

BLACK BUTTE SCHOOL DISTRICT NO. 41
JEFFERSON COUNTY, OREGON

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

For the Year Ended June 30, 2025



BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
BOARD OF DIRECTORS AND OFFICIALS
June 30, 2025

BOARD OF DIRECTORS

<u>Name</u>		<u>Position</u>
Karen Lajoy	26311 SW Metolius Meadows Dr. Camp Sherman, OR 97730	1 Vice-Chair
Gary Lovegren	31351 SW Lovegren Ln. Camp Sherman, OR 97730	2 Director
Siobhan Gray	PO Box 150 Camp Sherman, OR 97730	3 Director
Pamela Lovegren	31402 SW Lovegren Ln. Camp Sherman, OR 97730	4 Director
Bear Brown	PO Box 54 Camp Sherman, OR 97730	5 Chairperson

ADMINISTRATIVE STAFF

Delaney Sharp	Principal
Jane Petke	Business Manager/District Clerk

Black Butte School District No. 41
PO Box 150
25745 Forest Service Road 1419
Camp Sherman, OR 97730
(541) 595-6203
info@blackbutte.k12.or.us

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Jefferson County, Oregon,
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June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Black Butte School District No. 41
Camp Sherman, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Black Butte School District No. 41 (the district), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph on governmental activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the district as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the Major Funds

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the district as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, 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 the district and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matters Giving Rise to Qualified Opinion on Governmental Activities

Management did not obtain an actuarial valuation for the implicit rate subsidy for retiree medical insurance coverage. This actuarial valuation was required as a part of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, no net OPEB liability/asset has been recorded for this implicit subsidy. The amount by which this departure would affect the assets, liabilities, net position, and expenses of the governmental activities has not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the district's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the district’s 2024 financial statements of the governmental activities and each major fund and we expressed a qualified opinion on governmental activities and an unmodified opinion on the major fund information in those audited financial statements in our report dated December 16, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statement from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, schedules of PERS proportionate share of net pension liability and PERS contributions, and schedules of proportionate share of RHIA Net OPEB liability and RHIA Contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management’s discussion and analysis, schedules of PERS proportionate share of net pension liability and PERS contributions, and schedules of proportionate share of RHIA Net OPEB liability and RHIA Contributions in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budget to actual schedules for the General Fund and Special Revenues Fund as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of American. In our opinion, the budget to actual schedules for the General Fund and Special Revenues Fund are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the district’s basic financial statements. The accompanying budgetary comparison schedules and schedule of expenditures of federal awards as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information and supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of 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 and supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 3, 2025, on our consideration of the district's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of this report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink, appearing to read "John Day", with a long horizontal flourish extending to the right.

For Solutions, CPAs PC
John Day, Oregon
December 3, 2025

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

Black Butte School District No. 41 (the district) management offers the district's financial statements through this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements provided in the audit document.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the district's net position at June 30, 2025 was \$3,232,202. Of this amount, \$2,648,671 represents the district's net investment in capital assets (including restricted capital projects funds held at year end), \$30,425 is restricted for special programs, \$8,914 is restricted for debt service and the balance, \$544,192 is unrestricted and available to meet the district's ongoing obligations to citizens and vendors.
- The district's total net position increased by \$1,245,598, excluding the effect of the restatement discussed in the pages following.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the district's basic financial statements consisting of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains 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. These statements include:

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

The Statement of Activities - The Statement of Activities presents information showing how the net position of the district changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. 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 only result in cash flows in future periods (e.g., uncollected taxes).

In the government-wide financial statements, the district's activities are shown in one category:

Governmental activities - Most of the district's basic functions are shown here, such as regular and special education, students, instructional staff, administration, business services, food services, and community services. These activities are primarily financed through property taxes, Oregon's State School Fund, other intergovernmental revenues, and private foundation grants.

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

Fund Financial Statements: The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds – not the district as a whole. A fund is a

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The district, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the district can be divided into one category: governmental funds.

Governmental Funds - The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. 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. The governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statement of Net Position and Statement of Activities.

The district maintains 4 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance for all funds which are considered the major funds. The basic governmental fund financial statements can be found on pages 17 through 23 of this report.

