses.

BUDGETS

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles except the property taxes received after year-end are not considered budgetary resources in the funds, inventory is expensed when purchased, debt and OPEB benefits are recorded as an expenditure when paid and a revenue when issued, capital outlay is recorded as an expenditure rather than capitalized, and depreciation and amortization are not recorded. All annual appropriations lapse at fiscal year end.

The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in spring with a public hearing being held approximately three weeks later. The Board may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent without re-publication. The budget is then adopted, appropriations are made, and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels for each fund: Instruction, Support Services, Enterprise & Community Services, Facilities Acquisition and Construction, Other Uses - Debt Service and Interfund Transfers, and Operating Contingency.

Expenditures cannot legally exceed the adopted appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Supplemental appropriations may occur if the Board approves them due to unforeseen circumstances, which could not be determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original and final budgeted appropriation amounts. Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2022.

CASH AND INVESTMENTS

For financial reporting purposes, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

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 up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access.

Level 2 – 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).

Level 3 – 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.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAXES RECEIVABLE

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 through liens. All property taxes receivable 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.

ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due from intermediate sources and miscellaneous reimbursements. Accounts receivable are considered by management to be fully collectible; therefore, no allowance for uncollectible accounts has been made.

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 are recorded as unearned revenue on the statement of net position and the balance sheet.

PREPAID EXPENSE

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CAPITAL ASSETS

Capital assets include land, buildings, improvements, vehicles, furniture, fixtures, and equipment. Capital assets are recorded at original cost or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. 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. Interest incurred during construction is not capitalized. The cost of routine maintenance and repairs that do not add to the value of the assets or materially extend asset lives are charged to expenditure as incurred and not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives: Building and Improvements over 25 to 40 years, and Vehicles and Equipment over 3 to 20 years. Major outlays for capital assets and improvements are capitalized as projects are constructed. One-half year of depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported items. These can include the amounts of assets, liabilities, disclosure of contingent assets and liabilities, and the reported amount of revenues and expense/expenditures during the reporting period. Accordingly, actual results could differ from estimates.

ACCRUED COMPENSATED ABSENCES

Certain employees are allowed to earn vacation leave. Employees accumulated unpaid vacation, at June 30, is limited to 50 percent of the amount earned during the year. At June 30, management determined that total accumulated unpaid vacation was not significant to the financial statements.

UNAVAILABLE REVENUE

On the fund financial statements, unavailable revenue arises when resources do not satisfy both the measurable and available criteria for recognition in the current year, for example, if property taxes are received more than 60 days after year-end. In subsequent periods, when recognition criteria are met, the deferred inflow for unavailable revenue is removed and revenue is recognized.

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 amortized over the life of the bonds, using the straight line method in the government-wide financial statements. The straight line method does not differ significantly from the effective interest rate method. Unamortized premiums and discounts are presented as additions or subtractions from the face amount of the bonds. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM OBLIGATIONS (CONTINUED)

Early retirement benefits are recognized when the District becomes obligated for the benefits (i.e., when the eligible employee retires). The amount recognized is the undiscounted estimate of the future benefits to be paid.

INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS

The receipt and payment of monies through one central checking account, as well as transfers between funds, result in interfund payables and receivables until cash is transferred from one fund to the other. These amounts represent current assets and liabilities and are reported as due to or due from other funds.

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 position 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's 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 benefit terms. Investments are reported at fair value. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

LEASE ASSETS

Lease assets are assets which the government 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 government's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

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.

NET POSITION/FUND BALANCE

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 net position use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITION/FUND BALANCE (CONTINUED)

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

The following order of spending is used regarding net position categories: Restricted resources are spent first when both restricted and unrestricted resources are available for expenses.

Fund Balance

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- 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 following order of spending is used 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), assigned (if applicable) and unassigned.

There are no committed fund balances reported.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

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

	2022	Reported in:	2022
Demand Deposits:			
Checking	\$ 4,588,500	Governmental Funds	\$ 5,654,019
Local Government			
Investment Pool	1,090,519	Internal Service Fund	25,000
	<u>1,090,519</u>		<u>25,000</u>
Total	<u>\$ 5,679,019</u>		<u>\$ 5,679,019</u>

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance at an approved depository as identified by the Treasury. For the fiscal year ended June 30, 2022, the bank balance was \$4,949,473. \$500,000 of the balance was insured by FDIC and the remaining balance was collateralized in accordance with Oregon Law.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be recovered. There is no formal deposit policy for custodial credit risk. For the fiscal year ended June 30, 2022, all deposits were collateralized in accordance with Oregon law.

INVESTMENTS

State statutes authorize the investment in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government 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 appears to be in compliance with all portfolio guidelines at June 30, 2022. 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. We intend to measure these investments at book value since it materially approximates fair value.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

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. As of June 30, 2022, the fair value of the position in the LGIP is 98.98% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

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

These are the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-19
State Treasurer's Investment Pool	\$ 1,090,519	\$ 1,090,519	\$ -	\$ -
Total	<u>\$ 1,090,519</u>	<u>\$ 1,090,519</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date of more than 3 months.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the value of the investment will not be able to be recovered by collateral securities that are in the possession of an outside party. There is no formal investment policy for custodial credit risk.

