



**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

**ANNUAL FINANCIAL REPORT**

June 30, 2022



**SOUTH LANE SCHOOL DISTRICT NO. 45J3  
Cottage Grove, Oregon**

**DISTRICT OFFICIALS**

June 30, 2022

**BOARD OF DIRECTORS**

Position 1, Term expires 2023  
Tammy Hodgkinson

Position 2, Term expires 2025  
Taylor Wilhour, Board Co-Vice Chair

Position 3, Term expires 2023  
Dustin Bengtson, Board Chair

Position 4, Term expires 2025  
Sherry Duerst-Higgins, Board Co-Vice Chair

Position 5, Term expires 2025  
Colleen Valley

Position 6, Term expires 2023  
Jerry Settlemeyer

Position 7, Term expires 2023  
Gary Mort

All board members received mail at the District office:  
455 Adams Avenue  
Cottage Grove, Oregon 97424

**ADMINISTRATION**

Dr. Yvonne Curtis, Superintendent

Celia Gowing, Director of Finance

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
South Lane School District No. 45J3  
Cottage Grove, Oregon 97424

### **Qualified and Unmodified Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of South Lane School District No. 45J3, Cottage Grove, Oregon, as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### Qualified Opinion of Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, 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 South Lane School District No. 45J3, Cottage Grove, Oregon as of June 30, 2022, and the respective changes in financial position thereof for the year then ended with accounting principles generally accepted in the United States of America.

#### Unmodified Opinions on Each Major Fund and the Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of South Lane School District No. 45J3, Cottage Grove, Oregon as of June 30, 2022, and the respective changes in financial position thereof for the year then ended with accounting principles generally accepted in the United States of America.

### **Basis for Qualified and Unmodified Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Lane School District No. 45J3, Cottage Grove, Oregon, 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 qualified and unmodified audit opinions.

## Matter Giving Rise to the Qualified Opinion on Governmental Activities

Management has elected to not implement GASB Statement No. 87, Leases. Under this standard, accounting principles generally accepted in the United States of America require a lessee to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The amount by which this departure would affect net position, liabilities, and expenses of the government-wide financial statements has not been determined.

### **Emphasis of Matter - Change in Accounting Principle**

As described in the notes to the financial statements, in the year ended June 30, 2022, the District adopted new accounting guidance: GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 92, *Omnibus 2020*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Our opinions are not modified with respect to this matter.

### **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 misstatements, 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 South Lane School District No. 45J3, Cottage Grove, Oregon's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 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 South Lane School District No. 45J3, Cottage Grove, Oregon'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 South Lane School District No. 45J3, Cottage Grove, Oregon'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, schedules of the District's proportionate share of the net pension/OPEB liability and District contributions, schedules of changes in OPEB liability and related ratios - medical benefit, and budgetary comparison information on pages 6 through 13, 65 through 70, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis, schedules of the District's proportionate share of the net pension/OPEB liability and District contributions, schedules of changes in OPEB liability and related ratios - medical benefit, 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 aforementioned information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison 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 budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Lane School District No. 45J3, Cottage Grove, Oregon's basic financial statements. The individual fund schedules, other financial schedules, and supplemental information required by the Oregon Department of Education are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual fund schedules, other financial schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplemental information required by the Oregon Department of Education has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

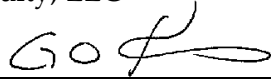
### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated March 27, 2023 on our tests of the District’s compliance with certain provisions of laws and regulations 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.

Accuity, LLC

By:   
\_\_\_\_\_

Glen O. Kearns, CPA

Albany, Oregon

March 27, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

As management of South Lane School District No. 45J3, Cottage Grove, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal 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, total net position of South Lane School District No. 45J3 amounted to \$(5,641,814). Of this amount, \$60,584,213 was invested in capital assets, net of related debt. The remaining balance included \$1,855,945 restricted for various purposes and \$(68,081,972) of unrestricted net position.
- At June 30, 2022, the District's governmental funds reported combined ending fund balances of \$7,522,054.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to South Lane School District No. 45J3's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

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

The statement of net position presents information on all the District's assets and liabilities with the difference between the two reported as net position. 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).

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The government-wide financial statements can be found on pages 14 through 16 of this report.

**Fund Financial Statements**

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives.

All of the funds of South Lane School District No. 45J3 can be divided into two categories: governmental funds and proprietary funds.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions.

Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Special Revenue, Special Projects, Capital Projects, and Debt Service Funds, all of which are considered to be major governmental funds.

South Lane School District No. 45J3 adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 17 through 20 of this report.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District maintains one proprietary fund, which is an internal service fund.

Internal service funds serve as an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses the internal service fund to account for its PERS bond income and expenses. Because this predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 21 through 23 of this report.

□ **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is the same as that used for governmental funds.

South Lane School District No. 45J3 adopts an annual appropriated budget for its fiduciary fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with its budget.

The basic fiduciary fund financial statements can be found on page 24 of this report.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 25 through 64 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes schedules of the District's proportionate share of the net pension liability/OPEB asset and District contributions, the schedules of funding progress and employer contributions, as well as budgetary comparison information for the General, Special Revenue, and Special Projects Funds. This required supplementary information can be found on pages 65 through 70 of this report. Individual fund schedules can be found immediately following the required supplementary information on pages 71 through 74 of this report.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2022, the District's liabilities exceeded its assets by \$5,641,814.

A portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for classrooms and supporting services for providing kindergarten through twelfth grade education; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**District's Net Position**

The District's net position decreased by \$1,853,091 during the current fiscal year. Condensed statement of net position information is shown below.

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>	
	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current and other assets	\$ 8,024,956	\$ 9,603,899
Restricted assets	3,436,477	1,821,874
Capital assets, net of accumulated depreciation	<u>69,597,567</u>	<u>70,423,059</u>
Total assets	<u>81,059,000</u>	<u>81,848,832</u>
<b>Deferred outflows of resources</b>	<u>34,291,838</u>	<u>11,407,926</u>
<b>Liabilities</b>		
Current liabilities	6,045,830	5,290,307
Noncurrent liabilities	<u>98,027,038</u>	<u>91,105,025</u>
Total liabilities	<u>104,072,868</u>	<u>96,395,332</u>
<b>Deferred inflows of resources</b>	<u>16,919,785</u>	<u>4,356,331</u>
<b>Net position</b>		
Net investment in capital assets	60,584,213	59,400,468
Restricted for various purposes	1,855,945	3,770,544
Unrestricted	<u>(68,081,972)</u>	<u>(70,665,917)</u>
Total net position	<u>\$ (5,641,814)</u>	<u>\$ (7,494,905)</u>

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**District's Changes in Net Position**

The condensed statement of activities information shown below explains changes in net position.

**Changes in Net Position**

	<b>Governmental Activities</b>	
	<u>2022</u>	<u>2021</u>
<b>Program revenues</b>		
Charges for services	\$ 378,424	\$ 111,775
Operating grants and contributions	11,618,676	8,806,084
Capital grants and contributions	<u>-</u>	<u>307,826</u>
Total program revenues	<u>11,997,100</u>	<u>9,225,685</u>
<b>General revenues</b>		
Taxes	11,140,083	10,731,898
State school fund - general support	24,269,714	23,819,941
Common school fund	329,126	302,873
Unrestricted state and local revenue	145,600	188,788
Investment earnings	60,179	68,792
Gain on sale of assets	-	4,352
Miscellaneous	<u>3,408,632</u>	<u>170,916</u>
Total general revenues	<u>39,353,334</u>	<u>35,287,560</u>
Total revenues	<u>51,350,434</u>	<u>44,513,245</u>
<b>Program expenses</b>		
Instruction	23,297,674	25,191,522
Support services	17,750,979	15,894,686
Enterprise and community services	1,928,919	1,736,533
Facilities acquisition and construction	261,035	-
Unallocated depreciation expense	2,181,800	2,138,651
Interest on long-term debt	<u>4,076,936</u>	<u>1,500,899</u>
Total program expenses	<u>49,497,343</u>	<u>46,462,291</u>
<b>Change in net position</b>	1,853,091	(1,949,046)
<b>Net position - beginning of year</b>	<u>(7,494,905)</u>	<u>(5,545,859)</u>
<b>Net position - end of year</b>	<u>\$ (5,641,814)</u>	<u>\$ (7,494,905)</u>



**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**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 77% of the funding required for governmental programs. Property taxes and state school funding combined for 90% of general revenues and 69% of total revenues.

Charges for services make up less than 1% of total revenues and are comprised of the following items for which it is appropriate that the District charge tuition or fees:

• Food services charges for lunch and breakfast	\$ 26,726
• Facility rentals	48,601
• Various student extracurricular activities	<u>303,097</u>
Total charges for services	<u>\$ 378,424</u>

Operating grants and contributions represent 23% of total revenues. Included in this category are \$11,618,676 for grants and contributions to support various educational activities, including grants to support school nutrition programs.

**Expenses**

Expenses related to governmental activities are presented in several broad functional categories. Costs of direct classroom instruction activities account for 47% of the total expenses of \$49,497,343. In addition, approximately 36% of the costs in supporting services relate to students, instructional staff, and school administration.

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

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

**Governmental Funds**

The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the District’s net resources available for spending at the end of the fiscal year.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$7,522,054. Of this amount, \$3,185,235 constitutes unassigned fund balance, which is available for spending at the District's discretion.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was \$3,313,314, all of which was unassigned.

**Proprietary Fund**

The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Net position of the proprietary fund at year-end amounted to (\$38,690,753).

**BUDGETARY HIGHLIGHTS**

Budget amounts shown in the financial statements reflect the original budget amounts and six approved appropriation changes.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2022 amounted to \$69,597,567, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and equipment and vehicles. The total depreciation related to the District's investment in capital assets for the current fiscal year was \$2,181,801. Major capital asset events during the current fiscal year included bond projects.

Additional information on the District's capital assets can be found on pages 36 through 37 of this report.

**Long-Term Debt**

At the end of the current fiscal year, the District had total debt outstanding of \$89,001,228. This amount is comprised of general obligation bonds, qualified school construction bonds, pension bonds, capital lease obligations, and related issuance premiums and discounts. The District's total debt outstanding increased by \$24,397,748 during the current fiscal year.

Additional information on the District's long-term debt can be found on pages 38 through 41 of this report.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE**

At the time these financial statements were prepared and audited the District was aware of the following challenges and opportunities to providing quality instruction and educational programs to all students:

- Across the last three school years, the pandemic and the polarizing political climate has greatly impacted our students, families, educators, and community – academically, emotionally, and socially. We are concerned that the impact of this ongoing pandemic and the politics that go along with it will impact our students well into their future.
- In developing the budget, we utilized the principles of effective and sustainable programs, equitable inputs for equitable outcomes, and system-wide efficiency to guide our decisions. We will continue our focus and investment on effective systemic implementation of professional learning communities. As always, our largest investment is in the staff members.
- Although our enrollment has declined by about 300 students over the last biennium, our budget at this time allows for us to maintain our current low class size averages of 21-23 students.
- We have been very thoughtful, purposeful, and efficient in utilizing the dollars provided from state and federal pandemic relief funds, even stretching these dollars into the 2022-2023 budget year. Any positions paid by these funds are either temporary or will be moved to the General or Grant Funds when they are fully expended.

**REQUESTS FOR INFORMATION**

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Business Office at 455 Adams, Cottage Grove, OR 97424.

## **BASIC FINANCIAL STATEMENTS**

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

STATEMENT OF NET POSITION

June 30, 2022

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 3,018,772
Accounts receivable	4,295,498
Inventory	79,191
Property taxes receivable	<u>258,726</u>
Total current assets	<u>7,652,186</u>
Restricted assets	
Cash and investments	2,671,771
Cash with bond agent	666,670
Property taxes receivable	<u>98,036</u>
Total restricted assets	<u>3,436,477</u>
OPEB RHIA asset	372,770
Capital assets not being depreciated	955,758
Capital assets, net of accumulated depreciation	<u>68,641,809</u>
Total assets	<u>81,059,000</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>34,291,838</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	557,945
Payroll liabilities	1,664,738
Accrued interest	57,312
Compensated absences	278,626
Long-term liabilities, current portion	<u>3,487,209</u>
Total current liabilities	6,045,830
Noncurrent liabilities	
Net pension liability - PERS	11,791,770
OPEB medical benefit liability	721,249
Long-term liabilities, less current portion	<u>85,514,019</u>
Total long-term liabilities	98,027,038
Total liabilities	<u>104,072,868</u>
	(Continued)

The accompanying notes are an integral part of these financial statements.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

STATEMENT OF NET POSITION

June 30, 2022

(Continued)