Notes to Basic Financial Statements: The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 24 through 46 of this report.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning pensions and the General, and Special Revenues Funds budget and actual schedules. Required supplementary information can be found on page 49 through 53 of this report.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

Condensed Statement of Net Position

June 30, 2025

	Governmental Activities	
	June 30, 2025	June 30, 2024
Current and other assets	\$ 1,474,846	\$ 3,061,422
Capital assets	4,228,780	1,323,784
Total assets	5,703,626	4,385,206
Deferred outflow of resources	283,065	246,783
Total assets and deferred outflow of resources	5,986,691	4,631,989
Current liabilities	99,759	78,896
Bonds payable	1,890,000	1,930,000
Net pension/OPEB liability	668,428	505,881
Total liabilities	2,658,187	2,514,777
Deferred inflow of resources	74,620	114,375
Total liabilities and deferred outflow of resources	2,732,807	2,629,152
Net position:		
Net investment in capital assets	2,298,780	(636,216)
Restricted	389,230	2,010,883
Unrestricted	544,192	628,170
Total net position	\$ 3,232,202	\$ 2,002,837

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the district's financial position. On June 30, 2025, the net position was \$3,232,202.

Capital assets, which consist of the district's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 74% of total assets, and 82% of net position (including \$349,891 in restricted cash for capital projects from the May 2023 Bond Levy). The remaining assets consist mainly of investments, cash, and property taxes receivable.

The district's investment in capital assets is derived from a fixed asset inventory completed by the district, updated annually. The inventory is maintained by the district and used to calculate capital asset value. The district uses these capital assets to provide services to students and other district patrons; consequently, these assets are not available for future spending. The district's investment in its capital assets is reported at depreciated value less outstanding bonded debt.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

Condensed Statement of Activities
For the year ended June 30, 2025

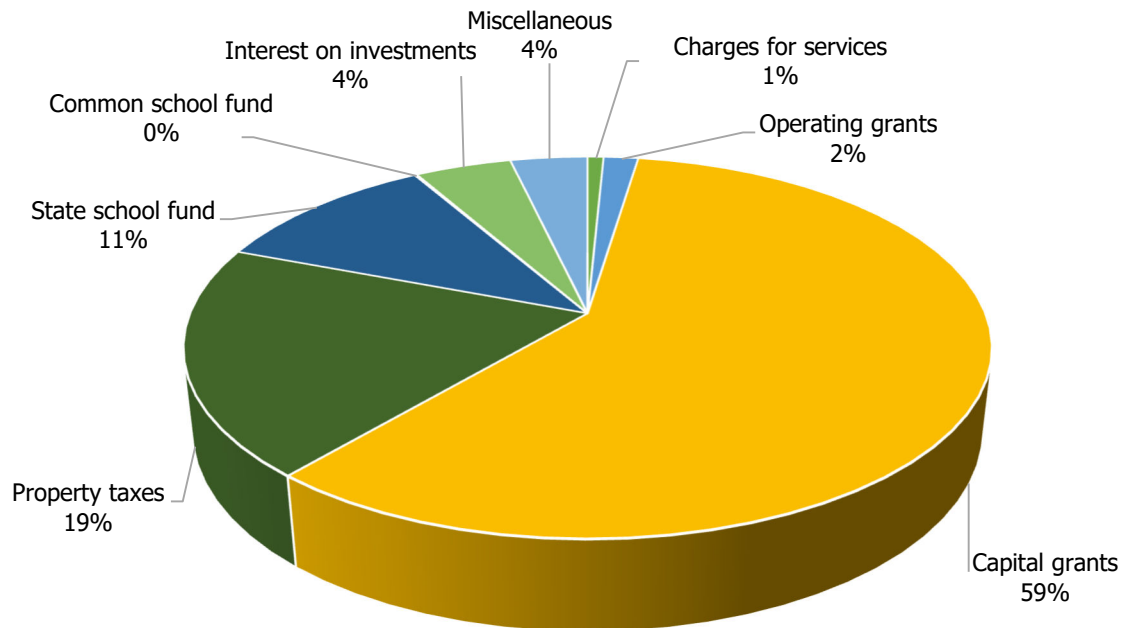
	Governmental Activities	
	June 30, 2025	June 30, 2024
Revenues		
Program revenues		
Charges for services	\$ 17,750	\$ 15,000
Operating grants and contributions	38,232	8,996
Capital grants and contributions	1,370,483	629,516
General revenues		
Property taxes	453,715	471,420
State school fund – general support	253,018	230,995
Other federal, state, and local sources	115,027	168,950
Interest on investments	106,935	124,034
Other	4,145	3,306
Total revenues	<u>2,359,305</u>	<u>1,652,217</u>
Expenses		
Instruction	583,654	479,987
Support services	406,816	339,811
Facilities acquisition and construction	27,665	86,845
Debt service	95,572	81,727
Total expenses	<u>1,113,707</u>	<u>988,370</u>
Change in net position	1,245,598	663,847
Net position – July 1	2,002,837	1,338,990
Prior period adjustment	(16,233)	-
Net position – June 30	<u>\$ 3,232,202</u>	<u>\$ 2,002,837</u>