Concentration Risk

At June 30, 2022, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

3. ACCOUNTS/GRANTS RECEIVABLE

Special revenue fund grants receivable are comprised of claims for reimbursement of costs under various federal and state grant programs. The receivables are considered fully collectible by management, and no allowance for doubtful accounts has been made.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

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

	Balance Beginning of Year	Additions	(Deletions)	Balance End Of Year
Capital Assets				
Land & Land Improvements	\$ 911,815	\$ -	\$ -	\$ 911,815
Buildings & Improvements	25,629,559	-	-	25,629,559
Equipment	1,013,904	149,257	-	1,163,161
Total	<u>27,555,278</u>	<u>149,257</u>	<u>-</u>	<u>27,704,535</u>
Accumulated Depreciation				
Buildings & Improvements	11,312,737	613,581	-	11,926,318
Equipment	708,003	148,587	-	856,590
Total	<u>12,020,739</u>	<u>762,168</u>	<u>-</u>	<u>12,782,907</u>
Total Net Capital Assets	<u>\$ 15,534,539</u>	<u>\$ (612,911)</u>	<u>\$ -</u>	<u>\$ 14,921,628</u>

Depreciation was allocated to the functions as follows:

Instruction	\$ 477,376
Support	267,985
Community	16,807
Total	<u>\$ 762,168</u>

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Annual Comprehensive Financial Report which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf>

If the link is expired please contact Oregon PERS for this information.

- a) **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
- A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.
- ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- i. **Benefit Changes After Retirement.** Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations due to changes in the fair value of the underlying global equity investments of that account. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.
- b) **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
 - i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
 - ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.
 - iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation, which became effective July 1, 2021. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2022 were \$1,234,471, excluding amounts to fund employer specific liabilities. In addition approximately \$365,934 in employee contributions were paid or picked up by the District in fiscal 2022. At June 30, 2022, the District reported a net pension liability of \$6,418,282 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers,

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

actuarially determined. As of the measurement date of June 30, 2021 and 2020, the District's proportion was .054 percent and .057 percent, respectively. Pension expense for the year ended June 30, 2022 was (\$407,018).

The rates in effect for the year ended June 30, 2022 were:

- (1) Tier 1/Tier 2 – 21.96%
- (2) OPSRP general services – 18.85%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 600,793	\$ -
Changes in assumptions	1,606,689	16,891
Net difference between projected and actual earnings on pension plan investments	-	4,751,405
Net changes in proportionate share	282,144	813,447
Differences between contributions and proportionate share of contributions	121,245	41,813
Subtotal - Amortized Deferrals (below)	2,610,871	5,623,556
Contributions subsequent to measuring date	1,234,471	-
Deferred outflow (inflow) of resources	<u>\$ 3,845,342</u>	<u>\$ 5,623,556</u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2023.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ (547,017)
2024	(522,967)
2025	(803,672)
2026	(1,251,484)
2027	112,455
Thereafter	-
Total	<u>\$ (3,012,685)</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 25, 2022. Oregon PERS produces an independently audited ACFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf>

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Valuations – The employer contribution rates effective July 1, 2021 through June 30, 2023, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period wit new unfunded actuarial liabilities being amortized over 20 years.

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

Actuarial Methods and Assumptions:

Valuation date	December 31, 2019
Experience Study Report	2018, Published July 24, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value of assets
Inflation rate	2.40 percent (reduced from 2.50 percent)
Investment rate of return	6.90 percent (reduced from 7.20 percent)
Discount rate	6.90 percent (reduced from 7.20 percent)
Projected salary increase	3.40 percent (reduced from 3.50 percent)
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy 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 Employee, 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, 2019.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	27.5%	37.5%	32.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternatives Portfolio	7.5%	17.5%	15.0%
Opportunity Portfolio	0.0%	5.0%	0.0%
Risk Parity	0.0%	2.5%	2.5%
Total			100.0%

(Source: June 30, 2021 PERS ACFR; p. 104)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 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.

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited Partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Fund of Funds - Multistrategy	1.25%	5.11%
Hedge Fund Equity - Hedge	0.63%	5.31%
Hedge Fund - Macro	5.62%	5.06%
US Cash	-2.50%	1.76%
Assumed Inflation - Mean		2.40%

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

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan, a reduction approved by the Board from 7.20 percent in the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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 one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net pension liability	\$ 12,603,971	\$ 6,418,282	\$ 1,243,106

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

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.

Deferred Compensation Plan

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of resignation, death, disability, or retirement; unforeseeable emergency; or by requesting a de minimis distribution from inactive accounts valued less than \$5,000. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the District.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits:

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions:

Employees of the District pay six (6) percent of their covered payroll. Effective July 1, 2020, currently employed Tier 1/Tier 2 and OPSRP members earning \$2,500 or more per month (increased to \$2,535 per month on January 1, 2021) will have a portion of their 6 percent monthly IAP contributions redirected to an Employee Pension Stability Account. The Employee Pension Stability Account will be used to pay part of the member's future benefit. Of the 6 percent monthly IAP contribution, Tier 1/Tier 2 will have 2.5 percent redirected to the Employee Pension Stability Account and OPSRP will have 0.75 percent redirected to the Employee Pension Stability Account, with the remaining going to the member's existing IAP account. Members may voluntarily choose to make additional after-tax contributions into their IAP account to make a full 6 percent contribution to the IAP. The District made approximately \$365,934 of optional contributions to member IAP accounts for the year ended June 30, 2022.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO Box 23700 Tigard, OR 97281-3700.

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. OTHER POST EMPLOYMENT BENEFIT PLAN (RHIA)

Plan Description:

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS 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 OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS 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 OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating Districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, 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 OPERS 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 District's contributions to RHIA for the years ended June 30, 2020, 2021 and 2022 were \$1,460, \$1,277 and \$1,100, respectively, which equaled the required contributions each year.

At June 30, 2022, the District reported a net OPEB liability/(asset) of \$(163,914) 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 District'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 District's proportion was .05 percent and .05 percent, respectively. OPEB expense for the year ended June 30, 2022 was (\$25,813).