	<u>Governmental Activities</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 16,919,785</u>
<b>NET POSITION</b>	
Net investment in capital assets	60,584,213
Restricted for:	
Student activities	410,035
Debt service	282,419
Bond projects	113,425
Grant programs	903,554
Capital upgrades and additions	146,512
Unrestricted	<u>(68,081,972)</u>
Total net position	<u>\$ (5,641,814)</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>	
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	
			<u>Contributions</u>	<u>Contributions</u>	
				<u>Changes in</u>	
				<u>Net Position</u>	
				<u>Governmental</u>	
				<u>Activities</u>	
<b>Primary government</b>					
Governmental activities					
Instruction	\$ 23,297,674	\$ 275,238	\$ 9,776,145	\$ -	\$ (13,246,291)
Support services	17,750,979	-	-	-	(17,750,979)
Enterprise and community services	1,928,919	55,185	1,842,531	-	(31,203)
Facilities Acquisition and construction	261,035	48,001	-	-	(213,034)
Unallocated depreciation expense	2,181,800	-	-	-	(2,181,800)
Interest on long-term debt	4,076,936	-	-	-	(4,076,936)
	<u>49,497,343</u>	<u>378,424</u>	<u>11,618,676</u>	<u>-</u>	<u>(37,500,243)</u>
General revenues					
Property taxes levied for general purposes					7,707,719
Property taxes levied for debt service					3,274,390
Construction excise taxes					157,974
State school fund - general support					24,269,714
Common school fund					329,126
Unrestricted state and local revenue					145,600
Investment earnings					60,179
Gain on sale of assets					-
Miscellaneous					<u>3,408,632</u>
					<u>39,353,334</u>
					Change in net position 1,853,091
					<u>Net position - beginning (7,494,905)</u>
					<u>Net position - ending \$ (5,641,814)</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Special Revenue Fund	Special Projects Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 5,357,972	\$ -	\$ 2,130,807	\$ 281,264	\$ 259,700	\$ 8,029,743
Accounts receivable	67,278	3,623,222	604,997	-	1	4,295,498
Prepays	-	-	-	-	-	-
Property taxes receivable	258,726	-	-	98,036	-	356,762
Supply inventory	-	-	79,191	-	-	79,191
Total assets	<u>\$ 5,683,975</u>	<u>\$ 3,623,222</u>	<u>\$ 2,814,995</u>	<u>\$ 379,300</u>	<u>\$ 259,701</u>	<u>\$ 12,761,193</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 448,220	\$ 57,795	\$ 52,165	\$ 1	\$ (236)	\$ 557,945
Accrued liabilities	1,664,738	-	-	-	-	1,664,738
Book overdraft	-	2,653,943	-	-	-	2,653,943
Total liabilities	<u>2,112,958</u>	<u>2,711,738</u>	<u>52,165</u>	<u>1</u>	<u>(236)</u>	<u>4,876,626</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Grants	-	7,930	-	-	-	7,930
Unavailable revenue - property taxes	<u>257,704</u>	<u>-</u>	<u>-</u>	<u>96,880</u>	<u>-</u>	<u>354,584</u>
Total deferred inflows of resources	<u>257,704</u>	<u>7,930</u>	<u>-</u>	<u>96,880</u>	<u>-</u>	<u>362,514</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	79,191	-	-	79,191
Restricted	-	903,554	2,277,120	282,419	259,937	3,723,030
Assigned	-	-	534,598	-	-	534,598
Unassigned	<u>3,313,314</u>	<u>-</u>	<u>(128,079)</u>	<u>-</u>	<u>-</u>	<u>3,185,235</u>
Total fund balances	<u>3,313,314</u>	<u>903,554</u>	<u>2,762,830</u>	<u>282,419</u>	<u>259,937</u>	<u>7,522,054</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,683,976</u>	<u>\$ 3,623,222</u>	<u>\$ 2,814,995</u>	<u>\$ 379,300</u>	<u>\$ 259,701</u>	<u>\$ 12,761,194</u>

The accompanying notes are an integral part of these financial statements.



**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2022

<b>Total fund balances</b>		\$ 7,522,054
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	95,136,793	
Accumulated depreciation	<u>(25,539,226)</u>	69,597,567
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		
		354,584
Amounts relating to the District's proportionate share of PERS and OPEB actuarial valuation balances are not reported in governmental fund statements.		
Deferred outflows of resources relating to pensions	34,291,838	
Deferred inflows of resources relating to pensions	<u>(16,911,855)</u>	17,379,983
Long-term assets are not available to pay for current period expenditures and are therefore not reported as governmental fund assets.		
Cash with escrow agent		666,670
The internal service fund is used by management to charge the costs of unemployment insurance premiums to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
		(38,690,753)
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:		
Accrued interest	(57,312)	
Compensated absences	(278,626)	
Net pension liability - PERS	(11,791,770)	
OPEB RHIA asset	372,770	
OPEB medical benefit liability	(721,249)	
Long-term liabilities payable	<u>(49,995,732)</u>	<u>(62,471,919)</u>
<b>Net position of governmental activities</b>		<b>\$ <u>(5,641,814)</u></b>

The accompanying notes are an integral part of these financial statements.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

	General Fund	Special Revenue Funds	Special Projects Funds	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>						
Local revenue	\$ 8,029,289	\$ 3,444	\$ 1,005,401	\$ 3,203,952	\$ 208,933	\$ 12,451,019
Intermediate revenue	145,600	-	73,411	-	-	219,011
State revenue	24,643,567	3,638,835	891,426	-	-	29,173,828
Federal revenue	(7,433)	4,782,917	1,834,539	-	-	6,610,023
Total revenues	<u>32,811,023</u>	<u>8,425,196</u>	<u>3,804,777</u>	<u>3,203,952</u>	<u>208,933</u>	<u>48,453,881</u>
<b>EXPENDITURES</b>						
Current						
Instruction	18,531,956	3,635,022	1,559,001	-	-	23,725,979
Support services	13,113,944	3,619,519	1,120,551	-	162,590	18,016,604
Community services	-	15,115	1,954,598	-	-	1,969,713
Facilities acquisition and construction	-	285,824	333,168	-	910,376	1,529,368
Debt service	-	-	358,618	3,244,337	-	3,602,955
Total expenditures	<u>31,645,900</u>	<u>7,555,480</u>	<u>5,325,936</u>	<u>3,244,337</u>	<u>1,072,966</u>	<u>48,844,619</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,165,123</u>	<u>869,716</u>	<u>(1,521,159)</u>	<u>(40,385)</u>	<u>(864,033)</u>	<u>(390,738)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	1,001,945	202,000	150,000	1,353,945
Transfers out	(1,353,945)	-	-	-	-	(1,353,945)
Total other financing sources (uses)	<u>(1,353,945)</u>	<u>-</u>	<u>1,001,945</u>	<u>202,000</u>	<u>150,000</u>	<u>-</u>
Net change in fund balances	(188,822)	869,716	(519,214)	161,615	(714,033)	(390,738)
Fund balances - beginning	<u>3,502,136</u>	<u>33,838</u>	<u>3,282,044</u>	<u>120,804</u>	<u>973,970</u>	<u>7,912,792</u>
Fund balances - ending	<u>\$ 3,313,314</u>	<u>\$ 903,554</u>	<u>\$ 2,762,830</u>	<u>\$ 282,419</u>	<u>\$ 259,937</u>	<u>\$ 7,522,054</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

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

For the Year Ended June 30, 2022

<b>Net change in fund balances</b>		\$ (390,738)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Expenditures for capital assets	1,356,308	
Less current year depreciation	<u>(2,181,800)</u>	(825,492)
<p>Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>		
Amortization of issuance premium and discount	(505,345)	
Debt principal paid	<u>2,439,237</u>	1,933,892
<p>The internal service fund is used by management to charge the costs of unemployment insurance premiums to individual funds. This activity is consolidated with the governmental funds in the statement of activities.</p>		
		(26,056,347)
<p>Pension and OPEB expense or credits that do not meet the measureable and available criteria are not recognized as revenue or expense in the current year in the governmental funds. In the statement of activities, pension and OPEB expense or credits are recognized when determined to have been accrued.</p>		
		<u>27,191,776</u>
<b>Change in net position</b>		<u><u>\$ 1,853,091</u></u>

The accompanying notes are an integral part of these financial statements.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2022

	Internal Service Fund
	<u>PERS Bond Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 314,743
<b>LIABILITIES</b>	
Current	
Long-term liabilities, current portion	592,209
Long-term liabilities, less current portion	<u>38,413,287</u>
Total liabilities	39,005,496
<b>NET POSITION</b>	
Unrestricted	<u>\$ (38,690,753)</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended June 30, 2022

	<u>Internal Service Fund</u> <u>PERS Bond Fund</u>
Operating revenues	
Local revenues	\$ <u>2,896,553</u>
Operating expenses	<u>-</u>
Operating income (loss)	2,896,553
Nonoperating revenues (expenses)	
Interest expense	<u>(2,407,873)</u>
Income before transfers	488,680
Transfers out	<u>(26,545,027)</u>
Change in net position	<u>(26,056,347)</u>
Net position - beginning	<u>(12,634,406)</u>
Net position- ending	<u>\$ (38,690,753)</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2022

	Internal Service Fund
	PERS Bond Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Interfund charges	\$ 2,896,553
Net cash provided (used) by operating activities	2,896,553
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Lump sum payment to PERS	(26,691,611)
Loan proceeds	26,691,611
Principal paid on pension bonds	(591,275)
Interest paid on pension bonds	(2,029,985)
Net cash provided (used) by non-capital financing activities	(2,621,260)
Net increase (decrease) in cash and cash equivalents	275,293
Cash and cash equivalents - beginning	39,450
Cash and cash equivalents - ending	\$ 314,743

The accompanying notes are an integral part of these financial statements.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

June 30, 2022

	Custodial Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 376,173
Accounts receivable	-
	-
Total assets	\$ 376,173
<b>NET POSITION</b>	
Held in trust for scholarships	318,797
Held in trust for future expenditures	57,376
	57,376
Total net position	\$ 376,173

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUND

For the Year Ended June 30, 2022

	Custodial Funds
<b>ADDITIONS</b>	
Investment earnings	\$ 2,452
<b>DEDUCTIONS</b>	
Scholarships awarded	24,200
	24,200
Total deductions	24,200
Change in net position	(21,748)
Net position - beginning	397,921
	397,921
Net position - ending	\$ 376,173

The accompanying notes are an integral part of these financial statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**



**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statements of activities) report information on all of the activities of the District.

**B. Reporting Entity**

South Lane School District No. 45J3 is a municipal corporation governed by an elected seven-member board. The District was organized under provision of Oregon Statutes Chapter 332 for the purpose of operating elementary and secondary schools. As required by accounting principles generally accepted in the United States of America, these basic financial statements present South Lane School District No. 45J3 (the primary government) and any component units. There are various governmental agencies and special service districts that provide services within the boundaries of the District; however, the District is not financially accountable for any of these entities, and, therefore, none of them are considered component units or included in these basic financial statements.

**C. Basis of Presentation - Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation - Fund Financial Statements**

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

The government reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund. The primary sources of revenue are property taxes and state revenues.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Special Revenue Funds

*Special Revenue Fund* – The Special Revenue Fund accounts for the proceeds of specific revenue sources that are restricted for specific purposes. The primary sources of revenue are donations. The primary uses of revenue are for salaries and employment benefits, education program enhancement, and equipment purchases.

*Special Projects Fund* – The Special Projects Fund accounts for the proceeds of specific revenue sources that are restricted for specific purposes. The primary sources of revenue are federal grants. The primary uses of revenue are for salaries and employment benefits, education program enhancement, and equipment purchases.

Debt Service Fund

*Debt Service Fund* - The Debt Service Fund accounts for the repayment of the District's long-term debt. The primary source of revenue is property taxes. The primary use of revenue is payment of principal and interest due on long-term debt.

Capital Projects Fund

*Capital Projects Fund* - The Capital Projects Fund accounts for the expenditures related to acquisition or construction of major facilities and other capital asset needs. The primary source of revenue is bond proceeds and transfers.

In addition, the District reports the following proprietary fund:

Internal Service Fund

*PERS Bond Fund* – The PERS Bond Fund is used to account for charges levied to the various operating funds of the District to pay the debt service on pension bonds.

In addition, the District reports the following fiduciary fund:

*Custodial Funds* – This fund accounts for resources received and held by the District in a fiduciary capacity. Disbursements from these funds are made in accordance with the custodial agreements and include the Student Trust Fund, Scholarship Fund, and the Nurses Fund.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2022

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes 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. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

**F. Budgetary Information**

Annual budgets are adopted on the modified accrual basis of accounting. The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, and internal service funds. All funds are budgeted on the modified accrual basis of accounting. The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, community services, debt service, capital outlay, operating contingencies, and interfund transfers for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution.

Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors at a regular board meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were two supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and six approved appropriation changes.

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

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

**2. Investments**

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**3. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

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

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles and Equipment	5-15
Buildings and building improvements	20-60

**4. Deferred Outflows/Inflows of Resources (Non-Pension Related)**

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

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

The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**5. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**6. Fund Balance Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**7. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts presented as nonspendable fund balance are those in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The school board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The school board has by resolution authorized the Superintendent and Business Manager to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**H. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as 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 or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

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 remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15. Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 30 days of fiscal year-end are recognized as revenue, while the remaining are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

**3. Compensated Absences**

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net position. In accordance with the provisions of GASB Statement No. 47, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

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**4. Pensions**

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

**I. 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 amounts and disclosures; accordingly, actual results could differ from those estimates.

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

South Lane School District No. 45J3 maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

The District participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company.

The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments.

The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Annual Comprehensive Financial Report (ACFR). A copy of the State's ACFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.



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Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price 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 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 quoted prices for identical investments in active markets.
- *Level 2* - Observable inputs other than quoted market prices; and,
- *Level 3* - Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2022.

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

	Level 2
Oregon Local Government Investment Pool	\$ 4,892,159

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool.

The District has adopted an investment policy regarding credit risk in order to comply with state statutes.

Investments

As of June 30, 2022, the District had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 4,892,159

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Interest Rate Risk

The District has a formal policy that limits investment maturities to 18 months as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The District has a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the District's investments are in the Oregon LGIP.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories.

Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The District holds accounts at Umpqua, US, and Wells Fargo Banks, for which deposits are insured by the FDIC up to \$250,000 per institution. At June 30, 2022, the District had deposits of \$283,806 insured by the FDIC, and \$1,946,181 collateralized by the PFCP.

Deposits

The District's deposits and investments at June 30, 2022 are as follows:

Checking accounts	\$ 798,384
Total investments	<u>4,892,159</u>
Total deposits and investments	<u><u>\$ 5,690,543</u></u>

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Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 5,357,972
Special Revenue Fund (book overdraft)	(2,653,943)
Internal service fund - Insurance Fund	<u>314,743</u>
Total governmental activities - unrestricted	<u>3,018,772</u>
Governmental activities - restricted	
Special Projects Fund	2,130,807
Debt Service Fund	281,264
Capital projects Fund	<u>259,700</u>
Total governmental activities - restricted	<u>2,671,771</u>
Total cash and investments	<u><u>\$ 5,690,543</u></u>

Restricted cash is for special projects, future payments of principal and interest on long-term debt, and the completion of bond projects.