Governmental Activities: A comparative analysis discussing and analyzing significant differences follows. During the current fiscal year, the district's net position increased by \$1,245,598, representing an increase of 62.19 percent from the previous fiscal year. The key elements of the change in the district's net position for the year ending June 30, 2025 are as follows:

- Overall expenses were \$125,337 more than the prior year and overall revenue was \$707,088 more than the prior year.
- Black Butte School District's net position reflects an increase of \$1,245,598. This increase is reflective of the net position after major accrual adjustments made to the district's financial statements due to GASB 68 requirements. An examination of the reconciliation of net position with the fund balance sheet on page 20 of this report will reflect the impact of GASB 68 reporting requirements. In addition, the district invested \$2,936,680 in capital improvements.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

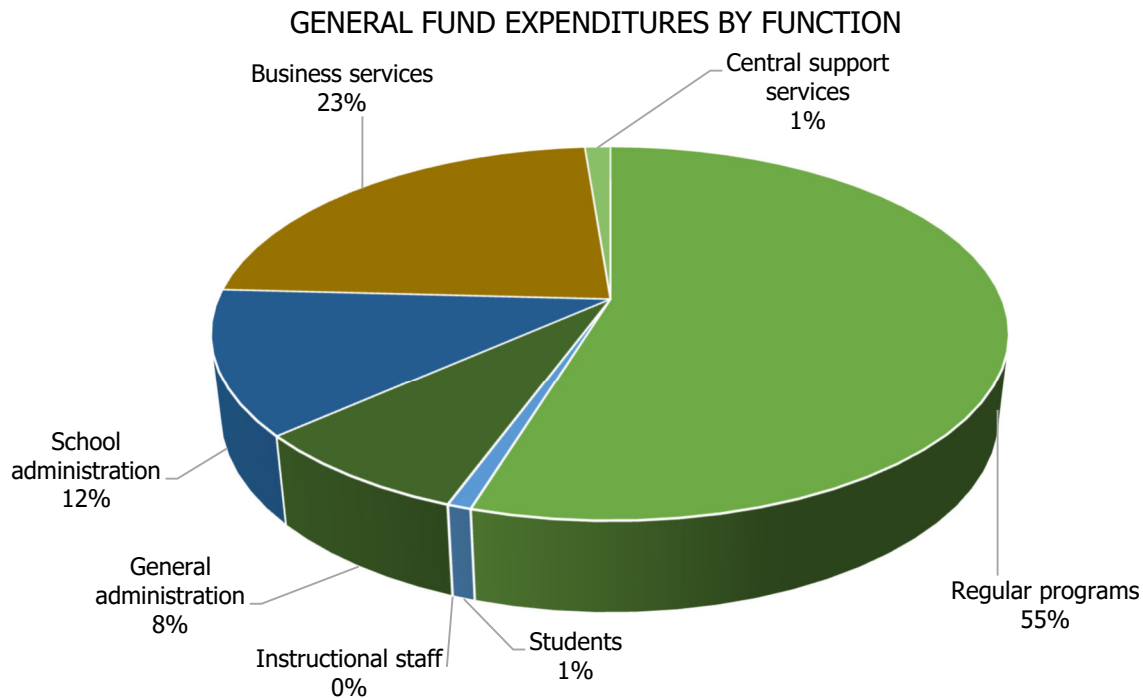
The district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the district's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services.

At June 30, 2025, the district's governmental funds reported combined ending fund balances of \$1,399,254, a decrease of \$1,598,039. Revenues were \$706,055 more than the prior year and expenditures were \$2,283,192 more than the prior year.

General Fund - The General Fund is the primary operating fund of the district. As of June 30, 2025, the fund balance was \$1,010,024. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The fund balance represents approximately 149.9% of total General Fund expenditures. This is down from 168.9% the prior year.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025



GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund total expenditures were \$518,578 under the final budgeted amounts. The administration and the governing board take great care to make sure that all expenditures are necessary and are in line with the goals of the district. Revenues came in \$27,374 more than the budgeted amount primarily due to more state school fund grant than anticipated.

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

Capital Assets: The district's investment in capital assets includes land, buildings and improvements, vehicles, and equipment. As of June 30, 2025, the district had invested \$4,228,780 in capital assets, net of accumulated depreciation. Additional information on the district's capital assets can be found in note 4 on pages 32-33 of this report.

Long-Term Debt: The district has outstanding bonded debt of \$1,930,000 as of June 30, 2025. The bond is matched with grant funding from the Oregon School Capital Improvement Matching Program. The bond agreement was finalized on August 16, 2023. Additional information on the district's long-term debt can be found in notes 5-7 on pages 33-34.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor for the district is the State of Oregon's state school fund allocation. Every biennium the State of Oregon legislatures will adopt a budget and make appropriations for K-12 funding. This legislative process and the resulting allocation for K-12 funding is the biggest economic factor for the district. Each legislative session for the State of Oregon is continually monitored by the district

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

administration. This allocation directly impacts the State School Fund Grant allocation for the district, which as mentioned before, is 37.4 percent of General Fund revenue.