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. OTHER POST EMPLOYMENT BENEFIT PLAN (RHIA) (CONTINUED)

Components of OPEB Expense/(Income):

Employer's proportionate share of collective system OPEB Expense/(Income)	\$ (26,808)
Net amortization of employer-specific deferred amounts from:	
- Changes in proportionate share (per paragraph 64 of GASB 75)	995
- Differences between employer contributions and employer's proportionate share of system contributions (per paragraph 65 of GASB 75)	-
Employer's Total OPEB Expense/(Income)	<u>\$ (25,813)</u>

Components of Deferred Outflows/Inflows of Resources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 4,560
Changes in assumptions	3,225	2,438
Net difference between projected and actual earnings on pension plan investments	-	38,955
Net changes in proportionate share	2,315	46
Differences between contributions and proportionate share of contributions	-	-
Subtotal - Amortized Deferrals (below)	5,540	45,999
Contributions subsequent to measuring date	-	-
Deferred outflow (inflow) of resources	<u>\$ 5,540</u>	<u>\$ 45,999</u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability/(asset) in the fiscal year ended June 30, 2023.

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

Year ending June 30,	Amount
2023	\$ (12,227)
2024	(7,034)
2025	(8,893)
2026	(12,305)
2027	-
Thereafter	-
Total	<u>\$ (40,459)</u>

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. That independently audited report was dated February 25, 2022 and can be found at:

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. OTHER POST EMPLOYMENT BENEFIT PLAN (RHIA) (CONTINUED)

<https://www.oregon.gov/pers/EMP/Documents/GASB/2022/Oregon%20PERS%20-%20GASB%2075%20RHIA%20Employer%20Schedules%20-%20FYE%2006-30-2021.pdf>

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 (reduced from 2.50 percent)
Investment rate of return	6.90 percent (reduced from 7.20 percent)
Discount rate	6.90 percent (reduced from 7.20 percent)
Projected salary increase	3.40 percent (reduced from 3.50 percent)
Retiree healthcare participation	Healthy retirees: 32%; Disabled retirees: 20%
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy 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 Employee, 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, 2019.

Discount Rate:

The discount rate used to measure the total OPEB liability as of the measurement date of June 30, 2021 was 6.90 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.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. OTHER POST EMPLOYMENT BENEFIT PLAN (RHIA) (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 June 2021 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.

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited Partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Fund of Funds - Multistrategy	1.25%	5.11%
Hedge Fund Equity - Hedge	0.63%	5.31%
Hedge Fund - Macro	5.62%	5.06%
US Cash	-2.50%	1.76%
<i>Assumed Inflation - Mean</i>		<i>2.40%</i>

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

Sensitivity of the District's proportionate share of the net OPEB liability/(asset) to changes in the discount rate – The following presents the District's proportionate share of the net OPEB liability/(asset) 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 one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate.

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net OPEB liability (asset)	\$ (144,958)	\$ (163,914)	\$ (180,107)

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.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. OTHER POST-EMPLOYMENT BENEFITS (GASB #75)

Plan Description: The District operates a single-employer retiree benefit plan that provides postemployment health, dental and vision insurance benefits to eligible employees and their spouses. There are active and retired members in the plan. All classes of employee are eligible to continue coverage upon retirement. Qualified spouses, domestic partners, and children may qualify for coverage. Coverage for retirees and eligible dependents continues until Medicare eligibility for each individual (or until dependent children become ineligible).

Benefits and eligibility for members are established through the collective bargaining agreements. The post-retirement healthcare plan is established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution. The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan

Funding Policy: The benefits from this program are paid by the District on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is not 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, level percent of salary Actuarial Cost Method. The Single Employer Pension Plan liability was determined using the following actuarial assumptions, applied to all periods including the measurement:

Discount Rate per year	2.16%
General Inflation Rate per year	2.40%
Salary Scale per year	3.40%

Health Care Cost Trends:

<u>Year</u>	<u>Trend</u>	
2022	5.00	%
2023	5.25	
2024-25	5.00	
2026-28	4.75	
2029-61	4.50	
2062-67	4.25	
2068-72	4.00	
2073+	3.75	

Mortality rates were based on rates adopted by the Oregon Public Employees Retirement System (PERS) in its valuation as of December 31, 2020.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. OTHER POST-EMPLOYMENT BENEFITS (GASB #75) (CONTINUED)

Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service.

Disability rates were not used.

Retirement rates were based on Oregon PERS assumptions. Annual rates are based on age, Tier / OPSRP, and duration of service.

The projection of benefits for financial reporting purpose does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Changes in Medical Benefit OPEB Liability:

	2022	2021
Total OPEB Liability - Beginning	\$ 563,154	\$ 489,060
Changes for the Year:		
Service Cost	50,886	42,680
Interest	13,317	18,113
Effect of Economic/Demographic gains or losses	(69,806)	-
Changes of Assumptions or Other Input	(61,040)	42,023
Benefit Payments	(23,062)	(28,722)
Net Changes for the Year	(89,705)	74,094
Total OPEB Liability - Ending	<u>\$ 473,449</u>	<u>\$ 563,154</u>

Sensitivity of the Net Other Post-Employment Benefit Liability to Changes in Discount and Trend Rates:
The following presents the net other post-employment benefit liability (NOL), calculated using the discount rate of 2.16 percent, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current rate. A similar sensitivity analysis is then presented for changes in healthcare cost trend assumptions.

June 30, 2022	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 513,617	\$ 473,449	\$ 435,579

June 30, 2022	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 413,478	\$ 473,449	\$ 545,484

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. OTHER POST-EMPLOYMENT BENEFITS (GASB #75) (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$ (67,421)
Changes in assumptions	39,801	(70,966)
Benefit Payments	15,725	-
Deferred outflow (inflow) of resources	<u>\$ 55,526</u>	<u>\$ (138,387)</u>

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

Year ending June 30,	Amount
2023	\$ (13,482)
2024	(13,482)
2025	(13,482)
2026	(12,598)
2027	(10,185)
Thereafter	(35,357)
Total	<u>\$ (98,586)</u>

8. DEBT

BONDS

General Obligation Bonds

General obligation bonds were issued to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government funds and are reported in the Governmental Activities section of the government-wide financial statements. General obligation bonds are direct obligations and pledge the full faith and credit of the District. One of three of the 2012 general obligation bonds remain. Series 2012C are deferred interest bonds issued in the amount of \$6,972,495, with interest rates ranging from 2.68% - 3.12%. The full amount of interest owed on each grouping of deferred interest bonds becomes due and payable when the bonds mature.