**B. Deferred Inflows/Outflows of Resources**

Deferred inflows and outflows of resources summarized on the statement of net position are comprised of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB RHIA asset	\$ 190,088	\$ (150,204)
Net Pension liability - PERS	33,989,365	(16,464,313)
OPEB medical benefit liability	112,385	(297,338)
Unearned grant revenue	<u>-</u>	<u>(7,930)</u>
Total	<u><u>\$ 34,291,838</u></u>	<u><u>\$ (16,919,785)</u></u>

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June 30, 2022

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 948,797	\$ -	\$ -	\$ 948,797
Construction in progress	6,961	-	-	6,961
Total capital assets not being depreciated	<u>955,758</u>	<u>-</u>	<u>-</u>	<u>955,758</u>
Capital assets being depreciated				
Buildings and improvements	87,518,568	983,728	-	88,502,296
Equipment	1,282,409	320,487	-	1,602,896
Busses and other vehicles	4,023,751	52,092	-	4,075,843
Total capital assets being depreciated	<u>92,824,728</u>	<u>1,356,307</u>	<u>-</u>	<u>94,181,035</u>
Less accumulated depreciation for				
Buildings and improvements	(19,647,714)	(1,888,038)	-	(21,535,752)
Equipment	(1,185,638)	(57,278)	-	(1,242,916)
Busses and other vehicles	(2,524,073)	(236,485)	-	(2,760,558)
Total accumulated depreciation	<u>(23,357,425)</u>	<u>(2,181,801)</u>	<u>-</u>	<u>(25,539,226)</u>
Total capital assets being depreciated, net	<u>69,467,303</u>	<u>(825,494)</u>	<u>-</u>	<u>68,641,809</u>
Governmental activities capital assets, net	<u>\$ 70,423,061</u>	<u>\$ (825,494)</u>	<u>\$ -</u>	<u>\$ 69,597,567</u>

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 948,797	\$ -	\$ 948,797
Construction in progress	6,961	-	6,961
Buildings and improvements	88,502,296	(21,535,752)	66,966,544
Equipment	1,602,896	(1,242,916)	359,980
Buses and other vehicles	4,075,843	(2,760,558)	1,315,285
Total governmental capital assets	<u>\$ 95,136,793</u>	<u>\$ (25,539,226)</u>	<u>\$ 69,597,567</u>

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
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Depreciation was not charged to specific functions or programs of the District. Capital assets of the District are for the use of the entire District and are therefore unallocated. Depreciation expense is recorded on the statement of activities as follows:

Unallocated depreciation expense	\$ <u>2,181,800</u>
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**D. Interfund Transfers**

Interfund transfers during the year consisted of:

	Transfers in:			
	Special Projects Fund	Debt Service Fund	Capital Projects Fund	Total
Transfers out:				
General Fund	\$ 1,001,945	\$ 202,000	\$ 150,000	\$ 1,353,945

Transfers were made to cover current year special and capital projects, as well as debt service payments.

**E. Compensated Absences**

The following is a summary of compensated absences at year end.

	Beginning Balance	Additions	Reductions	Ending Balance
Net compensated absences	\$ 278,626	\$ -	\$ -	\$ 278,626

The General Fund has traditionally been used to liquidate compensated absences balances.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**F. Long-Term Liabilities**

**1. Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities transactions for the year:

	Interest Rates	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
General obligation bonds							
Series 2012 refunding	2-5%	\$ 21,335	\$ 7,685,000	\$ -	\$ 1,720,000	\$ 5,965,000	\$ 1,835,000
Series 2016A	3.32%	37,285,000	36,578,000	-	-	36,578,000	-
Series 2016B	2-4%	15,945,000	14,880,000	-	430,000	14,450,000	470,000
Sub-total		53,251,335	59,143,000	-	2,150,000	56,993,000	2,305,000
Premium - 2012 refunding		1,919,606	1,274,610	-	136,424	1,138,186	-
Discount - 2016A		(16,715,349)	(13,972,338)	-	(738,149)	(13,234,189)	-
Premium - 2016B		2,362,968	2,146,761	-	96,380	2,050,381	-
Total general obligation bonds		40,818,560	48,592,033	-	1,644,655	46,947,378	2,305,000
QZAB 2008	1.34%	1,000,000	140,000	-	70,000	70,000	70,000
QZAB 2014	0.00%	2,000,000	2,000,000	-	-	2,000,000	-
Total QZAB		3,000,000	2,140,000	-	70,000	2,070,000	70,000
Limited tax pension bonds - 2003	1.5-6.3%	22,630,220	13,028,484	-	591,275	12,437,209	592,209
Limited tax pension bonds - 2022	4.45%	26,691,611	-	26,691,611	-	26,691,611	354,952
Accretion of discount		-	(354,628)	-	(231,304)	(123,324)	-
Capital lease obligations		-	1,197,591	-	219,237	978,354	165,048
Total governmental activities		<u>\$ 93,140,391</u>	<u>\$ 64,603,480</u>	<u>\$ 26,691,611</u>	<u>\$ 2,293,863</u>	<u>\$ 89,001,228</u>	<u>\$ 3,487,209</u>

**2. General Obligation Bonds**

General obligation bonds are direct obligations that pledge the full faith and credit of the District and are payable from ad valorem debt service levy proceeds. The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The District's outstanding general obligation bonds represent funding primarily for building improvement projects. Interest is due semiannually in June and December. Interest rates increase at fixed rates over the life of the bonds in accordance with the original bond agreements. The Debt Service Fund has traditionally been used to liquidate long-term debt.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**3. General Obligation Refunding Bonds Series 2012**

In March 2012, the District issued general obligation bonds of \$21,335,000 (par value) with interest rates of 2% to 5% to advance refund the portion of the Series 2002 general obligation bonds on June 15, 2012. Interest rates increase in accordance with the original bond agreements. The Series 2012 bonds were issued at a premium of \$1,919,606 and, after paying issuance costs of \$260,662, the net proceeds were \$22,993,944.

The net proceeds from the issuance of the Series 2012 bonds were used to purchase state and local government securities, which were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the Series 2002 bonds were called on June 15, 2012. The advance refunding met the requirements of an in-substance debt defeasance and the refunded portion of the 2002 bonds was removed from the District's government-wide financial statements. The defeased bonds have been paid in full.

**4. General Obligation Bonds Series 2016**

In August 2016, the District issued general obligation bonds of \$35,945,243 (par value) with interest rates of 2% to 5%. Interest rates increase in accordance with the original bond agreements. The bonds were used for facilities improvements and additions.

**5. Qualified School Construction Bonds - 2008**

The District entered into a financing agreement dated 2008 under the Qualified Zone Academy Bonds (QZAB) Program. The District received financing of \$1,000,000 for upgrades and improvements to school facilities. The agreement requires annual payments, and interest is fixed.

**6. Qualified School Construction Bonds - 2014**

The District entered into a financing agreement dated 2014 under the Qualified Zone Academy Bonds (QZAB) Program. The District received financing of \$2,000,000 for upgrades and improvements to school facilities. The agreement requires annual cash deposits to a sinking fund in the amount of \$133,334 to fund the only payment of \$2,000,000 in 2029.

**7. Capital Lease Obligations**

The District has eight capital lease obligations; the proceeds of five of the capital leases were used to purchase buses and the remaining leases were for copy machines and computer equipment, which are pledged as collateral. The agreements contain an event of default; if the District is unable to make payments, the lender may declare the entire unpaid principal balance and any unpaid accrued interest immediately due. The effective interest rates on the capital lease obligations range from 2.3 percent to 10.28 percent and payments end at varying dates through 2025.

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June 30, 2022

**8. Limited Tax Pension Bonds – 2003 and 2022**

The District participated in the OSBA Pension Bond Pool for the purpose of funding the District’s allocated portion of the PERS Unfunded Actuarial Liability (UAL).

A bond in the amount of \$22,630,220 was issued on April 21, 2003. The bond is being amortized over 25 years. Interest is fixed and ranges between 1.4% and 6.27%. Interest rates increase in accordance with the original bond agreements. Interest is due semiannually on June 30 and December 31.

A bond in the amount of \$26,691,611 was issued on May 23, 2022. The bond is being amortized over 20 years. Interest is fixed at 4.45% and is due semiannually on June 30 and December 30.

**9. Future Maturities of Long-Term Liabilities**

Year Ending June 30	General Obligation Bonds			Limited Tax Pension Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 2,305,000	\$ 772,613	\$ 3,077,613	\$ 947,161	\$ 3,353,223	\$ 4,300,384
2024	2,495,000	663,263	3,158,263	2,640,492	1,843,241	4,483,733
2025	2,700,000	595,238	3,295,238	2,975,703	1,700,338	4,676,041
2026	2,915,000	469,288	3,384,288	3,336,137	1,537,785	4,873,922
2027	3,125,000	352,688	3,477,688	3,727,089	1,355,748	5,082,837
2028-2032	14,935,000	3,234,758	18,169,758	6,405,607	5,041,770	11,447,377
2033-2037	14,980,000	6,888,791	21,868,791	8,141,634	3,590,012	11,731,646
2038-2042	13,538,000	7,495,250	21,033,250	10,954,997	1,418,086	12,373,083
Total	<u>\$ 56,993,000</u>	<u>\$ 20,471,889</u>	<u>\$ 77,464,889</u>	<u>\$ 39,128,820</u>	<u>\$ 19,840,203</u>	<u>\$ 58,969,023</u>

Year Ending June 30	Qualified Zone Academy Bonds		
	Principal	Interest	Total
2023	\$ 70,000	\$ 938	\$ 70,938
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028-2032	2,000,000	-	2,000,000
Total	<u>\$ 2,070,000</u>	<u>\$ 938</u>	<u>\$ 2,070,938</u>



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June 30, 2022

Future maturities of capital lease obligations are as follows:

Year Ending June 30		
2023	\$	165,048
2024		158,778
2025		130,123
2026		137,404
2027		137,404
Thereafter		327,039
Total		1,055,796
Less interest		(77,442)
Total	\$	978,354

**10. General Obligation Debt Capacity**

ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Kindergarten through twelfth grade school districts may issue an aggregate principal amount up to 7.95% of the Real Market Value of all taxable properties within the district.

Information on the District’s general obligation debt capacity is presented below.

Real Market Value (Fiscal Year 2022) <sup>(1)</sup>	\$	3,251,939,793
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**Debt Capacity**

General Obligation Debt Capacity (7.95% of Real Market Value)	\$	258,529,214
Less: Outstanding Debt Subject to Limit		(56,993,000) <sup>(2)</sup>
Remaining General Obligation Debt Capacity	\$	201,536,214
Percent of Capacity Issued		22.05%

<sup>(1)</sup> The District’s fiscal year commences July 1 and ends on June 30 of the following year (the “Fiscal Year”). *Source: Lane County Department of Assessment and Taxation.*

<sup>(2)</sup> Represents voter-approved, unlimited-tax general obligations of the District.

**11. Tax Abatements**

Lane County has established an enterprise zone under ORS 285C that abates property taxes on properties within the enterprise zone. As a result, the property taxes that the District will receive for the 2020-2021 levy year have been reduced by \$88,548.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**G. Constraints on Fund Balances**

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Special Revenue Fund	Special Projects Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Fund balances:						
Nonspendable:						
Inventory	\$ -	\$ -	\$ 79,191	\$ -	\$ -	\$ 79,191
Restricted for:						
Debt service	-	-	-	282,419	-	282,419
Bond projects	-	-	-	-	113,425	113,425
Building improvements	-	-	-	-	146,512	146,512
Bus replacements	-	-	55,855	-	-	55,855
Student activities	-	-	410,035	-	-	410,035
School nutrition programs	-	-	300,974	-	-	300,974
Child dental care	-	-	108,178	-	-	108,178
Cool schools program	-	-	158,383	-	-	158,383
Wellness program	-	-	21,784	-	-	21,784
Grant projects	-	903,554	-	-	-	903,554
Pre-school programs	-	-	38,335	-	-	38,335
TAG programs	-	-	7,695	-	-	7,695
GEAR up scholarships	-	-	734,092	-	-	734,092
Child care	-	-	441,789	-	-	441,789
Assigned to:						
Professional development	-	-	86,517	-	-	86,517
Community recreation	-	-	19,934	-	-	19,934
PERS reserve	-	-	339,299	-	-	339,299
Technology purchases	-	-	14,637	-	-	14,637
Communication needs	-	-	74,211	-	-	74,211
Unassigned	3,313,314	-	(128,079)	-	-	3,185,235
Total fund balances	<u>\$ 3,313,314</u>	<u>\$ 903,554</u>	<u>\$ 2,762,830</u>	<u>\$ 282,419</u>	<u>\$ 259,937</u>	<u>\$ 7,522,054</u>

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**1. Budget over expenditures**

The District expended funds in excess of appropriations as follows:

Fund	Category	Appropriations	Expenditures	Excess
General	Instruction	\$ 18,437,823	\$ 18,531,956	\$ 94,133
Special Revenue	Debt service	-	285,824	285,824
Special Projects	Debt service	329,956	358,618	28,662
Debt Service	Debt service	3,160,238	3,244,337	84,099
Capital Projects	Facilities Acquisition	703,000	910,376	207,376

**2. Debt covenant noncompliance**

The District did not submit their June 30, 2020 financial statements to Electronic Municipal Market Access (EMMA), which is in noncompliance with restrictive debt covenants.

**3. Federal grant noncompliance**

During the year ended June 30, 2022, expenditures were charged to the ESSER grant for playground equipment that was not on the published ODE approved listing.

**IV. OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. In addition, the District maintains an Insurance Fund for the payment of future unemployment claims. No liability for unpaid unemployment claims has been recorded, as management is unable to reasonably estimate the amount or timing of future claims.

**B. Retirement Plans**

**1. Oregon Public Employees Retirement System**

*General Information about the Pension Plan*

The Oregon Public Employees Retirement System (OPERS) consists of a cost-sharing, multiple-employer defined benefit plan (Plan) for units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the Plan. As of June 30, 2021, there were 941 participating employers.

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*Plan Membership*

As of June 30, 2021, there were 13,991 active plan members, 129,357 retired plan members or their beneficiaries currently receiving benefits, 9,103 inactive plan members entitled to but not yet receiving benefits, for a total of 152,451 Tier One members.

For Tier Two members, as of June 30, 2021, there were 29,322 active plan members, 18,832 retired plan members or their beneficiaries currently receiving benefits, 13,498 inactive plan members entitled to but not yet receiving benefits, for a total of 61,652. As of June 30, 2021, there were 136,785 active plan members, 8,311 retired plan members or their beneficiaries currently receiving benefits, 7,520 inactive plan members entitled to but not yet receiving benefits, and 18,263 inactive plan members not eligible for refund or retirements, for a total of 170,879 OPSRP Pension Program members.

*Plan Benefits*

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A, and Internal Revenue Code Section 401(a).