The 2025-26 budget reflects budgeted resources of \$3,039,775. The General Fund comprises about 58% of the total budgeted resources. The 2025-26 budget reflects overall appropriations of \$3,025,232. This is down from \$6,067,322 for 2024-25.

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 can be obtained by calling the district's business office at 541-595-6203 between 8:00 a.m. and 1:00 p.m., or by sending a written request to: Black Butte SD No. 41, PO Box 150, Camp Sherman, OR 97730.

BASIC FINANCIAL STATEMENTS

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BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
STATEMENT OF NET POSITION
June 30, 2025
(With Comparative Totals for 2024)

	Governmental Activities	
	June 30, 2025	June 30, 2024
ASSETS		
Cash and investments	\$ 1,448,904	\$ 2,684,934
Receivables		
Property taxes	22,886	18,054
Other	3,056	358,434
Capital assets, not subject to depreciation		
Land	205,000	205,000
Construction in progress	3,654,346	717,666
Capital assets (net of accumulated depreciation)		
Buildings	150,161	156,346
Equipment	219,273	244,772
Total capital assets	4,228,780	1,323,784
Total assets	5,703,626	4,385,206
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension/OPEB	283,065	246,783
LIABILITIES		
Current liabilities		
Accounts payable	19,086	30,111
Accrued liabilities	40,673	18,785
Current portion long term debt	40,000	30,000
Total current liabilities	99,759	78,896
Long term liabilities		
Compensated absences	21,682	-
Bonds payable	1,890,000	1,930,000
Net pension/OPEB liability	668,428	505,881
Total long term liabilities	2,580,110	2,435,881
Total liabilities	2,679,869	2,514,777
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension/OPEB	74,620	114,375
Total deferred inflows of resources	74,620	114,375
NET POSITION		
Net investment in capital assets	2,298,780	(636,216)
Restricted	389,230	2,010,499
Unrestricted	544,192	628,554
Total net position	\$ 3,232,202	\$ 2,002,837

The Notes to Basic Financial Statements are an integral part of these statements.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
STATEMENT OF ACTIVITIES
For the Year Ended
June 30, 2025
(With Comparative Totals for 2024)

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction				
Regular programs	\$ 577,185	\$ 17,750	\$ 30,732	\$ -
Special programs	-	-	-	-
Summer school programs	6,469	-	-	-
Supporting services				
Students	7,429	-	-	-
Instructional staff	19,999	-	7,500	-
General administration	81,974	-	-	-
School administration	102,152	-	-	-
Business services	168,404	-	-	-
Central support services	26,858	-	-	-
Facilities acquisition and construction				-
Site acq and development	27,665	-	-	1,370,483
Other uses				
Debt service	95,572	-	-	-
Total governmental activities	<u>\$ 1,113,707</u>	<u>\$ 17,750</u>	<u>\$ 38,232</u>	<u>\$ 1,370,483</u>

General revenues
Property taxes, levied for general purposes
State school fund
Common school fund
Other restricted funds
Other federal revenue
Unrestricted investment earnings
Miscellaneous
Total general revenues
Changes in net position
Net position - beginning
Prior period adjustment
Net position - ending

The Notes to Basic Financial Statements are an integral part of these statements.

Net (Expense) Revenue and Change in Net Position	
Governmental Activities	
June 30, 2025	June 30, 2024
\$ (528,703)	\$ (446,790)
-	(8,352)
(6,469)	(1,849)
(7,429)	(33,768)
(12,499)	(18,474)
(81,974)	(82,948)
(102,152)	(45,844)
(168,404)	(138,688)
(26,858)	(19,089)
1,342,818	542,671
(95,572)	(81,727)
312,758	(334,858)
453,715	471,420
253,018	230,995
2,618	1,985
81,216	81,977
31,193	84,988
106,935	124,034
4,145	3,306
932,840	998,705
1,245,598	663,847
2,002,837	1,338,990
(16,233)	-
<u>\$ 3,232,202</u>	<u>\$ 2,002,837</u>

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2025
(With Comparative Totals for 2024)