Upon the occurrence and continuance of any Event of Default the Owners of fifty-one (51 %) percent or more of the principal amount of Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Resolution or the Bonds or in aid of the exercise of any power granted in the Resolution or in the Bonds or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by the Resolution or the Bonds or by law. However, the Bonds shall not be subject to acceleration.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEBT (CONTINUED)

Total debt service requirements to maturity for general obligation bonds, as of June 30, 2022, are as follows:

General Obligation Bonds:

By Fiscal Year:	Principal	Interest	Total
2023	1,022,931	342,069	1,365,000
2024	1,010,982	394,018	1,405,000
2025	999,456	450,544	1,450,000
2026	984,786	510,214	1,495,000
2027	969,675	565,325	1,535,000
Total Debt Service Requirements for GO Bonds	<u>\$ 4,987,830</u>	<u>\$ 2,262,170</u>	<u>\$ 7,250,000</u>

Pension Obligation Bonds: In 2007, pension obligation bonds were issued to provide funds for the advance funding of the unfunded actuarial liability for the Oregon Public Employees Retirement System. The Pension Obligation Bond Fund accounts for the repayment of these bonds, and assesses other funds to provide the resources to pay the debt service on the pension obligation bonds.

There is one pension obligation bond issue of \$2,870,000 of limited tax pension bonds, series 2007, term bond, with interest at 5.617% and principal payable between 2017 and 2028. If an Event of Default occurs and is continuing, the Series 2007 Trustee may exercise any remedy available at law or in equity; however, the Pension Bond Payments will not be subject to acceleration.

Total debt service requirements to maturity for pension obligation bonds, as of June 30, 2022, are as follows:

Pension Obligation Bonds:

By Fiscal Year:	Principal	Interest	Total
2023	260,000	101,106	361,106
2024	285,000	86,502	371,502
2025	315,000	70,493	385,493
2026	350,000	52,800	402,800
2027	385,000	33,140	418,140
2028-32	205,000	11,515	216,515
Total Debt Service Requirements for Pension Obligation Bonds	<u>\$ 1,800,000</u>	<u>\$ 355,556</u>	<u>\$ 2,155,556</u>

DIRECT BORROWING

State of Oregon Department of Energy Loan: On October 25, 2011, the District entered a loan agreement with State of Oregon Department of Energy in the amount \$636,538 to provide funds for various energy efficiency projects at the District's school as part of the Department of Energy's "Cool Schools Program." Payments are made monthly. The interest rate for the loan is 3.5% and the maturity date is March 1, 2027. Collateral includes all presently existing and hereafter acquired items of machinery, equipment, improvements and related equipment and property that save energy which are located on the Premises and are a part of or related to the Project (including but not limited to those items described in Owner's Small Scale Local Energy Loan Program loan application and any exhibits and supplementary specifications, contracts, invoices or other documents submitted to and accepted by Lender hereafter, and all accessions,

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEBT (CONTINUED)

parts, additions, and replacements thereto, and all proceeds of any of the foregoing. Upon the occurrence of an Event of Default or declaration of an Event of Default by Lender, Lender may: (a) Cease to make any further disbursements hereunder; Accelerate the Maturity Date and declare the unpaid principal balance of the Loan, together with all unpaid accrued interest, immediately due and payable, together with the additional amounts, (c) Judicially foreclose Lender's lien against the Collateral, in the same manner as mortgages are foreclosed, (d) Exercise the rights provided to the State in ORS 470.180, (E) Pay, compromise or settle any liens on the Project, or pay other sums required to be paid by Borrower in connection with the Project using any undisbursed Loan proceeds and such additional money as may be reasonably required. In the event of payment by Lender of any encumbrance, lien, claim, or demand, Lender may, at its option, be subrogated to the extent of the amount of such payment to all the rights, powers, privileges, and remedies of the payor or payee, as the case may be, and any such subrogation rights shall be additional and cumulative security for this Agreement.

Total debt service requirements to maturity for the loan, as of June 30, 2022, are as follows:

State of Oregon Department of Energy Loan

By Fiscal Year:	Principal	Interest	Total
2023	47,022	7,578	54,600
2024	48,679	5,921	54,600
2025	50,425	4,175	54,600
2026	52,219	2,381	54,600
2027	39,912	571	40,483
Total Debt Service Requirements for Department of Energy Loan	<u>\$ 238,257</u>	<u>\$ 20,626</u>	<u>\$ 258,883</u>

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2022, was as follows:

	Beginning Balance 7/1/21	Additions	Deletions	Ending Balance 6/30/22	Due Within One Year
Governmental Activities:					
Bonds payable:					
General Obligation Bonds	\$ 6,267,830	\$ -	\$ 1,280,000	\$ 4,987,830	\$ 1,022,931
Pension Obligation Bonds	2,035,000	-	235,000	1,800,000	260,000
Direct Borrowing					
Department of Energy Loan	283,664	-	45,407	238,257	47,022
Premium related to Bond					
Unamortized bond premiums and (discounts)	105,541	-	17,794	87,747	17,794
Total Liabilities	<u>\$ 8,692,035</u>	<u>\$ -</u>	<u>\$ 1,578,201</u>	<u>\$ 7,113,834</u>	<u>\$ 1,347,747</u>