**Tier One/Tier Two Retirement Benefit (Chapter 238)** - OPERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living-adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute. This defined benefit pension plan is closed to new members hired on or after August 29, 2003.

*Pension Benefits*

The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options that are actuarially equivalent to the base benefit. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. Police and Fire members may purchase increased benefits that are payable between the date of retirement and age 65.

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*Death Benefits*

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest).

In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

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

*Disability Benefits*

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

*Benefit Changes after Retirement*

Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations caused by 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. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision. The COLA is capped at 2.0 percent.

**OPSRP Defined Benefit Pension Program (OPSRP DB)** – This Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

*Pension Benefits*

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

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

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

*Death Benefits*

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

*Disability Benefits*

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

*Benefit Changes After Retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision. The COLA is capped at 2.0 percent.

**OPSRP Individual Account Program (OPSRP 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*

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 Individual Account Program (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.

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*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*

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS 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, 2020. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Member contributions are set by statute at six percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf. As permitted, the District has opted to pick-up the contributions on behalf of its employees.

Employer contributions for the year ended June 30, 2022 were \$980,393.

Annual Comprehensive Financial Report (ACFR)

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

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

Actuarial Valuations

The employer contribution rates effective July 1, 2019, through June 30, 2021, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2019
Measurement Date	June 30, 2021
Experience Study	2018, published July 24, 2019
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.40 percent
Long-term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><b>Health retirees and beneficiaries:</b> 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.</p> <p><b>Active members:</b> Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> 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.</p>



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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2018 Experience Study, which reviewed experience for the four-year period ended December 31, 2018. There were no differences between the assumptions and plan provisions used for June 30, 2021 measurement date calculations compared to those shown above.

*Actuarial Methods and Assumptions*

Assets are valued at their market value. Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuation in which they are first recognized.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Depletion Date Projection*

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made.

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GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

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

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

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. 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. For more information on the Plan’s portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS’ audited financial statements at:

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

OIC Target and Actual Investment Allocation as of June 30, 2021

<u>Asset Class/Strategy</u>	<u>OIC Policy Low Range</u>	<u>OIC Policy High Range</u>	<u>OIC Target Allocation</u>	<u>Actual Allocation<sup>2</sup></u>
Debt Securities	15.0%	25.0%	20.0%	20.8%
Public Equity	27.5%	37.5%	32.5%	29.4%

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Real Estate	9.5%	15.5%	12.5%	10.5%
Private Equity	14.0%	21.0%	17.5%	25.1%
Alternatives Portfolio	7.5%	17.5%	15.0%	9.5%
Opportunity Portfolio <sup>1</sup>	0.0%	5.0%	0.0%	2.3%
Risk Parity	0.0%	2.5%	2.5%	2.4%
Total			100.0%	100.0%

<sup>1</sup>Opportunity Portfolio is an investment strategy, and it may be invested up to 5% of total Fund assets.

<sup>2</sup> Based on the actual investment value at 6/30/2021.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2022, the District reported a liability of \$11,791,770 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, actuarially determined. At June 30, 2022, the District's proportion was 0.0985400%. For the year ended June 30, 2021, the District recognized pension expense of \$290,560. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,103,787	\$ -
Changes of assumptions	2,951,835	(31,033)
Net difference between project and actual earnings on investments	-	(8,729,356)
Changes in proportionate share	2,408,323	(5,603,009)
Differences between employer contributions and employer's proportionate share of system contributions	-	(2,100,915)
Total (prior to post-MD contributions)	<u>6,463,945</u>	<u>(16,464,313)</u>
Contributions subsequent to the MD	27,525,420	-
Total	<u>\$ 33,989,365</u>	<u>\$ (16,464,313)</u>

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Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period “layers” attributable to each measurement period. The average remaining service life determined as of the beginning of the June 30, 2021 measurement period is 5.4 years.

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

Employer subsequent fiscal years:	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
1st Fiscal Year	\$ (2,224,916)
2nd Fiscal Year	(2,299,079)
3rd Fiscal Year	(2,151,881)
4th Fiscal Year	(3,137,821)
5th Fiscal Year	(186,671)

*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 higher discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate.

District’s proportionate share of the net pension liability (asset):

1% Decrease (5.9%)	Discount Rate (6.9%)	1% Increase (7.9%)
\$ 23,156,216	\$ 11,791,770	\$ 2,283,854

*Changes Subsequent to the Measurement Date*

On July 15, 2021, Portland Public Schools issued pension obligation bonds resulting in a lump-sum deposit to a new side account with PERS totaling \$398,665,572.

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On August 13, 2021, 22 school district employers issued pension obligation bonds resulting in lump-sum deposits to new side accounts with PERS totaling \$654,583,738. On August 31, 2021, five community college employers issued pension obligation bonds resulting in lump-sum deposits to new side accounts totaling \$212,080,721. On September 28, 2021, one school district employer issued pension obligation bonds resulting in a lumpsum deposit to a new side account totaling \$73,908,669.

On July 23, 2021, the PERS Board voted to set the assumed rate of return to 6.9 percent, down from 7.2 percent. The PERS Board reviews the assumed rate in odd-numbered years as part of the board's adoption of actuarial methods and assumptions. The rate was then adopted in an administrative rule at the PERS Board's October 1, 2021, meeting. The new assumed rate will be reflected in the December 31, 2021 actuarial valuation for funding, and decreases in the assumed rate typically increase the system's unfunded actuarial liability as well as employer contribution rates. The new assumed rate was applied by the actuaries to the Net Pension Liability and Net OPEB Liability as of June 30, 2021.

**C. Other Post-Employment Benefits (GASB 75) RHIA - Oregon PERS Plan**

**1. Oregon Public Employees Retirement System (PERS) Retirement Health Insurance Account (RHIA) Other Post-Employment Benefit (OPEB) Plan (the Plan)**

*General Information about the OPEB Plan*

The Oregon PERS RHIA consists of a single cost-sharing multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the Plan. As of June 30, 2021, there were 811 participating employers.

*Plan Benefits - PERS RHIA (Chapter 238)*

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A, and the Internal Revenue Code Section 401(a).

*OPEB Membership*

RHIA was established by ORS 238.420 and authorizes a payment of up to \$60 from RHIA toward the monthly costs of health insurance. The Plan is closed to new members hired on or after August 29, 2003. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (C) enroll in a PERS-sponsored health plan.

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As of June 30, 2021, the inactive RHIA plan participants currently receiving benefits totaled 42,857, and there were 43,108 active and 12,734 inactive members who meet the requirements to receive RHIA benefits when they retire.

Basis of Accounting

Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements. These are amounts normally included in the employer statements cut off as of the fifth of the following month. The schedules of OPEB amounts by Employer does not reflect deferred outflows of resources related to contributions made by employers after the measurement date. Consistent with GASB Statement No. 75, paragraph 59(a), employer proportions are determined 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.

Contributions

Employer contributions for the year ended June 30, 2022 were \$2,628.

OPEB RHIA Plan Annual Comprehensive Financial Report (ACFR)

All assumptions, methods, and plan provisions used in these calculations are described in the Oregon PERS RHIA Cost-Sharing Multiple-Employer 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:

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

Proportionate Share Allocation Methodology

The basis for the employer’s proportion 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. If the employer did not make contributions during the fiscal year, their proportionate share will be set to zero and the employer will be allocated no proportionate share of the OPEB amounts.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2019
Measurement Date	June 30, 2021
Experience Study	2018, published July 24, 2019
<i>Actuarial Assumptions:</i>	

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Actuarial Cost Method	Entry age normal
Inflation Rate	2.40 percent
Long-term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent
Retiree healthcare participation	Healthy retirees: 32%; disabled retirees: 20%
Mortality	<p><b>Health retirees and beneficiaries:</b> 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.</p> <p><b>Active members:</b> Pub-2010 Employees, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> Pub-2010 Disabled Retirees, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

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

There were no differences between the assumptions and plan provisions used for June 30, 2021 measurement date calculations compared to those shown above, except as follows:

- The H.R. 1865 Further Consolidated Appropriations Act, which was signed into law on December 20, 2019, repealed the Cadillac tax on high-cost health plans. The RHIPA Total OPEB asset as of the June 30, 2020 measurement date shown reflects the repeal of the Cadillac tax.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2021 was 6.90. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined.

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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 was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

For GASB 74 and GASB 75, the long-term expected rate of return assumption is generally not required to be updated between a) the assumption used to develop liabilities at the actuarial valuation date and b) the roll-forward measurement date at which GASB liability are reported unless there is an indication that the assumption used on the actuarial valuation date is no longer supportable as of the GASB measurement date. The long-term expected rate of return used in the December 31, 2019 actuarial valuation for funding purposes was 7.20%. After a public review process that commenced prior to June 30, 2021 and was based on capital market outlook models developed prior to that date, the PERS Board selected a lower long-term expected rate of investment return assumption of 6.90% on July 23, 2021 to be used in the December 31, 2020 and December 31, 2021 actuarial valuations for funding purposes. At the same time, the PERS Board reduced the inflation and payroll growth assumptions to 2.40% and 3.40%, respectively.

We understand PERS has chosen to reflect these updated economic assumptions for the calculation of June 30, 2021 measurement date GASB liabilities. As such, the June 30, 2021 Total OPEB Liability reflects a long-term expected rate of return of 6.90%, an inflation assumption of 2.40%, and a payroll growth assumption of 3.40%.

For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

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

*Depletion Date Projection*

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses.

A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 75 will often require that the actuary perform complex projections of future benefit payments and pension plan investments.



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GASB 75 (paragraph 82) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for OPEB Plan:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 75 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 75 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

There remains substantial uncertainty regarding the impact of COVID-19 on plan costs, including whether the pandemic will increase or decrease costs in the near and longer term. For example, health care expenditures unrelated to COVID-19 have decreased substantially since stay-at-home orders have been in place on account of physician practices closing for most visits and nonemergency surgeries being postponed. Some services will be postponed until a later date while others may never occur, and the drop in utilization for services unrelated to COVID-19 may offset potential increases in health costs related to COVID-19. Therefore, we have deferred making an adjustment to expected plan costs until more information is known. It is possible that the COVID-19 pandemic could have a material impact on the projected costs.

*OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2022, the District reported an asset of \$372,770 for its proportionate share of the OPEB asset. The OPEB asset was measured at June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date.

The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2019 the District's proportion was 0.108552590%.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

For the year ended June 30, 2022, the District recognized OPEB credit of \$6,088.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (10,371)
Changes of assumptions	7,335	(5,545)
Net difference between project and actual earnings on investments	-	(88,590)
Changes in proportionate share	180,125	(45,698)
Total (prior to post-MD contributions)	187,460	(150,204)
Contributions subsequent to the MD	2,628	-
Total	\$ 190,088	\$ (150,204)

Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service life determined as of the beginning of the June 30, 2021 measurement period is 2.7 years.

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2022. Other amounts reported by the District as deferred outflows or inflows of resources related to OPEB will be recognized in OPEB expense in subsequent years as follows:

Employer subsequent fiscal years:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
1st Fiscal Year	\$ 29,165
2nd Fiscal Year	56,299
3rd Fiscal Year	(20,225)
4th Fiscal Year	(27,984)
5th Fiscal Year	-

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

*Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate*

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

District's proportionate share of the net OPEB (asset) liability:

1% Decrease (5.9%)	Discount Rate (6.9%)	1% Increase (7.9%)
\$ (329,661)	\$ (372,770)	\$ (409,596)

*Changes Subsequent to the Measurement Date*

We are not aware of any changes subsequent to the June 30, 2021 measurement date that meet the requirement requiring a brief description under the GASB standard.

**D. Other Post-Employment Benefits (GASB 75) - District Medical Benefit Plan**

**1. Other Post-Employment Benefit (OPEB) District Medical Benefit Plan (the Plan)**

*General Information about the OPEB Plan*

Name of OPEB Plan

The District Medical Benefit Plan consists of a single-employer retiree benefit plan that provides post-employment health, dental, vision, and life insurance benefits to eligible employees and their dependents.

Description of Benefit Terms

*Plan Benefits - Implicit Medical Benefit*

Plan benefits are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapter 243. ORS stipulated that for the purpose of establishing health care premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contributions. The calculated OPEB liability is derived using the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members at that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

*Medical Benefit Membership and Eligibility*

Benefits and eligibility for members are established through the collective bargaining agreements. All classes of employee are eligible to continue coverage upon retirement. Qualified spouses, domestic partners, and children may qualify for coverage.

*Medical Benefit Duration and Amount*

Coverage for retirees and eligible dependents continues until Medicare eligibility for each individual (or until dependent children become ineligible).

*Participant Statistics*

As of June 30, 2022, there were 376 active members and 1 retired participant in the Medical Benefit plan. The average age of participants is 44.8 and 60.0, respectively.

The District did not establish an irrevocable trust (or equivalent arrangement) to account for this 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 no obligation on the part of the District to fund these benefits in advance.

Actuarial Methods and Assumptions:

The District engaged an actuary to perform an evaluation as of June 30, 2020 using age entry 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:

Valuation Date	July 1, 2021
Measurement Dates/Fiscal Year Ends	June 30, 2020 through June 30, 2023
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Interest Discount	3.50 percent discount rate assumption
General Inflation	2.40 percent per year
Salary Scale	3.40 percent per year

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Election and lapse rates: 30% of eligible employees – 60% of male members and 35% of female members will elect spouse coverage; 5% annual lapse rate. Expected healthcare costs were developed using a composite of the premiums due for retirees members electing coverage as of July 1, 2019. Milliman’s Health Cost Guidelines were used to allocate costs by age and gender. Retirees’ costs include a load for expected health status of retirees relative to active employees and spouses. For the period July 1, 2019 through June 30, 2022, current medical premiums due for retirees and their spouses were modeled using an average monthly premium of \$585 per retiree per month, and \$662 per spouse per month. Dental and vision premiums were modeled using average monthly premiums of \$73 per retiree and \$74 per spouse. Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Table for males and females, as appropriate. Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service. Disability rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by employee age.