	100 General Fund	200 Special Revenue Fund	300 Debt Service Fund	400 Capital Projects Fund
ASSETS				
Cash and investments	\$ 1,042,622	\$ 45,560	\$ 7,485	\$ 353,237
Receivables				
Property taxes	17,695	-	5,191	-
Other	1,309	1,747	-	-
Total assets	<u>\$ 1,061,626</u>	<u>\$ 47,307</u>	<u>\$ 12,676</u>	<u>\$ 353,237</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,848	\$ 12,892	\$ -	\$ 3,346
Accrued liabilities	36,683	3,990	-	-
Total liabilities	<u>39,531</u>	<u>16,882</u>	<u>0</u>	<u>3,346</u>
Deferred inflows of resources				
Unavailable property tax revenue	12,071	-	3,762	-
Total deferred inflows of resources	<u>12,071</u>	<u>0</u>	<u>3,762</u>	<u>0</u>
Fund balances				
Restricted	-	30,425	8,914	349,891
Assigned	704,094	-	-	-
Unassigned	305,930	-	-	-
Total fund balances	<u>1,010,024</u>	<u>30,425</u>	<u>8,914</u>	<u>349,891</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,061,626</u>	<u>\$ 47,307</u>	<u>\$ 12,676</u>	<u>\$ 353,237</u>

The Notes to Basic Financial Statements are an integral part of these statements.

Total	
June 30, 2025	June 30, 2024
\$ 1,448,904	\$ 2,684,934
22,886	18,054
3,056	358,433
<u>\$ 1,474,846</u>	<u>\$ 3,061,421</u>

\$ 19,086	\$ 30,111
<u>40,673</u>	<u>18,785</u>
<u>59,759</u>	<u>48,896</u>

<u>15,833</u>	<u>15,232</u>
<u>15,833</u>	<u>15,232</u>

389,230	2,010,883
704,094	682,518
<u>305,930</u>	<u>303,892</u>
<u>1,399,254</u>	<u>2,997,293</u>

<u>\$ 1,474,846</u>	<u>\$ 3,061,421</u>
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BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION**
June 30, 2025

Total Fund Balances		\$ 1,399,254
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 4,545,320	
Accumulated depreciation/amortization	<u>(316,540)</u>	4,228,780
A portion of the district's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds:		15,833
District's deferred outflows of resources related to pension/OPEB is not due and payable in the current period, therefore it is not recorded in the governmental funds.		283,065
District's net pension/OPEB liability is not due and payable in the current period, therefore it is not recorded in the governmental funds.		(668,428)
District's deferred inflows of resources related to pension/OPEB is not due and payable in the current period, therefore it is not recorded in the governmental funds.		(74,620)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. These liabilities consist of:		
Bonds payable		(1,930,000)
Compensated absences		<u>(21,682)</u>
Total Net Position		<u><u>\$ 3,232,202</u></u>

The Notes to Basic Financial Statements are an integral part of these statements.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)

	100 General Fund	200 Special Revenue Fund	300 Debt Service Fund	400 Capital Projects Fund
Revenues				
Taxes	\$ 334,738	\$ -	\$ 118,375	\$ -
Intergovernmental	256,187	129,473	7,598	1,370,484
Miscellaneous	85,759	20,937	-	35,154
Total revenues	<u>676,684</u>	<u>150,410</u>	<u>125,973</u>	<u>1,405,638</u>
Expenditures				
Current				
Instruction				
Regular programs	368,722	122,903	-	-
Special programs	-	-	-	-
Summer school programs	-	5,101	-	-
Support services				
Students	5,534	1,828	-	-
Instructional staff	59	19,291	-	-
General administration	52,553	27,140	-	-
School administration	84,118	-	-	-
Business services	154,418	516	-	-
Central support services	8,328	17,249	-	-
Facilities acquisition and construction				
Site acquisition and dev. services	-	-	-	2,963,412
Total expenditures	<u>673,732</u>	<u>194,028</u>	<u>0</u>	<u>2,963,412</u>
Excess of revenues over (under) expenditures	<u>2,952</u>	<u>(43,618)</u>	<u>125,973</u>	<u>(1,557,774)</u>
Other financing sources (uses)				
Operating transfers in	20,662	-	-	-
Operating transfers out	-	-	-	(20,662)
Bond proceeds	-	-	-	-
Debt service	-	-	(125,572)	-
Total other financing sources (uses)	<u>20,662</u>	<u>0</u>	<u>(125,572)</u>	<u>(20,662)</u>
Net change in fund balance	23,614	(43,618)	401	(1,578,436)
Available fund balance, July 1	986,410	74,043	8,513	1,928,327
Available fund balance, June 30 - by category				
Restricted	\$ -	\$ 30,425	\$ 8,914	\$ 349,891
Assigned	704,094	-	-	-
Unassigned	305,930	-	-	-
Available fund balance, June 30 - Total	<u>\$ 1,010,024</u>	<u>\$ 30,425</u>	<u>\$ 8,914</u>	<u>\$ 349,891</u>

The Notes to Basic Financial Statements are an integral part of these statements.