During 2021-2022, \$188,601 of interest accrued on outstanding bonds and \$2,334 of previously accrued interest was paid, bringing the total balance of accrued interest at June 30, 2022 to \$1,657,763. Of this amount, \$310,308 is due and payable within one year. All General Obligation Debt is being paid by the Debt Service Fund. All Pension Obligation Debt is being paid by the Pension Obligation Bond Fund.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. LEASES PAYABLE AND RIGHT-TO-USE ASSETS

For the year ended 6/30/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On 12/17/2021, Banks School District entered into a 60 month lease as Lessee for the use of District Office - Color Printer. An initial lease liability was recorded in the amount of \$11,601.28. As of 06/30/2022, the value of the lease liability is \$10,272.62. Banks School District is required to make monthly fixed payments of \$199.00. The lease has an interest rate of 1.1771%. The Equipment estimated useful life was 84 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$11,601.28 with accumulated amortization of \$1,250.36 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Banks School District entered into a 52 month lease as Lessee for the use of BES Downstairs - Multifunctional Printer. An initial lease liability was recorded in the amount of \$9,641.36. As of 06/30/2022, the value of the lease liability is \$7,445.90. Banks School District is required to make monthly fixed payments of \$189.00. The lease has an interest rate of 0.8927%. The Equipment estimated useful life was 84 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$9,641.36 with accumulated amortization of \$2,209.35 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Banks School District entered into a 30 month lease as Lessee for the use of BES Upstairs - Multifunctional Printer. An initial lease liability was recorded in the amount of \$5,617.11. As of 06/30/2022, the value of the lease liability is \$3,382.50. Banks School District is required to make monthly fixed payments of \$189.00. The lease has an interest rate of 0.7268%. The Equipment estimated useful life was 84 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$5,617.11 with accumulated amortization of \$2,246.85 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Banks School District entered into a 30 month lease as Lessee for the use of New Downstairs High School - Printer. An initial lease liability was recorded in the amount of \$6,604.84. As of 06/30/2022, the value of the lease liability is \$4,060.36. Banks School District is required to make monthly fixed payments of \$215.00. The lease has an interest rate of 0.7268%. The Equipment estimated useful life was 84 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$6,604.84 with accumulated amortization of \$2,601.47 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Banks School District entered into a 37 month lease as Lessee for the use of Middle School Downstairs - Copier. An initial lease liability was recorded in the amount of \$4,697.19. As of 06/30/2022, the value of the lease liability is \$3,223.58. Banks School District is required to make monthly fixed payments of \$125.00. The lease has an interest rate of 0.7268%. The Equipment estimated useful life was 84 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$4,697.19 with accumulated amortization of \$1,515.22 is included with Equipment on the Lease Class activities table found below.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. LEASES PAYABLE AND RIGHT-TO-USE ASSETS (CONTINUED)

On 07/01/2021, Banks School District entered into a 49 month lease as Lessee for the use of BMS Upstairs - Multifunctional Printer. An initial lease liability was recorded in the amount of \$8,469.40. As of 06/30/2022, the value of the lease liability is \$6,420.84. Banks School District is required to make monthly fixed payments of \$176.00. The lease has an interest rate of 0.8927%. The Equipment estimated useful life was 84 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$8,469.40 with accumulated amortization of \$2,057.34 is included with Equipment on the Lease Class activities table found below.

On 04/28/2022, Banks School District entered into a 63 month lease as Lessee for the use of Student SVCS - Color Printer. An initial lease liability was recorded in the amount of \$8,134.89. As of 06/30/2022, the value of the lease liability is \$7,755.48. Banks School District is required to make monthly fixed payments of \$138.00. The lease has an interest rate of 2.6149%. The Equipment estimated useful life was 84 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$8,134.89 with accumulated amortization of \$271.16 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Banks School District entered into a 15 month lease as Lessee for the use of Student Services - Monochrome Color Printer. An initial lease liability was recorded in the amount of \$1,870.33. As of 06/30/2022, the value of the lease liability is \$374.76. Banks School District is required to make monthly fixed payments of \$125.00. The lease has an interest rate of 0.3871%. The Equipment estimated useful life was 84 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$1,870.33 with accumulated amortization of \$1,426.52 is included with Equipment on the Lease Class activities table found below.

Principal and Interest Requirements to Maturity

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2023	\$ 14,691	\$ 456	\$ 15,147
2024	12,253	310	12,563
2025	8,484	190	8,674
2026	4,883	93	4,976
2027	2,625	26	2,651
Total	\$ 42,936	\$ 1,075	\$ 44,011

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. LEASES PAYABLE AND RIGHT-TO-USE ASSETS (CONTINUED)

Activity (Rollforward Schedule)

GOVERNMENTAL ACTIVITIES:	Balance as of July 1, 2021	Additions	Reductions	Balance as of June 30, 2022
Lease Liability				
Equipment				
District Office - Color Printer	-	11,601	1,329	10,273
BES Downstairs - Multifunctional Printer	9,641	-	2,195	7,446
BES Upstairs - Multifunctional Printer	5,617	-	2,235	3,383
New Downstairs High School - Printer	6,605	-	2,544	4,060
Middle School Downstairs - Copier	4,697	-	1,474	3,224
BMS Upstairs - Multifunctional Printer	8,469	-	2,049	6,421
Student SVCS - Color Printer	-	8,135	379	7,755
Student Services - Monochrome Color Printer	1,870	-	1,496	375
Total Equipment Lease Liability	36,900	19,736	13,700	42,936
Total Lease Liability	36,900	19,736	13,700	42,936

GOVERNMENTAL ACTIVITIES:	Balance as of July 1, 2021	Additions	Reductions	Balance as of June 30, 2022
Lease Asset				
Equipment				
District Office - Color Printer	-	11,601	-	11,601
BES Downstairs - Multifunctional Printer	9,641	-	-	9,641
BES Upstairs - Multifunctional Printer	5,617	-	-	5,617
New Downstairs High School - Printer	6,605	-	-	6,605
Middle School Downstairs - Copier	4,697	-	-	4,697
BMS Upstairs - Multifunctional Printer	8,469	-	-	8,469
Student SVCS - Color Printer	-	8,135	-	8,135
Student Services - Monochrome Color Printer	1,870	-	-	1,870
Total Equipment Lease Asset	36,900	19,736	-	56,636
Total Lease Asset	36,900	19,736	-	56,636