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

*Changes in Medical Benefit OPEB Liability*

Total OPEB Liability at June 30, 2021	\$	975,539
Changes for the year:		
Service cost		108,328
Interest		22,838
Effect of economic/demographic gains or losses		(316,583)
Change in assumptions		32,644
Benefit payments		<u>(101,517)</u>
Net changes		<u>(254,290)</u>
Total OPEB Liability at June 30, 2022	\$	<u><u>721,249</u></u>

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,123	\$ (278,895)
Changes in assumptions	77,695	(18,443)
Benefit payments	<u>18,567</u>	<u>-</u>
Total	<u><u>\$ 112,385</u></u>	<u><u>\$ (297,338)</u></u>

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in subsequent years as follows:

Employer subsequent fiscal years:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
1st Fiscal Year	\$ (28,327)
2nd Fiscal Year	(28,327)
3rd Fiscal Year	(25,429)
4th Fiscal Year	(22,288)
5th Fiscal Year	(23,031)
Thereafter	(76,118)

*Sensitivity of the Net OPEB Liability to Changes in Discount and Trend Rates*

The following presents the net OPEB liability, calculated using the discount rate of 2.21%, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30 Disclosure	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 777,654	\$ 721,249	\$ 667,888

The following presents the net OPEB liability, calculated using the trend rate, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30 Disclosure	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 632,849	\$ 721,249	\$ 826,471

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**E. Concentrations**

**1. Collective Bargaining Agreement**

At June 30, 2022, the District had approximately 410 employees who are accounted for under the governmental activities of the District. Of this total, 90% are covered under a collective bargaining agreement.

**F. New Pronouncements**

For the fiscal year ended June 30, 2022, the District implemented the following new accounting standards:

GASB Statement No. 83, *Certain Asset Retirement Obligations* - This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

GASB Statement No. 92, *Omnibus 2020*. This statement was issued January 2020 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to leases implementation, derivative instruments, postemployment benefits (pensions and other postemployment benefits), asset retirement obligations, risk pool and fair value measurements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension/OPEB plans and employee benefit plans other than pension/OPEB plans, as fiduciary component units in fiduciary fund financial statement; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meets the definition of a pension plan and for benefits provided through those plans.

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

The District will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the following pronouncements:

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* - The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement is effective for fiscal years beginning after December 15, 2021 (as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*).

**G. Subsequent Events**

Management has evaluated subsequent events through March 27, 2023, which was the date that the financial statements were available to be issued.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY AND DISTRICT CONTRIBUTIONS

**OREGON PERS SYSTEM**

**Schedule of the District's Proportionate Share of the Net Pension Liability**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0985400%	0.1308525%	0.1066408%	0.1283687%	0.1220962%	0.1059706%	0.0957439%	0.0682416%
District's proportionate share of the net pension liability (asset)	\$ 11,791,770	\$ 28,556,518	\$ 18,446,299	\$ 19,446,172	\$ 16,458,618	\$ 15,908,640	\$ 5,497,097	\$ (1,546,843)
District's covered-employee payroll	\$ 16,292,219	\$ 17,483,546	\$ 15,586,990	\$ 15,708,298	\$ 15,355,468	\$ 14,861,774	\$ 15,072,780	\$ 14,766,855
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	72.38%	163.33%	118.34%	123.80%	107.18%	107.04%	36.47%	-10.48%
Plan fiduciary net position as a percentage of the total pension liability	87.60%	75.79%	80.20%	82.00%	83.12%	92.00%	92.00%	103.59%

**Schedule of District Contributions**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 980,393	\$ 1,587,619	\$ 1,518,504	\$ 1,128,578	\$ 1,116,152	\$ 2,377,117	\$ 2,179,417	\$ 2,703,361
Contributions in relation to the contractually required contribution	<u>(980,393)</u>	<u>(1,587,619)</u>	<u>(1,518,504)</u>	<u>(1,128,578)</u>	<u>(1,116,152)</u>	<u>(2,377,117)</u>	<u>(2,179,417)</u>	<u>(2,703,361)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 18,623,274	\$ 18,261,846	\$ 18,621,909	\$ 17,548,378	\$ 15,512,342	\$ 17,568,345	\$ 15,615,031	\$ 15,072,780
Contributions as a percentage of covered-employee payroll	5.26%	8.69%	8.15%	6.43%	7.20%	13.53%	13.96%	17.94%

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
OPEB LIABILITY (ASSET) AND DISTRICT CONTRIBUTIONS

**OREGON PERS SYSTEM**

**Schedule of the District's Proportionate Share of the OPEB Liability (Asset)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the OPEB liability (asset)	0.108552590%	0.255442440%	0.160862270%	0.160182480%	0.153070910%	0.163112270%
District's proportionate share of the OPEB liability (asset)	\$ (372,770)	\$ (520,490)	\$ (310,844)	\$ (178,809)	\$ (63,883)	\$ 44,295
District's covered-employee payroll (from actuarial exhibits)	\$ 16,292,219	\$ 17,483,546	\$ 15,586,990	\$ 15,708,298	\$ 15,355,468	\$ 14,861,774
District's proportionate share of the OPEB liability (asset) as a percentage of its covered-employee payroll	-2.29%	-2.98%	-1.99%	-1.14%	-0.42%	0.30%
Plan fiduciary net position as a percentage of the total OPEB liability	183.90%	150.07%	144.40%	123.99%	108.88%	94.15%

**Schedule of District Contributions**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 2,628	\$ 2,904	\$ 2,043	\$ 79,727	\$ 77,562	\$ 74,959
Contributions in relation to the contractually required contribution	<u>2,628</u>	<u>2,904</u>	<u>2,043</u>	<u>79,727</u>	<u>77,562</u>	<u>74,959</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 18,623,274	\$ 18,261,846	\$ 18,621,909	\$ 17,548,378	\$ 15,512,342	\$ 17,568,345
Contributions as a percentage of covered-employee payroll	0.01%	0.02%	0.01%	0.45%	0.50%	0.43%

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

SCHEDULES OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS (OPEB)  
LIABILITY AND RELATED RATIOS - MEDICAL BENEFIT

**DISTRICT MEDICAL BENEFIT PLAN**

Schedule of Changes	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total Medical Benefit Pension Liability - beginning</b>	\$ 975,539	\$ 888,095	\$ 802,677	\$ 783,199	\$ -
Changes for the year:					
Service Cost	\$ 108,328	\$ 93,779	\$ 79,663	\$ 79,313	\$ 108,328
Interest	22,838	32,732	32,864	29,557	22,838
Effect of economic/ demographic gains or losses	(316,583)	-	26,413	-	-
Change in assumptions	32,644	55,080	13,374	(14,946)	32,644
Benefit Payments	<u>(101,517)</u>	<u>(94,147)</u>	<u>(66,896)</u>	<u>(74,446)</u>	<u>(101,517)</u>
Net changes for the year	<u>(254,290)</u>	<u>87,444</u>	<u>85,418</u>	<u>19,478</u>	<u>62,293</u>
<b>Total Medical Benefit Pension Liability - ending</b>	<u>\$ 721,249</u>	<u>\$ 975,539</u>	<u>\$ 888,095</u>	<u>\$ 802,677</u>	<u>\$ 62,293</u>
District's covered-employee payroll	\$ 18,623,274	\$ 18,261,846	\$ 18,621,909	\$ 17,548,378	\$ 15,512,342
Net Medical Benefit Pension Liability as a Percentage of Covered Payroll	3.87%	5.34%	4.77%	4.57%	0.40%

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

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

GENERAL FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
<b>REVENUES</b>			
Local revenue	\$ 8,136,986	\$ (107,697)	\$ 8,029,289
Intermediate revenue	65,000	80,600	145,600
State revenue	23,614,725	1,028,842	24,643,567
Federal revenue	54,000	(61,433)	(7,433)
Total revenues	31,870,711	940,312	32,811,023
<b>EXPENDITURES</b>			
Current			
Instruction	18,437,823	94,133	18,531,956
Support services	13,138,044	(24,100)	13,113,944
Debt service	60,000	(60,000)	-
Contingency	1,000,000	(1,000,000)	-
Total expenditures	32,635,867	(989,967)	31,645,900
Excess (deficiency) of revenues over (under) expenditures	(765,156)	1,930,279	1,165,123
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(1,447,295)	(93,350)	(1,353,945)
Net change in fund balance	(2,212,451)	2,023,629	(188,822)
Fund balance - beginning	3,000,000	502,136	3,502,136
Fund balance - ending	\$ 787,549	\$ 2,525,765	\$ 3,313,314

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

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

SPECIAL REVENUE FUND

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
<b>REVENUES</b>				
Local revenue	\$ 5,000	\$ 5,000	\$ (1,556)	\$ 3,444
State revenue	2,088,292	3,890,219	(251,384)	3,638,835
Federal revenue	3,669,600	5,513,698	(730,781)	4,782,917
Total revenues	5,762,892	9,408,917	(983,721)	8,425,196
<b>EXPENDITURES</b>				
Current				
Instruction	3,586,356	5,138,997	(1,503,975)	3,635,022
Support services	2,206,825	3,944,137	(324,618)	3,619,519
Enterprise and community services	-	15,978	(863)	15,115
Facilities acquisition and construction	-	340,094	(340,094)	-
Debt service	-	-	285,824	285,824
Total expenditures	5,793,181	9,439,206	(1,883,726)	7,555,480
Excess (deficiency) of revenues over (under) expenditures	(30,289)	(30,289)	900,005	869,716
Fund balance - beginning	30,289	30,289	3,549	33,838
Fund balance - ending	\$ -	\$ -	\$ 903,554	\$ 903,554

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

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

SPECIAL PROJECTS FUND

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
<b>REVENUES</b>				
Local revenue	\$ 1,676,500	\$ 1,676,500	\$ (671,099)	\$ 1,005,401
Intermediate revenue	85,000	85,000	(11,589)	73,411
State revenue	723,442	1,252,846	(361,420)	891,426
Federal revenue	1,183,761	1,183,761	650,778	1,834,539
	<u>3,668,703</u>	<u>4,198,107</u>	<u>(393,330)</u>	<u>3,804,777</u>
<b>EXPENDITURES</b>				
Current				
Instruction	2,424,442	2,826,846	(1,267,845)	1,559,001
Support services	1,657,977	1,380,021	(259,470)	1,120,551
Enterprise and community services	2,729,500	2,729,500	(774,902)	1,954,598
Facilities acquisition and construction	-	390,216	(57,048)	333,168
Debt service	85,190	329,956	28,662	358,618
Contingency	383,313	68,097	(68,097)	-
	<u>7,280,422</u>	<u>7,724,636</u>	<u>(2,398,700)</u>	<u>5,325,936</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,611,719)</u>	<u>(3,526,529)</u>	<u>2,005,370</u>	<u>(1,521,159)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	990,295	990,295	11,650	1,001,945
	<u>990,295</u>	<u>990,295</u>	<u>11,650</u>	<u>1,001,945</u>
Net change in fund balance	(2,621,424)	(2,536,234)	2,017,020	(519,214)
Fund balance - beginning	2,651,424	2,651,424	630,620	3,282,044
Fund balance - ending	<u>\$ 30,000</u>	<u>\$ 115,190</u>	<u>\$ 2,647,640</u>	<u>\$ 2,762,830</u>

**OTHER SUPPLEMENTARY INFORMATION**

**INDIVIDUAL FUND SCHEDULES**



**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

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

DEBT SERVICE FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
<b>REVENUES</b>			
Local revenue	\$ 2,808,238	\$ 395,714	\$ 3,203,952
<b>EXPENDITURES</b>			
Debt service	3,160,238	84,099	3,244,337
Excess (deficiency) of revenues over (under) expenditures	(352,000)	311,615	(40,385)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	202,000	-	202,000
Net change in fund balance	(150,000)	311,615	161,615
Fund balance - beginning	150,000	(29,196)	120,804
Fund balance - ending	\$ -	\$ 282,419	\$ 282,419

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

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

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
<b>REVENUES</b>			
Local revenue	\$ 376,000	\$ (167,067)	\$ 208,933
Intermediate revenue	1,000	(1,000)	-
Total revenues	377,000	(168,067)	208,933
<b>EXPENDITURES</b>			
Current			
Support services	517,000	(354,410)	162,590
Facilities acquisition and construction	703,000	207,376	910,376
Total expenditures	1,220,000	(147,034)	1,072,966
Excess (deficiency) of revenues over (under) expenditures	(843,000)	(21,033)	(864,033)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	150,000	-	150,000
Net change in fund balance	(693,000)	(21,033)	(714,033)
Fund balance - beginning	693,000	280,970	973,970
Fund balance - ending	\$ -	\$ 259,937	\$ 259,937

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
 BUDGET AND ACTUAL

INTERNAL SERVICE FUND

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
<b>REVENUES</b>						
Local revenues	\$ 2,481,261	\$ 2,481,261	\$ 415,292	\$ 2,896,553	\$ -	\$ 2,896,553
<b>EXPENSES</b>						
Debt service	<u>2,506,261</u>	<u>29,197,872</u>	<u>114,999</u>	<u>29,312,871</u>	<u>(26,904,998)</u>	<u>2,407,873</u>
Excess (deficiency) of revenues over (under) expenses	(25,000)	(26,716,611)	300,293	(26,416,318)	26,904,998	488,680
<b>OTHER FINANCING SOURCES (USES)</b>						
Loan proceeds	-	26,691,611	-	26,691,611	(26,691,611)	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,545,027)</u>	<u>(26,545,027)</u>
Total other financing sources (uses)	<u>-</u>	<u>26,691,611</u>	<u>-</u>	<u>26,691,611</u>	<u>(53,236,638)</u>	<u>(26,545,027)</u>
Net change in fund balance	(25,000)	(25,000)	300,293	275,293	(26,331,640)	(26,056,347)
Net position - beginning	<u>25,000</u>	<u>25,000</u>	<u>14,450</u>	<u>39,450</u>	<u>(12,673,856)</u>	<u>(12,634,406)</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,743</u>	<u>\$ 314,743</u>	<u>\$ (39,005,496)</u>	<u>\$ (38,690,753)</u>

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

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

CUSTODIAL FUNDS

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
<b>REVENUES</b>			
Local revenue	\$ 5,600	\$ (3,148)	\$ 2,452
<b>EXPENDITURES</b>			
Current			
Instruction	45,500	(45,500)	-
Support services	4,900	(4,900)	-
Enterprise and community services	295,000	(270,800)	24,200
Contingency	-	-	-
Total expenditures	345,400	(321,200)	24,200
Excess (deficiency) of revenues over (under) expenditures	(339,800)	318,052	(21,748)
Fund balance - beginning	339,800	58,121	397,921
Fund balance - ending	\$ -	\$ 376,173	\$ 376,173