Total	
June 30, 2025	June 30, 2024
\$ 453,113	\$ 471,854
1,763,742	1,120,235
141,850	60,561
<u>2,358,705</u>	<u>1,652,650</u>
491,625	413,175
-	8,132
5,101	1,800
7,362	29,253
19,350	17,987
79,693	80,757
84,118	40,783
154,934	54,525
25,577	95,171
<u>2,963,412</u>	<u>806,397</u>
<u>3,831,172</u>	<u>1,547,980</u>
<u>(1,472,467)</u>	<u>104,670</u>
20,662	26,774
(20,662)	(26,774)
-	2,000,000
<u>(125,572)</u>	<u>(121,727)</u>
<u>(125,572)</u>	<u>1,878,273</u>
(1,598,039)	1,982,943
<u>2,997,293</u>	<u>1,014,350</u>
\$ 389,230	\$ 2,010,883
704,094	682,518
305,930	303,892
<u>\$ 1,399,254</u>	<u>\$ 2,997,293</u>

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
For the Year Ended
June 30, 2025

Net Change in Fund Balance	\$ (1,598,039)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital purchases.

Expenditures for capital assets	\$2,936,680	
Less current year depreciation/amortization	<u>(31,684)</u>	2,904,996

Current year PERS contributions are deferred outflows of resources that will be recognized expense in the subsequent period:	71,698
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Changes in net pension/OPEB liability, the related changes in deferred outflows and deferred inflows of resources are not recognized as expenses in the government funds:	(158,208)
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Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.	600
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The net change in the liability for compensated absences is reported in the statement of activities, but does not require the use of current financial resources; therefore, the change in the liability has been added to (deducted from) governmental activities.	(5,449)
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Long-term debt payments are reported as debt service expenditures in governmental funds. In the Statement of Activities, however, payment on long-term debt decreases liabilities.	30,000
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Change in Net Position	<u><u>\$ 1,245,598</u></u>
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The Notes to Basic Financial Statements are an integral part of these statements.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

Note 1. Summary of Significant Accounting Policies

School districts in the state of Oregon are created by legislative action. Black Butte School District No. 41 (the district) was organized under authority of ORS 332. The district is governed by a 5-member board of directors elected at large. The district operates a school for grades K-8. Students in grades 7-8 have the option of attending Sisters School District. Students in grades 9-12 attend Sisters High School, and are afforded access to additional college admissions prep, tutoring help, standardized testing classes, and help accessing local scholarship opportunities. Resident students are also encouraged to apply for funding for organized sports activities.

The accounting policies of the district conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of significant accounting policies used by the district in the preparation of the accompanying financial statements.

A. Reporting Entity

A five-member board of directors exercises governance responsibilities over all entities related to public elementary and secondary school education within the jurisdiction of the district as set by the state of Oregon. The board receives funding from local, state, and federal sources. However, the district is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

In evaluating how to define the district for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the primary government's financial accountability. The criteria used to determine financial accountability include whether the primary government appoints a voting majority, the primary government can impose its will on the component unit, whether there is financial benefit or burden on the primary government, and if the component unit has a fiscal dependency on the primary government. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the district is financially accountable. No other entities met requirements for inclusion in the district.

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the district. These statements include the governmental financial activities of the overall district. Eliminations have been made to minimize the double counting of internal activities.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

Governmental activities are financed primarily through property taxes, inter-governmental revenues, and charges for services.

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

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

Fund Financial Statements

The fund financial statements provide information about the district's funds. The emphasis of fund financial statements is on major governmental funds; each displayed in a separate column. The district has elected to treat all funds of the district as major.

The district 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 of the general government, except those required to be accounted for in another fund.

Special Revenues Fund – The Special Revenues Fund accounts for revenues and expenditures for specific educational purposes. Principal revenue sources are federal and state restricted grants.

Debt Service Fund – The Debt Service Fund accounts for property taxes collected to service debt service requirements on bonded debt.

Capital Projects Fund – The Capital Projects Fund accounts for revenues and expenditures for specific capital infrastructure projects. The primary source of revenue is bond funding.

C. Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the district receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the district funds

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the district's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The district considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Budgets and Budgetary Accounting

A budget is prepared for each district fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, enterprise and community services and contingencies by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. Appropriations lapse at June 30.

Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the board of directors. The budget for the General Fund and special revenue funds includes capital outlay expenditures in each program for capital outlay applicable to that program. The district does not utilize encumbrance accounting for budgeted funds.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

E. Deposits and Investments

The district's cash and cash equivalents are considered cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in savings accounts, the Oregon State Treasury Local Government Investment Pool, and the Jefferson County Local Government Investment Pool and allocated to each fund based on the excess cash each fund has deposited.