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. LEASES PAYABLE AND RIGHT-TO-USE ASSETS (CONTINUED)

GOVERNMENTAL ACTIVITIES:	Balance as of July 1, 2021	Additions	Reductions	Balance as of June 30, 2022
Lease Accumulated Amortization				
Equipment				
District Office - Color Printer	-	1,250	-	1,250
BES Downstairs - Multifunctional Printer	-	2,209	-	2,209
BES Upstairs - Multifunctional Printer	-	2,247	-	2,247
New Downstairs High School - Printer	-	2,601	-	2,601
Middle School Downstairs - Copier	-	1,515	-	1,515
BMS Upstairs - Multifunctional Printer	-	2,057	-	2,057
Student SVCS - Color Printer	-	271	-	271
Student Services - Monochrome Color Printer	-	1,427	-	1,427
Total Equipment Lease Accumulated Amortization	-	13,578	-	13,578
Total Lease Accumulated Amortization	-	13,578	-	13,578
Total Governmental Lease Assets, Net	36,900	6,158	-	43,058

10. COMMITMENTS AND CONTINGENCIES

A number of federally assisted grant programs are participated in. These programs are subject to program compliance audits by the grantors or their representatives. The federal audits for these programs for the year ended June 30, 2022 have not been conducted. Accordingly, compliance with grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although management expects such amounts to be immaterial.

A substantial portion of the 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 increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the operations cannot be determined.

11. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. 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 requirement 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.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. PROPERTY TAX LIMITATIONS (CONTINUED)

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

12. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which commercial insurance is carried to minimize the exposure to these risks. Settled claims have not exceeded this commercial coverage for the last three years.

Worker's compensation insurance is purchased from a commercial carrier. Premiums are determined based on payroll paid at various employment classification rates. Loss prevention services are available from the carrier, and there is no potential liability beyond the premiums paid.

13. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

Transfers Out:		Transfers In:	
General Fund		Special Projects	\$ 296,805
	(324,105)	Debt Service	27,300
Total	<u>\$ (324,105)</u>	Total	<u>\$ 324,105</u>

The internal transfers are budgeted and recorded to show legal and operational commitments between funds such as cost sharing.

14. DEFICIT NET POSITION IN INTERNAL SERVICE FUND

The internal service fund had a negative net position amount of (\$1,767,654). The negative net position is expected to reverse in future years as the PERS Pension Bond approaches maturity.

15. PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments totaling (\$789,783) were recognized in 2021-2022:

Beginning Net Position was reduced by \$1,469,162 to account for unpaid interest that had accrued in prior years on the District's Deferred Interest Bonds.

Beginning Net Position was increased by \$679,379 to account for additional Deferred Outflows related to the District's Pension Obligations.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

**BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON**

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2022

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) District's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.05 %	\$ 6,418,282	\$ 5,480,029	117.1 %	87.6 %
2021	0.06	12,378,189	5,604,291	220.9	75.8
2020	0.06	10,190,405	5,425,655	187.8	80.2
2019	0.05	8,119,517	5,100,003	159.2	82.1
2018	0.06	8,277,095	5,102,393	162.2	83.1
2017	0.06	8,670,228	4,907,979	176.7	80.5
2016	0.06	3,394,703	4,562,114	74.4	91.9
2015	0.06	(1,344,125)	4,197,672	(32.0)	103.6
2014	0.06	3,026,083	3,749,603	80.7	92.0

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

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

	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	\$ 1,234,471	\$ 1,234,471	\$	\$ 5,738,989	21.5 %
2021	1,235,209	1,235,209		5,480,029	22.5
2020	1,301,447	1,301,447	-	5,604,291	23.2
2019	1,062,672	1,062,672	-	5,425,655	19.6
2018	998,724	998,724	-	5,100,003	19.6
2017	741,306	741,306	-	5,102,393	14.5
2016	559,335	559,335	-	4,907,979	11.4
2015	690,917	690,917	-	4,562,114	15.1
2014	725,087	725,087	-	4,197,672	17.3

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

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.

**BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION
For the fiscal year ended June 30, 2022**

SCHEDULE OF THE PROPORTIONATE SHARE OF THE PERS - RHIA

Year Ended June 30,	(a) Employer's proportion of the net pension liability (Asset)	(b) Employer's proportionate share of the net pension liability (Asset)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.05 %	\$ (163,914)	\$ 5,480,029	(3.0) %	183.9 %

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

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 - PERS RHIA

	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	\$ 1,100	\$ 1,100	\$ -	\$ 5,738,989	0.0 %

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

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.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY
For the fiscal year ended June 30, 2022

Schedule of changes in the total OPEB liability

Year ended June 30	Service Cost	Interest	Changes of Benefit Terms	Effect of Economic/ Demographic Gains or Losses	Changes of Assumption or Output Input	Benefit Payments	Net Changes for the Year
2022 \$	50,886 \$	13,317 \$	\$	(69,806) \$	(61,040) \$	(23,062) \$	(89,705)
2021	42,680	18,113	-	-	42,023	(28,722)	74,094
2020	36,687	18,682	-	(7,521)	9,870	(29,161)	28,557
2019	36,413	16,986	-	-	(10,429)	(40,683)	2,287
2018	38,690	13,949	-	-	(25,531)	(39,024)	(11,916)