## **OTHER FINANCIAL SCHEDULES**

# SOUTH LANE SCHOOL DISTRICT NO. 45J3

Cottage Grove, Oregon

## REVENUE SUMMARY - ALL FUNDS

For the Year Ended June 30, 2022

<b>Revenue from Local Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
1110 Ad Valorem Taxes Levied by District	\$ 7,744,176.00	\$ -	\$ 3,177,510.27	\$ -
1130 Construction Excise Tax	-	-	-	157,973.70
1190 Penalties and Interest on Taxes	37,783.50	-	-	-
1500 Earnings on Investments	30,342.08	398.81	26,441.78	2,960.26
1600 Food Service	-	26,725.86	-	-
1700 Extracurricular Activities	-	193,948.67	-	-
1800 Community Service Activities	-	14,332.26	-	-
1900 Other Local Sources	-	20,000.04	-	-
1910 Rentals	-	600.00	-	48,001.00
1920 Contributions and Donations From Private Sources	41,628.00	326,933.00	-	-
1970 Services Provided to Other Funds	-	39,209.68	-	-
1980 Fees Charged to Grants	69,938.04	-	-	-
1990 Miscellaneous	105,392.51	386,685.89	-	-
<b>Total Revenue from Local Sources</b>	<b>\$ 8,029,260.13</b>	<b>\$ 1,008,834.21</b>	<b>\$ 3,203,952.05</b>	<b>\$ 208,934.96</b>
<b>Revenue from Intermediate Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
2101 County School Funds	\$ 145,585.04	\$ -	\$ -	\$ -
2199 Other Intermediate Sources	14.55	-	-	-
2200 Restricted Revenue	-	73,411.00	-	-
<b>Total Revenue from Intermediate</b>	<b>\$ 145,599.59</b>	<b>\$ 73,411.00</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from State Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
3101 State School Fund - General Support	\$ 24,269,714.24	\$ -	\$ -	\$ -
3103 Common School Fund	329,125.75	-	-	-
3299 Other Restricted Grants-in-Aid	22,088.38	4,530,261.47	-	-
3800 Revenue in Lieu of Taxes	22,639.48	-	-	-
<b>Total Revenue from State Sources</b>	<b>\$ 24,643,567.85</b>	<b>\$ 4,530,261.47</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from Federal Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
4500 Restricted Revenue From the Federal Government Through the State	\$ (7,432.68)	\$ 6,479,718.11	\$ -	\$ -
4900 Revenue for/on Behalf of the District	-	137,739.33	-	-
<b>Total Revenue from Federal Sources</b>	<b>\$ (7,432.68)</b>	<b>\$ 6,617,457.44</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from Other Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
5100 PERS Bond Proceeds	\$ -	\$ -	\$ -	\$ -
5200 Interfund Transfers	-	\$ 1,001,945.26	\$ 202,000.00	\$ 150,000.00
5400 Resources - Beginning Fund Balance	3,502,135.96	3,315,881.63	120,804.40	973,970.51
<b>Total Revenue from Other Sources</b>	<b>\$ 3,502,135.96</b>	<b>\$ 4,317,826.89</b>	<b>\$ 322,804.40</b>	<b>\$ 1,123,970.51</b>
<b>Grand Totals</b>	<b>\$ 36,313,130.85</b>	<b>\$ 16,547,791.01</b>	<b>\$ 3,526,756.45</b>	<b>\$ 1,332,905.47</b>

Fund 600	Fund 700
\$ -	\$ -
-	-
-	-
-	2,452.25
-	-
-	-
-	-
-	-
-	-
2,896,552.82	-
-	-
-	-
<b>\$ 2,896,552.82</b>	<b>\$ 2,452.25</b>

Fund 600	Fund 700
\$ -	\$ -
-	-
-	-
<b>\$ -</b>	<b>\$ -</b>

Fund 600	Fund 700
\$ -	\$ -
-	-
-	-
-	-
<b>\$ -</b>	<b>\$ -</b>

Fund 600	Fund 700
\$ -	\$ -
-	-
<b>\$ -</b>	<b>\$ -</b>

Fund 600	Fund 700
\$ 26,691,611.00	\$ -
-	-
39,450.34	397,920.31
<b>\$ 26,731,061.34</b>	<b>\$ 397,920.31</b>
<b>\$ 29,627,614.16</b>	<b>\$ 400,372.56</b>

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

**EXPENDITURE SUMMARY - GENERAL FUND**

For the Year Ended June 30, 2022

**Instruction Expenditures**

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>
1111 Elementary, K-5 or K-6	\$ 5,125,635.44	\$ 3,350,909.31	\$ 1,679,458.91
1113 Elementary Extracurricular	5,125.00	-	-
1121 Middle/Junior High Programs	2,478,813.66	1,609,913.53	797,171.29
1131 High School Programs	3,968,851.34	2,588,757.02	1,261,283.50
1220 Restrictive Programs for Students with Disabilities	3,662,495.00	1,939,370.55	951,372.40
1250 Less Restrictive Programs for Students with Disabilities	104.93	-	-
1270 Educationally Disadvantaged	26.98	-	-
1280 Alternative Education	3,010,319.51	-	-
1291 English Second Language Programs	270,432.14	173,119.81	97,312.33
1293 Migrant Education	10,134.77	7,826.15	1,949.37
<b>Total Instruction Expenditures</b>	<b>\$ 18,531,938.77</b>	<b>\$ 9,669,896.37</b>	<b>\$ 4,788,547.80</b>

**Support Services Expenditures**

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>
2110 Attendance and Social Work Services	\$ 491.59	\$ -	\$ -
2120 Guidance Services	464,131.56	314,408.81	149,722.75
2130 Health Services	204,862.02	123,992.32	76,521.68
2140 Psychological Services	257,272.39	171,624.04	85,224.99
2150 Speech Pathology and Audiology Services	358,531.58	219,069.54	110,200.91
2160 Other Student Treatment Services	260,214.76	-	-
2190 Service Direction, Student Support Services	241,581.26	145,147.06	70,171.20
2210 Improvement of Instruction Services	420,131.59	274,109.37	127,560.33
2220 Educational Media Services	303,140.27	145,073.62	140,160.68
2310 Board of Education Services	9,357.25	-	-
2320 Executive Administration Services	381,939.85	230,485.84	95,344.58
2410 Office of the Principal Services	2,705,157.71	1,790,396.31	914,681.40
2520 Fiscal Services	561,019.53	263,427.63	129,067.74
2540 Operation and Maintenance of Plant Services	3,314,318.26	1,129,693.96	751,743.95
2550 Student Transportation Services	2,417,090.10	1,186,532.01	713,876.32
2610 Director of Central Support Services	7,405.74	-	-
2630 Information Services	27,670.30	-	-
2640 Staff Services	437,183.81	234,088.55	95,475.60
2660 Technology Services	741,335.21	334,279.02	173,328.92
2670 Records Management Services	98.80	-	-
2690 Other Support Services - Central	999.00	-	-
<b>Total Support Services Expenditures</b>	<b>\$ 13,113,932.58</b>	<b>\$ 6,562,328.08</b>	<b>\$ 3,633,081.05</b>

**Other Uses Expenditures**

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>
5200 Transfers of Funds	\$ 1,353,945.26	\$ -	\$ -
<b>Total Other Uses Expenditures</b>	<b>\$ 1,353,945.26</b>	<b>\$ -</b>	<b>\$ -</b>

**Grand Total**

<b>Grand Total</b>	<b>\$ 32,999,816.61</b>	<b>\$ 16,232,224.45</b>	<b>\$ 8,421,628.85</b>
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Object 300	Object 400	Object 500	Object 600	Object 700
\$ 16,720.51	\$ 78,546.71	\$ -	\$ -	\$ -
5,125.00	-	-	-	-
12,665.58	58,634.26	-	429.00	-
27,270.03	89,140.79	-	2,400.00	-
768,418.04	3,334.01	-	-	-
-	104.93	-	-	-
-	26.98	-	-	-
3,002,358.57	7,960.94	-	-	-
-	-	-	-	-
-	359.25	-	-	-
<b>\$ 3,832,557.73</b>	<b>\$ 238,107.87</b>	<b>\$ -</b>	<b>\$ 2,829.00</b>	<b>\$ -</b>

Object 300	Object 400	Object 500	Object 600	Object 700
\$ -	\$ 491.59	\$ -	\$ -	\$ -
-	-	-	-	-
-	4,271.02	-	77.00	-
-	423.36	-	-	-
27,318.58	1,942.55	-	-	-
260,214.76	-	-	-	-
7,813.93	18,449.07	-	-	-
7,370.44	11,091.45	-	-	-
-	17,905.97	-	-	-
2,564.75	2,247.50	-	4,545.00	-
40,426.63	14,771.59	-	911.21	-
-	80.00	-	-	-
67,699.75	4,687.79	-	96,136.62	-
970,468.08	125,510.98	-	336,901.29	-
88,032.28	359,400.60	-	69,248.89	-
7,405.74	-	-	-	-
-	24,997.55	-	2,672.75	-
52,673.90	53,893.04	-	1,052.72	-
113,814.74	119,912.53	-	-	-
98.80	-	-	-	-
999.00	-	-	-	-
<b>\$ 1,646,901.38</b>	<b>\$ 760,076.59</b>	<b>\$ -</b>	<b>\$ 511,545.48</b>	<b>\$ -</b>

Object 300	Object 400	Object 500	Object 600	Object 700
\$ -	\$ -	\$ -	\$ -	\$ 1,353,945.26
\$ -	\$ -	\$ -	\$ -	\$ 1,353,945.26
<b>\$ 5,479,459.11</b>	<b>\$ 998,184.46</b>	<b>\$ -</b>	<b>\$ 514,374.48</b>	<b>\$ 1,353,945.26</b>

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**

**Cottage Grove, Oregon**

**EXPENDITURE SUMMARY - SPECIAL REVENUE FUND**

For the Year Ended June 30, 2022

<b>Instruction Expenditures</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>
1111 Elementary, K-5 or K-6	\$ 511,322.46	\$ 309,598.03	\$ 164,609.62	\$ 33,275.50	\$ 3,114.02	\$ -	\$ 725.29
1113 Elementary Extracurricular	775.90	600.00	175.90	-	-	-	-
1121 Middle/Junior High Programs	443,907.83	256,170.19	151,735.37	5,597.70	30,404.57	-	-
1122 Middle/Junior High School Extracurricular	22,942.73	17,054.57	4,288.16	-	-	-	1,600.00
1131 High School Programs	894,383.15	499,869.16	248,833.30	92,758.58	49,145.11	3,000.00	777.00
1132 High School Extracurricular	508,907.72	310,772.36	69,148.72	51,234.13	46,421.54	14,634.00	16,696.97
1140 Pre-Kindergarten Programs	753,240.59	451,219.24	245,524.60	4,775.00	19,841.24	-	31,880.51
1220 Restrictive Programs for Students with Disabilities	686,515.06	371,763.46	293,458.32	12,950.10	8,343.18	-	-
1250 Less Restrictive Programs for Students with Disabilities	14,842.16	-	-	49.00	14,793.16	-	-
1270 Educationally Disadvantaged	30,025.78	18,983.62	5,500.84	-	5,541.32	-	-
1272 Title I	819,740.21	474,980.22	289,628.23	1,620.80	49,995.96	-	3,515.00
1280 Alternative Education	142,518.51	523.88	9.93	141,984.70	-	-	-
1291 English Second Language Programs	69,207.13	45,623.75	23,583.38	-	-	-	-
1299 Other Programs	1,674.10	-	-	-	500.90	-	1,173.20
1400 Summer School Programs	294,008.14	170,672.04	34,495.94	74,042.84	14,797.32	-	-
<b>Total Instruction Expenditures</b>	<b>\$ 5,194,011.47</b>	<b>\$ 2,927,830.52</b>	<b>\$ 1,530,992.31</b>	<b>\$ 418,288.35</b>	<b>\$ 242,898.32</b>	<b>\$ 17,634.00</b>	<b>\$ 56,367.97</b>

(continued)

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**

**Cottage Grove, Oregon**

**EXPENDITURE SUMMARY - SPECIAL REVENUE FUND**

For the Year Ended June 30, 2022

**Support Services Expenditures**

2110 Attendance and Social Work Services

2130 Health Services

2160 Other Student Treatment Services

2190 Service Direction, Student Support Services

2210 Improvement of Instruction Services

2220 Educational Media Services

2240 Instructional Staff Development

2320 Executive Admin Services

2410 Office of the Principal Services

2490 Other Support Services - School Administration

2520 Fiscal Services

2540 Operation and Maintenance of Plant Services

2550 Student Transportation Services

2630 Information Services

2640 Staff Services

2660 Technology Services

2690 Other Support Services - Central

2700 Supplemental Retirement Program

**Total Support Services Expenditures**

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>
2110 Attendance and Social Work Services	\$ 280,926.06	\$ 58,171.28	\$ 23,468.65	\$ 20,981.99	\$ 174,594.64	\$ -	\$ 3,709.50
2130 Health Services	81,466.94	45,968.15	10,242.36	14,607.39	10,439.04	-	210.00
2160 Other Student Treatment Services	3,157.59	-	-	-	3,157.59	-	-
2190 Service Direction, Student Support Services	-	-	-	-	-	-	-
2210 Improvement of Instruction Services	3,249,270.43	1,280,841.77	654,884.39	574,215.95	702,087.34	-	37,240.98
2220 Educational Media Services	50,264.09	50,264.09	-	-	-	-	-
2240 Instructional Staff Development	23,652.94	500.00	137.63	13,981.91	9,033.40	-	-
2320 Executive Admin Services	16,324.21	-	-	15,797.50	526.71	-	-
2410 Office of the Principal Services	156,901.71	106,055.69	48,349.90	-	2,496.12	-	-
2490 Other Support Services - School Administration	53,300.00	-	-	53,300.00	-	-	-
2520 Fiscal Services	11,639.76	7,202.08	4,437.68	-	-	-	-
2540 Operation and Maintenance of Plant Services	134,243.12	77,195.72	48,951.45	3,535.95	4,560.00	-	-
2550 Student Transportation Services	75,606.19	-	-	34,271.19	-	41,335.00	-
2630 Information Services	-	-	-	-	-	-	-
2640 Staff Services	140,799.13	31,251.79	18,957.87	-	82,832.00	7,757.47	-
2660 Technology Services	370,235.37	-	-	7,254.24	362,431.13	-	550.00
2690 Other Support Services - Central	60,354.10	16,929.23	4,805.93	7,411.84	14,027.70	-	17,179.40
2700 Supplemental Retirement Program	31,933.59	20,000.00	11,933.59	-	-	-	-
<b>Total Support Services Expenditures</b>	<b>\$ 4,740,075.23</b>	<b>\$ 1,694,379.80</b>	<b>\$ 826,169.45</b>	<b>\$ 745,357.96</b>	<b>\$ 1,366,185.67</b>	<b>\$ 49,092.47</b>	<b>\$ 58,889.88</b>