Oregon statutes and local ordinances authorize the district to invest (short-term and long-term) in certificates of deposit (considered investments for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the United States, U.S. agency issues, general obligations of the states of Oregon, Washington, Idaho and California, certain interest bearing bonds of a county, port or school district, certain interest bearing bonds on any city in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds. All investments are stated at market value.

F. Property Taxes Receivable

Property taxes assessed in prior years, but not yet collected or accrued, are reported on the balance sheet, but are offset by deferred revenue accounts. The district levies taxes on a fiscal year from July 1 to June 30. The current levy becomes a lien on July 1. Taxes are due November 15 and become delinquent May 15. Foreclosure is started three years after taxes become delinquent. The district turns all tax collection duties over to Jefferson County, Oregon.

The government reports deferred revenues on its governmental funds Balance Sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the district receives resources before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the district has a legal claim to the resources, the liability for deferred revenue is removed from the Balance Sheet and revenue is recognized.

G. Inventory

Inventories of supplies are charged to expenditures when purchased. The items in inventory remain at a relatively constant level and the amount is not material. No physical inventory of supplies was taken during the year.

H. Accounts and Other Receivables

Accounts and other receivables consist primarily of claims for reimbursement of costs under various federal and state grant programs. Due to the nature of the receivables and the likelihood of collection, no provision for uncollectible receivables has been made.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

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

I. Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The district defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. The cost of normal maintenance and repairs that do not add value to the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

School buses	10 years
Buildings and improvements	20 to 20 years
Equipment	5 to 10 years

J. Accumulated Compensated Absences

The district provides various forms of leave benefits to its employees, including sick leave, personal leave, and paid time off. Under GASB Statement No. 101, *Compensated Absences*, the district records a liability for leave when (1) the leave is attributable to services already rendered, (2) the leave accumulates, (3) the leave vests or is otherwise usable by the employee, and (4) payment or use is probable.

Sick Leave

Sick leave benefits accumulate from year to year in accordance with district policy and applicable collective bargaining agreements. Sick leave does not vest and is not paid out at termination; however, accumulated sick leave may be transferred to another Oregon school district when an employee accepts employment with that district. Employees are paid their regular salary when sick leave is used, and substitutes are hired as necessary.

Because accumulated sick leave represents leave that is expected to be used by employees in future periods, the district recognizes a liability for the probable future use of accumulated sick leave in accordance with GASB 101. The liability is measured based on historical usage patterns and current pay rates.

Paid Time Off (PTO) and Other Non-Accumulating Leave

The district also provides certain categories of paid time off and other short-term leave benefits that must be used in the year earned and do not accumulate or vest. These benefits are not payable upon termination.

Consistent with GASB 101, the district does not record a compensated absences liability for non-accumulating leave because employees do not retain rights to the leave beyond the reporting period.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The district has one item that qualifies for reporting in this category. It is the deferred amounts relating to pensions/OPEB. This amount is deferred and recognized as an outflow of resources in the period when the district recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has two items that qualify for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The district also reports deferred amounts related to pensions/OPEB. This amount is deferred and recognized as an inflow of resources in the period when the district recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position.

L. Pensions

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

M. Other Post-Employment Benefits (OPEB)

Certain district employees are participants in the State of Oregon Public Employees Retirement System (PERS) – Retirement Health Insurance Account (RHIA). Contributions to PERS RHIA are made on a current basis as required by the plan and are charged as expenses.

Additionally, the district offers eligible employees who elect early retirement payment of group medical insurance premiums. The district also allows eligible retirees to purchase health insurance at the same rate as active employees. Such costs are recorded as expenses in the General Fund and funded as premiums become due. No liability has been recorded as the district has not obtained an actuarial valuation for the present value of projected future benefits for retired and active employees.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

N. Use of Estimates

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

O. Rounding

The district financial statements, notes to the financial statements, and related tables and schedules display dollar amounts rounded to the nearest whole dollar. To improve communication among preparers, reviewers, and auditors during the preparation process, and to avoid excessive workload associated with the resolution of rounding errors, small differences may exist, and totals may not add. These differences have been reviewed and deemed trivial enough to not have an impact on the reader's experience.

P. Net Position and Fund Balances

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

- *Net investment in capital assets* – consists of net capital assets reduced by outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- *Restricted net position* – consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. The district's restricted net position of \$389,230 consists of resources restricted for education grants (\$30,425), debt service (\$8,914), and capital projects (\$349,891).
- *Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the district.

In the fund financial statements, governmental fund equity is classified in the following categories:

- *Non-Spendable* – includes items not immediately converted to cash, such as prepaid items and inventory.
- *Restricted* – represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- *Committed* – represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

- *Assigned* – represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- *Unassigned* – is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The district has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and lastly unassigned fund balance.