Schedule of total OPEB liability and related ratios

Year ended June 30	Total OPEB Liability Beginning (asset)	Net Changes for the Year	Total OPEB Liability (asset) Ending	Covered Payroll	Net Single Employer Pension Plan as a Percentage of Covered Payroll
2022 \$	563,154	(89,705)	473,449	5,738,989	8.25%
2021	489,060	74,094	563,154	5,480,029	10.28%
2020	460,503	28,557	489,060	5,604,291	8.73%
2019	458,216	2,287	460,503	5,425,655	8.49%
2018	470,133	(11,916)	458,216	5,100,003	8.98%

Note: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full year trend has been compiled, information is presented for the years for which the required supplementary schedule information is available. The District implemented GASB 75 in the fiscal year ending June 30, 2018.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2022

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Taxes	\$ 3,407,500	\$ 3,407,500	\$ 3,461,481	\$ 53,981
Other Local Sources	190,000	190,000	105,789	(84,211)
Intermediate Sources	25,000	25,000	28,893	3,893
State Sources	8,002,665	8,002,665	8,184,761	182,096
Total Revenues	11,625,165	11,625,165	11,780,924	155,759
EXPENDITURES:				
Instruction	7,571,917	7,571,917 (1)	7,058,430	513,487
Support Services	4,774,772	4,774,772 (1)	4,587,506	187,266
Contingency	50,000	50,000 (1)	-	50,000
Total Expenditures	12,396,689	12,396,689	11,645,936	750,753
Excess of Revenues Over (Under) Expenditures	(771,524)	(771,524)	134,988	906,512
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	-	-	19,736	19,736
Transfers Out	(375,000)	(375,000) (1)	(324,105)	50,895
Total Other Financing Sources (Uses)	(375,000)	(375,000)	(304,369)	70,631
Net Change in Fund Balance	(1,146,524)	(1,146,524)	(169,381)	977,143
Beginning Fund Balance	2,800,000	2,800,000	3,258,818	458,818
Ending Fund Balance	\$ 1,653,476	\$ 1,653,476	\$ 3,089,437	\$ 1,435,961

(1) - Appropriation level

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2022

SPECIAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Local Sources	\$ 762,800	\$ 762,800	\$ 290,866	\$ (471,934)
Intermediate Sources	85,000	85,000	17,172	(67,828)
State Sources	1,308,125	1,308,125	1,044,161	(263,964)
Federal Sources	1,019,777	1,019,777	976,932	(42,845)
Total Revenues	3,175,702	3,175,702	2,329,131	(846,571)
EXPENDITURES:				
Instruction	2,893,694	2,893,694 (1)	1,791,308	1,102,386
Support Services	468,408	468,408 (1)	387,444	80,964
Enterprise & Community Services	364,500	364,500 (1)	311,238	53,262
Debt Service	27,300	27,300 (1)	26,501	799
Total Expenditures	3,753,902	3,753,902	2,516,491	1,237,411
Excess of Revenues Over (Under) Expenditures	(578,200)	(578,200)	(187,360)	390,840
OTHER FINANCING SOURCES (USES)				
Transfers In	347,700	347,700	296,805	(50,895)
Total Other Financing Sources (Uses)	347,700	347,700	296,805	(50,895)
Net Change in Fund Balance	(230,500)	(230,500)	109,445	339,945
Beginning Fund Balance	325,500	325,500	375,518	50,018
Ending Fund Balance	\$ 95,000	\$ 95,000	\$ 484,963	\$ 389,963

(1) Appropriation Level

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

SUPPLEMENTARY INFORMATION

**BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2022**

DEBT SERVICE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Local Sources				
Current Year's Taxes	\$ 1,296,400	\$ 1,296,400	\$ 1,270,184	\$ (26,216)
Prior Year's Taxes	12,000	12,000	15,296	3,296
Interest	10,000	10,000	6,401	(3,599)
Total Revenues	<u>1,318,400</u>	<u>1,318,400</u>	<u>1,291,881</u>	<u>(26,519)</u>
EXPENDITURES:				
Debt Service	<u>1,345,700</u>	<u>1,345,700</u> (1)	<u>1,345,695</u>	<u>5</u>
Total Expenditures	<u>1,345,700</u>	<u>1,345,700</u>	<u>1,345,695</u>	<u>5</u>
Excess of Revenues Over (Under) Expenditures	(27,300)	(27,300)	(53,814)	(26,514)
Other Financing Sources, (Uses)				
Transfers In	<u>27,300</u>	<u>27,300</u>	<u>27,300</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>27,300</u>	<u>27,300</u>	<u>27,300</u>	<u>-</u>
Net Change in Fund Balance	-	-	(26,514)	(26,514)
Beginning Fund Balance	<u>200,000</u>	<u>200,000</u>	<u>221,400</u>	<u>21,400</u>
Ending Fund Balance	<u><u>\$ 200,000</u></u>	<u><u>\$ 200,000</u></u>	<u><u>\$ 194,886</u></u>	<u><u>\$ (5,114)</u></u>

(1) Appropriation level

B ANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2022

CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Local Sources	\$ 81,500	\$ 81,500	\$ 38,891	\$ (42,609)
Total Revenues	81,500	81,500	38,891	(42,609)
EXPENDITURES:				
Facilities Acquisition & Construction	691,500	691,500 (1)	-	691,500
Total Expenditures	691,500	691,500	-	691,500
Net Change in Fund Balance	(610,000)	(610,000)	38,891	648,891
Beginning Fund Balance	610,000	610,000	621,151	11,151
Ending Fund Balance	\$ -	\$ -	\$ 660,042	\$ 660,042