(continued)

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**

Cottage Grove, Oregon

EXPENDITURE SUMMARY - SPECIAL REVENUE FUND

For the Year Ended June 30, 2022

<b>Enterprise and Community Services</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>
3100 Food Services	\$ 1,634,882.45	\$ 603,769.98	\$ 350,890.30	\$ 22,446.87	\$ 638,383.33	\$ 13,000.00	\$ 6,391.97
3300 Community Services	334,829.55	223,452.91	79,170.63	21,436.94	7,239.38	-	3,529.69
<b>Total Enterprise and Community Services Expenditures</b>	<b>\$ 1,969,712.00</b>	<b>\$ 827,222.89</b>	<b>\$ 430,060.93</b>	<b>\$ 43,883.81</b>	<b>\$ 645,622.71</b>	<b>\$ 13,000.00</b>	<b>\$ 9,921.66</b>

<b>Facilities Acquisition and Construction</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>
4150 Facilities Acquisition and Construction	\$ 445,472.83	\$ -	\$ -	\$ 3,950.00	\$ 28,489.00	\$ 413,033.83	\$ -
4180 Improvements Other than Buildings	167,601.52	-	-	16,565.00	-	151,036.52	-
4190 Other Facilities Construction Services	5,916.00	-	-	-	5,916.00	-	-
<b>Total Facilities Acquisition and Construction</b>	<b>\$ 618,990.35</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,515.00</b>	<b>\$ 34,405.00</b>	<b>\$ 564,070.35</b>	<b>\$ -</b>

<b>Other Uses Expenditures</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>
5100 Debt Service	\$ 358,617.92	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 358,617.92
<b>Total Other Uses Expenditures</b>	<b>\$ 358,617.92</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 358,617.92</b>

<b>Grand Total</b>	<b>\$ 12,881,406.97</b>	<b>\$ 5,449,433.21</b>	<b>\$ 2,787,222.69</b>	<b>\$ 1,228,045.12</b>	<b>\$ 2,289,111.70</b>	<b>\$ 643,796.82</b>	<b>\$ 483,797.43</b>
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**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

EXPENDITURE SUMMARY - DEBT SERVICE FUND

For the Year Ended June 30, 2022

**Other Uses Expenditures**

5100 Debt Service

**Grand Total**

Totals	Object 600
\$ 3,244,336.84	\$ 3,244,336.84
<b>\$ 3,244,336.84</b>	<b>\$ 3,244,336.84</b>

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

**EXPENDITURE SUMMARY - CAPITAL PROJECTS FUND**

For the Year Ended June 30, 2022

<b>Support Services Expenditures</b>	<b>Totals</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>
2540 Operation and Maintenance of Plant Services	\$ 162,589.65	\$ 56,175.48	\$ 95,827.39	\$ 8,249.25	\$ 2,337.53
<b>Total Support Services Expenditures</b>	<b>\$ 162,589.65</b>	<b>\$ 56,175.48</b>	<b>\$ 95,827.39</b>	<b>\$ 8,249.25</b>	<b>\$ 2,337.53</b>
<b>Facilities Acquisition and</b>	<b>Totals</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>
4150 Building Acquisition, Construction, Improvement	\$ 878,492.48	\$ 140,748.70	\$ 65,367.41	\$ 672,376.37	\$ -
4180 Improvements other than Buildings	\$ 31,885.79	-	-	31,885.79	-
<b>Total Facilities Acquisition and Construction</b>	<b>\$ 910,378.27</b>	<b>\$ 140,748.70</b>	<b>\$ 65,367.41</b>	<b>\$ 704,262.16</b>	<b>\$ -</b>
<b>Grand Total</b>	<b>\$ 1,072,967.92</b>	<b>\$ 196,924.18</b>	<b>\$ 161,194.80</b>	<b>\$ 712,511.41</b>	<b>\$ 2,337.53</b>

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

EXPENDITURE SUMMARY - INTERNAL SERVICE FUND

For the Year Ended June 30, 2022

**Other Uses Expenditures**

5100 Debt Service

**Grand Total**

Totals	Object 600
\$ 29,312,871.00	\$ 29,312,871.00
<b>\$ 29,312,871.00</b>	<b>\$ 29,312,871.00</b>

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

EXPENDITURE SUMMARY - TRUST AND AGENCY FUNDS

For the Year Ended June 30, 2022

**Enterprise and Community Services Expenditures**

3300 Community Services

**Total Enterprise and Community Services**

**Grand Total**

Totals	Object 300
\$ 24,200.00	\$ 24,200.00
\$ 24,200.00	\$ 24,200.00
<b>\$ 24,200.00</b>	<b>\$ 24,200.00</b>



**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

SCHEDULE OF FUTURE REQUIREMENTS FOR THE RETIREMENT OF  
 BONDED DEBT

June 30, 2022

Fiscal Year	TOTAL ALL REQUIREMENTS			GENERAL OBLIGATION BONDS 2012 Refunding		
	Total	Principal	Interest	Total	Principal	Interest
2023	\$ 7,448,935	\$ 3,322,161	\$ 4,126,774	\$ 2,076,925	\$ 1,835,000	\$ 241,925
2024	7,641,996	5,135,492	2,506,504	2,136,375	1,985,000	151,375
2025	7,971,279	5,675,703	2,295,576	2,248,750	2,145,000	103,750
2026	8,258,210	6,251,137	2,007,073	-	-	-
2027	8,560,525	6,852,089	1,708,436	-	-	-
2028	6,949,121	5,568,871	1,380,250	-	-	-
2029	7,577,398	6,411,811	1,165,587	-	-	-
2030	5,456,456	3,601,253	1,855,203	-	-	-
2031	5,693,353	3,782,560	1,910,793	-	-	-
2032	5,940,807	3,976,112	1,964,695	-	-	-
2033	6,191,616	4,177,310	2,014,306	-	-	-
2034	6,449,492	4,391,575	2,057,917	-	-	-
2035	6,712,724	4,614,348	2,098,376	-	-	-
2036	6,981,160	4,846,096	2,135,064	-	-	-
2037	7,265,445	5,092,305	2,173,140	-	-	-
2038	7,545,192	5,348,489	2,196,703	-	-	-
2039	7,830,621	5,620,188	2,210,433	-	-	-
2040	8,131,343	5,910,967	2,220,376	-	-	-
2041	8,430,683	6,207,423	2,223,260	-	-	-
2042	1,468,494	1,405,930	62,564	-	-	-
<b>TOTALS</b>	<b>\$ 138,504,850</b>	<b>\$ 98,191,820</b>	<b>\$ 40,313,030</b>	<b>\$ 6,462,050</b>	<b>\$ 5,965,000</b>	<b>\$ 497,050</b>

(Continued)

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

SCHEDULE OF FUTURE REQUIREMENTS FOR THE RETIREMENT OF  
BONDED DEBT

June 30, 2022

(Continued)

Fiscal Year	GENERAL OBLIGATION BONDS 2016A			GENERAL OBLIGATION BONDS 2016B		
	Total	Principal	Interest	Total	Principal	Interest
2023	\$ -	\$ -	\$ -	\$ 1,000,688	\$ 470,000	\$ 530,688
2024	-	-	-	1,021,888	510,000	511,888
2025	-	-	-	1,046,488	555,000	491,488
2026	-	-	-	3,384,288	2,915,000	469,288
2027	-	-	-	3,477,688	3,125,000	352,688
2028	-	-	-	3,572,688	3,345,000	227,688
2029	-	-	-	3,659,700	3,530,000	129,700
2030	3,473,557	2,615,000	858,557	-	-	-
2031	3,643,035	2,685,000	958,035	-	-	-
2032	3,820,778	2,760,000	1,060,778	-	-	-
2033	3,999,505	2,835,000	1,164,505	-	-	-
2034	4,182,850	2,915,000	1,267,850	-	-	-
2035	4,369,016	2,995,000	1,374,016	-	-	-
2036	4,557,765	3,075,000	1,482,765	-	-	-
2037	4,759,655	3,160,000	1,599,655	-	-	-
2038	4,954,206	3,245,000	1,709,206	-	-	-
2039	5,151,541	3,335,000	1,816,541	-	-	-
2040	5,361,175	3,433,000	1,928,175	-	-	-
2041	5,566,328	3,525,000	2,041,328	-	-	-
<b>TOTALS</b>	<b>\$ 53,839,411</b>	<b>\$ 36,578,000</b>	<b>\$ 17,261,411</b>	<b>\$ 17,163,428</b>	<b>\$ 14,450,000</b>	<b>\$ 2,713,428</b>

(Continued)

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

SCHEDULE OF FUTURE REQUIREMENTS FOR THE RETIREMENT OF  
BONDED DEBT

June 30, 2022

(Continued)

Fiscal Year	QUALIFIED ZONE ACADEMY BONDS 2008			LIMITED TAX PENSION BONDS SERIES 2003		
	Total	Principal	Interest	Total	Principal	Interest
2023	\$ 70,938	\$ 70,000	\$ 938	\$ 2,731,260	\$ 592,209	\$ 2,139,051
2024	-	-	-	2,861,260	2,190,000	671,260
2025	-	-	-	2,998,404	2,450,000	548,404
2026	-	-	-	3,139,244	2,730,000	409,244
2027	-	-	-	3,289,180	3,035,000	254,180
2028	-	-	-	1,521,792	1,440,000	81,792
<b>TOTALS</b>	<u>\$ 70,938</u>	<u>\$ 70,000</u>	<u>\$ 938</u>	<u>\$ 16,541,140</u>	<u>\$ 12,437,209</u>	<u>\$ 4,103,931</u>

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

SCHEDULE OF FUTURE REQUIREMENTS FOR THE RETIREMENT OF  
 BONDED DEBT

June 30, 2022

Fiscal Year	QUALIFIED ZONE ACADEMY BONDS 2014			FULL FAITH AND CREDIT PENSION BONDS Series 2022A		
	Total	Principal	Interest	Total	Principal	Interest
2023	\$ -	\$ -	\$ -	\$ 1,569,124	\$ 354,952	\$ 1,214,172
2024	-	-	-	1,622,473	450,492	1,171,981
2025	-	-	-	1,677,637	525,703	1,151,934
2026	-	-	-	1,734,678	606,137	1,128,541
2027	-	-	-	1,793,657	692,089	1,101,568
2028	-	-	-	1,854,641	783,871	1,070,770
2029	2,000,000	2,000,000	-	1,917,698	881,811	1,035,887
2030	-	-	-	1,982,899	986,253	996,646
2031	-	-	-	2,050,318	1,097,560	952,758
2032	-	-	-	2,120,029	1,216,112	903,917
2033	-	-	-	2,192,111	1,342,310	849,801
2034	-	-	-	2,266,642	1,476,575	790,067
2035	-	-	-	2,343,708	1,619,348	724,360
2036	-	-	-	2,423,395	1,771,096	652,299
2037	-	-	-	2,505,790	1,932,305	573,485
2038	-	-	-	2,590,986	2,103,489	487,497
2039	-	-	-	2,679,080	2,285,188	393,892
2040	-	-	-	2,770,168	2,477,967	292,201
2041	-	-	-	2,864,355	2,682,423	181,932
2042	-	-	-	1,468,494	1,405,930	62,564
<b>TOTALS</b>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 42,427,883</u>	<u>\$ 26,691,611</u>	<u>\$ 15,736,272</u>

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**TAXPAYER PROPERTY VALUES BY YEAR**  
**For the Ten Years Ended June 30, 2022**

Fiscal Year	Lane County		Douglas County		Total District	
	Real Market Value	AV Used to Calculate Rates	Real Market Value	AV Used to Calculate Rates	Real Market Value	AV Used to Calculate Rates
2022	\$3,251,939,793	\$1,752,293,148	\$5,655,203	\$3,906,453	\$3,257,594,996	\$1,756,199,601
2021	3,001,151,312	1,690,797,343	4,172,970	3,081,190	3,005,324,282	1,693,878,533
2020	2,829,039,935	1,622,681,254	3,979,117	3,015,770	2,638,156,869	1,625,697,024
2019	2,638,156,869	1,567,695,624	3,960,314	2,927,009	2,642,117,183	1,570,622,633
2018	2,436,194,690	1,496,246,775	3,228,704	2,677,760	2,439,423,394	1,498,924,535
2017	2,255,987,221	1,442,250,882	3,381,550	2,831,903	1,745,998,932	1,398,254,153
2016	2,476,522,544	1,395,551,996	3,437,002	2,702,157	1,633,833,232	1,337,935,320
2015	2,056,195,266	1,335,326,342	3,301,806	2,608,978	1,551,174,830	1,288,596,903
2014	1,964,115,239	1,286,426,813	2,864,457	2,170,090	1,506,594,960	1,247,809,598
2013	1,902,470,085	1,245,736,175	3,054,477	2,073,423	1,574,068,876	1,243,462,341

Permanent Tax Rate                      \$4.7532 per \$1,000 of Assessed Value

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**TOP TAXPAYERS IN LANE COUNTY**  
**For the Year Ended June 30, 2022**

<b>Taxpayer</b>	<b>Business/Service</b>	<b>Tax (1)</b>	<b>Assessed Value (2)</b>	<b>Percent of Value</b>
Weyerhaeuser Company	Wood Products	\$562,801	\$58,403,556	3.33%
Weyerhaeuser NR Company	Wood Products	477,865	45,369,315	2.59%
Emerald PUD	Utilities	240,919	22,407,806	1.28%
Wal-Mart Real Estate Business Trust	Real Estate	210,960	11,509,806	0.66%
Pacificorp	Electric Utility	183,554	14,446,000	0.82%
Magnolia Garden LLC	Assisted Living	148,435	8,059,353	0.46%
Northwest Natural Gas Co.	Natural Gas Utility	124,401	9,051,000	0.52%
Starfire Lumber Co	Wood Products	110,093	6,429,454	0.37%
Charter Communications	Telecommunications	102,268	6,100,000	0.35%
Borg Commercial Properties LLC	Real Estate	97,360	5,538,680	0.32%
Subtotal - ten of County's largest taxpayers			<u>187,314,970</u>	<u>10.69%</u>
All other County's largest taxpayers			<u>1,564,978,178</u>	<u>89.31%</u>
Total County			<u><u>1,752,293,148</u></u>	<u><u>100.00%</u></u>

(1) Tax amount is the total tax paid by the taxpayer within the boundaries of the District. This amount is distributed to individual local governments by the County.