(1) Appropriation level

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2022

PENSION OBLIGATION BONDS FUND - INTERNAL SERVICE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Local Sources:				
Assessments to Other Funds	\$ 349,306	\$ 349,306	\$ 291,742	\$ (57,564)
Total Revenues	<u>349,306</u>	<u>349,306</u>	<u>291,742</u>	<u>(57,564)</u>
EXPENDITURES				
Debt Service	<u>349,306</u>	<u>349,306</u> (1)	<u>349,306</u>	<u>-</u>
Total Expenditures	<u>349,306</u>	<u>349,306</u>	<u>349,306</u>	<u>-</u>
Net Change in Fund Balance	-	-	(57,564)	(57,564)
Beginning Fund Balance	<u>25,000</u>	<u>25,000</u>	<u>82,564</u>	<u>57,564</u>
Ending Fund Balance	<u><u>\$ 25,000</u></u>	<u><u>\$ 25,000</u></u>	<u>\$ 25,000</u>	<u><u>\$ -</u></u>

(1) Appropriation level

Reconciliation to Net Position:

Pension Obligation Bonds Payable	<u>(1,792,654)</u>
Ending Net Position	<u><u>\$ (1,767,654)</u></u>

**BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2022**

PROGRAM TITLE	PASS-THROUGH ORGANIZATION	FEDERAL AL NUMBER	SUB GRANT AWARD	GRANT PERIOD	EXPENDITURES	PASS-THROUGH EXPENDITURES
US DEPARTMENT OF EDUCATION						
Title 1 Grants to Local Educational Agencies	Oregon Department of Education	84.010	60354	4/1/20-9/30/22	\$ 34,458	\$ -
Title 1 Grants to Local Educational Agencies	Oregon Department of Education	84.010	66923	7/1/21-9/30/22	80,597	-
Total Title 1 Grants to Local Educational Agencies					115,055	-
Special Education Grants to States	Oregon Department of Education	84.027	68323 (ARP)	7/1/21-9/30/23	7,317 (1)	-
Special Education Grants to States	Oregon Department of Education	84.027	68572	7/1/21-9/30/23	184,645	-
Total Special Education Cluster					191,962	-
Supporting Effective Instruction State Grants	Oregon Department of Education	84.367	53480	7/1/19-9/30/22	879	-
Supporting Effective Instruction State Grants	Oregon Department of Education	84.367	67356	7/1/21-9/30/22	11,606	-
Total Supporting Effective Instruction State Grants					12,485	-
Student Support and Academic Enrichment State Grant	Oregon Department of Education	84.424	66712	7/1/21-9/31/22	10,000	-
Education Stabilization Fund (ESF)	Oregon Department of Education	84.425	64530	3/13/20-9/30/23	211,260 (1)	-
TOTAL US DEPARTMENT OF EDUCATION					540,762	-
US DEPARTMENT OF AGRICULTURE						
School Breakfast Program	Oregon Department of Education	10.553	Fund 280	7/1/21-6/30/22	80,584	-
National School Lunch Program	Oregon Department of Education	10.555	Fund 280	7/1/21-6/30/22	330,555	-
National School Lunch Program - Noncash assistance	Oregon Department of Education	10.555	Fund 280	7/1/21-6/30/22	24,417	-
Total Child Nutrition Cluster					435,556	-
SNAP State and Local EBT	Oregon Department of Education	10.649	Fund 280	7/1/21-6/30/22	614	-
TOTAL US DEPARTMENT OF AGRICULTURE					436,170	-
TOTAL FEDERAL FINANCIAL ASSISTANCE					\$ 976,932	\$ -

(1) Covid-19 Funding



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December 16, 2022

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Banks School District as of and for the year ended June 30, 2022, and have issued our report thereon dated December 16, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of 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, but were not limited to the following:

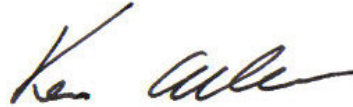
- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Authorized investment of surplus funds (ORS Chapter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

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

OAR 162-10-0230 Internal Control

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

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

A handwritten signature in dark ink, appearing to read "Kenny Allen", is positioned above the printed name.

Kenny Allen, CPA
PAULY, ROGERS AND CO., P.C.

BANKS SCHOOL DISTRICT NO. 13
WASHINGTON COUNTY, OREGON

GRANT COMPLIANCE REVIEW



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December 16, 2022

To the Board of Education
Banks School District
Washington County, Oregon

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Banks School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 16, 2022.

Report on Internal Control over Financial Reporting

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in dark ink, appearing to read "Ken Allen", with a stylized, flowing script.

Kenneth Allen, CPA
PAULY, ROGERS AND CO., P.C.



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December 16, 2022

To the Board of Education
Banks School District
Washington County, Oregon

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Banks 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 the major federal programs for the year ended June 30, 2022. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Banks School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Banks 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 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 its federal programs.

Auditors' 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 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 generally accepted auditing standards, *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 compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of 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 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.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

A handwritten signature in blue ink, appearing to read "Ken Allen", is positioned above the printed name.

Kenneth Allen, CPA
PAULY, ROGERS AND CO., P.C.

BANKS SCHOOL DISTRICT
WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(s) identified that are not considered
to be material weaknesses?

☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Any GAGAS audit findings disclosed that are required to be reported
reported in accordance with section 515(d)(2) of the Uniform Guidance?

☐ yes ☒ no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(s) identified that are not considered
to be material weaknesses?

☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with section 200.516(a) of the Uniform Guidance?

☐ yes ☒ no

IDENTIFICATION OF MAJOR PROGRAMS

AL NUMBER

NAME OF FEDERAL PROGRAM CLUSTER

10.553 & 10.555
84.425

Child Nutrition Cluster
Education Stabilization Fund (ESF)

Dollar threshold used to distinguish between type A and B programs

\$750,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

BANKS SCHOOL DISTRICT
WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL EXPENDITURES

1. **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes federal grant activity under programs of the federal government. The information in this schedule is presented in accordance with 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). Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the net position, changes in net position, or cash flows of the entity.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The entity has elected to not use the ten percent de minimus indirect cost rate as allowed under Uniform Guidance, due to the fact that they already have a negotiated indirect cost rate with Oregon Department of Education, and thus is not allowed to use the de minimus rate.