(2) Assessed value does not exclude offsets such as urban renewal and farm tax credits

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY  
STATE REGULATIONS**



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

Board of Directors  
South Lane School District No. 45J3  
Cottage Grove, Oregon 97424

We have audited the basic financial statements of South Lane School District No. 45J3 as of and for the year ended June 30, 2022 and have issued our report thereon dated March 27, 2023. 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 South Lane School District No. 45J3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

**Deposit of public funds with financial institutions (ORS Chapter 295)**

**Indebtedness limitations, restrictions, and repayment**

**Budgets legally required (ORS Chapter 294)**

**Insurance and fidelity bonds in force or required by law**

**Programs funded from outside sources**

**Student Success Act's Student Investment Account (SIA) Funding**

**Authorized investment of surplus funds (ORS Chapter 294)**

**Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**

**State school fund factors and calculation**



In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

**1. Budget over expenditures**

The District expended funds in excess of appropriations as follows:

<u>Fund</u>	<u>Category</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	Instruction	\$ 18,437,823	\$ 18,531,956	\$ 94,133
Special Revenue	Debt service	-	285,824	285,824
Special Projects	Debt service	329,956	358,618	28,662
Debt Service	Debt service	3,160,238	3,244,337	84,099
Capital Projects	Facilities Acquisition	703,000	910,376	207,376

**2. Debt covenant noncompliance**

The District did not submit their June 30, 2020 financial statements to Electronic Municipal Market Access (EMMA), which is in noncompliance with restrictive debt covenants.

**3. Federal grant noncompliance**

During the year ended June 30, 2022, expenditures were charged to the ESSER grant for playground equipment that was not on the published ODE approved listing.

**OAR 162-010-0230 Internal Control**

In planning and performing our audit, we considered the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-003 to be material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, as defined above. 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-004 to be a significant deficiency.

**South Lane School District No. 45J3's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. South Lane School District No. 45J3's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors and management of South Lane School District No. 45J3 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 blue ink that reads "Accuity, LLC". The signature is written in a cursive, flowing style.

Accuity, LLC  
March 27, 2023

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2022

Part A is needed for computing Oregon’s full allocation for ESEA, Title I, and other Federal Funds for Education.

- A. **Energy Bill for Heating - All Funds:**  
 Please enter your expenditures for electricity and heating fuel for these Functions and Objects.

	Objects 325 - 327
Function 2540	\$ 822,378.98
Function 2550	\$ 14,767.09

- B. **Replacement of Equipment - General Fund:**  
 Include all General Fund expenditures in object 542, except for the following exclusions:

\$	-
----	---

Exclude these functions:

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

Exclude these functions:

4150 Construction  
 2550 Pupil Transportation  
 3100 Food Service  
 3300 Community Services

## **SINGLE AUDIT SECTION**

**SOUTH LANE SCHOOL DISTRICT 45J3  
LANE COUNTY OREGON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2021**

<u>Program Title</u>	<u>Pass Through Organization</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b>Department of Agriculture:</b>					
Child Nutrition Cluster:					
Donated Commodities (Non-Cash Assist)	Oregon Department of Education	10.555	N/A	\$ 137,739	\$ -
School Breakfast Program	Oregon Department of Education	10.553	N/A	432,421	-
National School Lunch Program	Oregon Department of Education	10.555	N/A	1,207,703	-
Fresh Fruit and Vegetable Program	Oregon Department of Education	10.582	2087	40,613	-
Total Child Nutrition Cluster				<u>1,818,476</u>	<u>-</u>
NSLP Equipment	Oregon Department of Education	10.579	2087	13,000	-
CNP SNAP State and Local P-Ebt	Oregon Department of Education	10.649	2087	<u>3,063</u>	<u>-</u>
<b>Total Department of Agriculture</b>				<u>1,834,539</u>	<u>-</u>
<b>Department of Defense:</b>					
Youth Conservation Services	U.S. Army Corp of Engineers	12.010	W9127N-16-2-0004-0004	<u>5,937</u>	<u>-</u>
<b>Department of Education:</b>					
Title I, Grants to Local Education Agencies (LEAs)					
Title IA	Oregon Department of Education	84.010	2087	905,123	-
Title IIA - Teacher Quality	Oregon Department of Education	84.367	2087	92,732	-
Title IVA - Student Support and Academic Enrichment	Oregon Department of Education	84.424	2087	50,077	-
COVID-19 Education Stabilization Fund	Oregon Department of Education	84.425	2087	3,032,102	-
Special Education Cluster (IDEA)					
Special Education Grants to States (IDEA, Part B)					
IDEA - Part B, Section 611	Oregon Department of Education	84.027	2087	<u>646,220</u>	<u>-</u>
Total Special Education Cluster				<u>646,220</u>	<u>-</u>

(continued)

**SOUTH LANE SCHOOL DISTRICT 45J3  
LANE COUNTY OREGON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2021**

(continued)	Federal CFDA	Pass Through Entity Number	Expenditures	Passed Through to Subrecipients
<u>Program Title</u>	<u>Pass Through Organization</u>	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
Carl D. Perkins - Basic	Lane Educational Service District	84.048	N/A	33,313
Youth Transition Program	Lane Educational Service District	84.126	N/A	17,414
<b>Total Passed Through Oregon Department of Education</b>			4,726,254	-
<b>Total Department of Education</b>			4,776,981	-
<b>Total Grants Expended or Passed Through to Subrecipients</b>			-	-
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			\$ 6,617,457	

**SOUTH LANE SCHOOL DISTRICT NO. 45J3 NO. 45J3**  
**Cottage Grove, Oregon**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

**I. PURPOSE OF SCHEDULE**

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of South Lane School District No. 45J3's under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of South Lane School District No. 45J3, it is not intended to and does not present the financial position, changes in net position, or cash flows of South Lane School District No. 45J3.

**II. SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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 allowable or are limited as to reimbursement. South Lane School District No. 45J3 has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**B. Federal Financial Assistance**

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the schedule of expenditures of federal awards, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

**C. Major Programs**

The Uniform Guidance establishes criteria to be used in defining major federal financial assistance programs. Major programs for the District are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance.

**D. Reporting Entity**

The reporting entity is fully described in the notes to the District's basic financial statements. Additionally, the schedule of expenditures of federal awards includes all federal programs administered by the District for the year ended June 30, 2022.

**E. Revenue and Expenditure Recognition**

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting.



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

Board of Directors  
South Lane School District No. 45J3  
Cottage Grove, Oregon 97424

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of South Lane School District No. 45J3 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs (2022-001 through 2022-003), that we consider to be material weaknesses, as defined above.



## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Lane School District No. 45J3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, as follows:

### 1. Budget over expenditures

The District expended funds in excess of appropriations as follows:

<u>Fund</u>	<u>Category</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General	Instruction	\$ 18,437,823	\$ 18,531,956	\$ 94,133
Special Revenue	Debt service	-	285,824	285,824
Special Projects	Debt service	329,956	358,618	28,662
Debt Service	Debt service	3,160,238	3,244,337	84,099
Capital Projects	Facilities Acquisition	703,000	910,376	207,376

### 2. Debt covenant noncompliance

The District did not submit their June 30, 2020 financial statements to Electronic Municipal Market Access (EMMA), which is in noncompliance with restrictive debt covenants.

### 3. Federal grant noncompliance

During the year ended June 30, 2022, expenditures were charged to the ESSER grant for playground equipment that was not on the published ODE approved listing.

## South Lane School District No. 45J3's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. South Lane School District No. 45J3's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance.

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive style with a large, stylized "A" and "C".

Accuity, LLC  
Albany, Oregon  
March 27, 2023



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE*

Board of Directors  
South Lane School District No. 45J3  
Cottage Grove, Oregon 97424

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

#### *Opinion on Each Major Federal Award Program*

We have audited South Lane School District No. 45J3 compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Lane School District No. 45J3 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, except as noted in the accompanying schedule of findings and questioned costs.

#### *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 Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Lane School District No. 45J3 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 South Lane School District No. 45J3's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementations, and maintenance of effective internal controls over compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South Lane School District No. 45J3's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 South Lane School District No. 45J3's 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 South Lane School District No. 45J3's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of South Lane School District No. 45J3's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of South Lane School District No. 45J3's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **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, of combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-004 to be a significant deficiency in internal control over compliance.

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.

  
Accuity, LLC  
Albany, Oregon  
March 27, 2023

**SOUTH LANE SCHOOL DISTRICT NO. 45J3**  
**Cottage Grove, Oregon**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's opinion issued:	Qualified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.010	Title I, Part A
84.425	COVID-19 Education Stabilization Fund
84.424	Student Support and Academic Enrichment

Dollar threshold used to distinguish between Type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**SECTION II -FINANCIAL STATEMENT FINDINGS**

<i>Finding Number</i>	<i>Finding</i>
<b>2022-001</b>	Material omission of debt service expenditures and related internal charges.
<b>Criteria</b>	All transactions should be appropriately recorded in a timely manner.
<b>Condition</b>	The District failed to appropriately record cash transactions related to the pension bonds, which led to a material misstatement of cash, and expenditures.
<b>Cause</b>	Staffing changeover and lack of reconciliation procedures.
<b>Effect</b>	Material misstatement of financials.
<b>Questioned Costs</b>	N/A
<b>Recommendations</b>	The District should reconcile cash and liability accounts each month to ensure that revenues and expenditures related to the pension bonds are appropriately recorded.
<i>Finding Number</i>	<i>Finding</i>
<b>2022-002</b>	Bank reconciliations not prepared timely
<b>Criteria</b>	Bank reconciliation preparation, review, and approval should be done routinely each month
<b>Condition</b>	Bank reconciliations were not prepared timely, and therefore could not be reviewed or approved.
<b>Cause</b>	Departure from required control procedures
<b>Effect</b>	Incomplete bank reconciliations, misstatements of revenues, liabilities and assets
<b>Questioned Costs</b>	N/A
<b>Recommendations</b>	We recommend that District management adhere to strict bank reconciliation preparation and review procedures in order to adequately manage all accounts in a timely manner.

<i>Finding Number</i>	<i>Finding</i>
<b>2022-003</b>	Material omission of accounts payable invoices from accounting records as presented for audit
<b>Criteria</b>	Liabilities relating to purchases prior to year end should be recorded in the accounting records
<b>Condition</b>	Cutoff procedures were not performed, leading to over \$300,000 worth of accounts payable not being recorded in the financial statements.
<b>Cause</b>	Cutoff procedures not being performed
<b>Effect</b>	Misstatement of liabilities and expenditures
<b>Questioned Costs</b>	N/A
<b>Recommendations</b>	We recommend District staff review and adhere to year end close procedures.



**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<i>Finding Number</i>	<i>Finding</i>
2022-004	The District did not get prior approval for capital expenditures under the major program as required.
<b>Criteria</b>	Capital expenditures are subject to prior approval by the ED or the pass-through entity (for ESSER grant expenditures). The District should have controls in place to identify and ensure compliance with grant requirements relating to specific purchases.
<b>Condition</b>	During audit testing, playground equipment was found to have been expensed to the grant, without prior approval as required. Upon identification by audit staff, the expenditures were moved via client journal entry to a non-grant fund, however the control over compliance did not operate appropriately to identify that there was approval needed prior to expensing.
<b>Cause</b>	Controls not operating as designed
<b>Effect</b>	Potential for ineligible grant expenses
<b>Questioned Costs</b>	None (expenses were removed from grant fund via client journal entry)
<b>Prevalence</b>	Non-systemic
<b>Recommendations</b>	We recommend a review of controls over grant expenditures with all staff to ensure controls over compliance are operating as designed.

**SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

<i>Finding Number</i>	<i>Finding</i>
2021-001	Repeat finding, see 2022-001

**SECTION V - CORRECTIVE ACTION PLAN**

<i>Finding Number</i>	<i>Corrective Action Plan</i>
2022-001	Omission of debt service expenditures: Staff change over in the finance office resulted in difficulty completing reconciliation procedures timely. As a result, the recording of one debt service payment was not completed at the time the payment was made. Recording the payment was completed prior to finalization of the audit. We are now fully staffed and have implemented monthly reconciliation procedures.
2022-002	Bank reconciliations not prepared timely: We had an issue with 2 separate fatal errors while processing accounts payable and 1 fatal error when rolling over year to date information in our software. These errors delayed getting bank reconciliations in our Umpqua Bank account reconciled timely. Additionally, being short 2.0 FTE in the finance office for 4 months, contributed to untimely reconciliations. We are now fully staffed and have been able to re-instituted our procedures for bank reconciliations. All reconciliations are current.
2022-003	Omission of accounts payable invoices from year end: Two invoices were omitted from our year end accounts payable balance. These invoices were submitted to us in August. Our accounts payable staff was new to this position and was not aware that these invoices should have been recorded as payables FYE 2022. We have reviewed year end accounts payable procedures and have included a modification to our cut off procedure that includes a second review of invoice dates.
2022-004	Prior approval for capital expenditure: We have reviewed our controls over grant expenditures with new staff to ensure that controls over compliance are followed. We have made one modification that includes a review of recorded expenditures recorded in the general ledger prior to year-end to ensure that all items recorded have required approval.