Q. Recent Accounting Pronouncements

The district implemented *GASB Statement No. 100, Accounting Changes and Error Corrections*, which provides guidance on accounting for and reporting of changes in accounting principles, changes in accounting estimates, and corrections of errors. GASB 100 clarifies the criteria for accounting changes and error corrections and establishes the reporting requirements in the financial statements. Implementation of this statement did not have a material effect on the district's financial position or results of operations.

The district also implemented *GASB Statement No. 101, Compensated Absences*, which updates guidance on accounting and financial reporting for compensated absences. This statement requires that liabilities for compensated absences (such as vacation and certain sick leave) be reported in the financial statements if the obligation is attributable to services already rendered and is not contingent on future events. The district has applied this guidance prospectively and has updated its policies for accruing and reporting compensated absences. The implementation of GASB 101 did not materially affect beginning net position.

Note 2. Deposits and Investments

At June 30, 2025 the carrying amount of the district's deposits was \$150,900 and the bank balance was \$161,260. The district maintains depository relationships with area financial institutions that are Federal Depository Insurance Corporation (FDIC) insured institutions. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's Oregon Public Funds Collateralization Program (PFCP) web site. Oregon Revised Statute Chapter 295 requires all Oregon bank depositories holding public fund deposits to maintain securities totaling a value not less than 110 percent of the greater of:

- a. All public funds held by the bank depository; or
- b. The average of the balances of public funds held by the bank depository, as shown on the last four immediately preceding treasurer reports.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

Custodial credit risk is the risk that in the event of a financial institution failure, the district's deposits may not be returned to it. The district does not have a policy for custodial credit risk. However, the balances in excess of the FDIC insurance are considered collateralized by PFCP. As of June 30, 2025 the district had no balances exposed to custodial credit risk.

As of June 30, 2025 the district had the following investments:

Investment	Maturities	Fair Value
Oregon State LGIP	Varies	\$ 341,549
Jefferson County LGIP	Varies	956,455
Total		<u>\$ 1,298,004</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Investments with the Local Government Investment Pool are not rated.

The Oregon Short Term Fund is the LGIP for local governments and was established by the Oregon State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council.

The district participates in the Jefferson County Treasurer's external investment pool, a non-SEC regulated, open-ended, no-load diversified portfolio created under Oregon Revised Statutes Chapter 294. The Treasurer has calculated the fair market value of the underlying investments of the pool, which approximates the carrying value. The portfolio's maturities are regulated by state statute and the County's investment policy. The pool is not rated for credit quality.

Note 3. Receivables

Receivables are presented net of reserve for bad debt (if any). The district expects all receivables to be collected within one year. Receivables are comprised of the following as of June 30, 2025:

Property taxes	\$ 22,886
Grants	3,056
Total	<u>\$ 25,942</u>

Note 4. Changes in Capital Assets

The following is a summary of changes in capital assets:

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Capital assets	Balance July 01, 2024	Additions	Deletions	Balance June 30, 2025
Capital assets not being depreciated				
Land	\$ 205,000	\$ -	\$ -	\$ 205,000
Construction in Progress	717,666	2,936,680	-	3,654,346
Total capital assets not being depreciated	922,666	2,936,680	0	3,859,346
Capital assets being depreciated				
Buildings and improvements	278,822	-	-	278,822
Equipment	407,152	-	-	407,152
Total depreciable capital assets	685,974	0	0	685,974
Accumulated depreciation				
Buildings and improvements	122,476	6,185	-	128,661
Equipment	162,380	25,499	-	187,879
Total accumulated depreciation	284,856	31,684	0	316,540
Net depreciable capital assets	401,118	(31,684)	0	369,434
Net capital assets	\$ 1,323,784	\$ 2,904,996	\$ 0	\$ 4,228,780

Depreciation expense has been allocated to the following functions on the Statement of Activities:

Instruction	
Regular programs	\$ 17,962
Summer programs	201
Supporting services	
Students	231
Instructional staff	622
General administration	2,551
School administration	3,179
Business services	5,241
Central support services	836
Facilities acquisition and construction	
Site acquisition and development	861
Total Depreciation Expense	\$ 31,684

Note 5. Changes in Long-term Debt

The following is a summary of changes in the long-term debt:

	Payable at July 01, 2024	Addition	Reduction	Payable at June 30, 2025	Due in One Year
GO Bond Payable	\$ 1,960,000	\$ -	\$ 30,000	\$ 1,930,000	\$ 40,000
Compensated Absences	16,233	5,449	-	21,682	21,682
Total Long-Term Debt	\$ 1,976,233	\$ 5,449	\$ 30,000	\$ 1,951,682	\$ 61,682

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Note 6. General Obligation Bond

The district's voters approved the issuance of \$2,000,000 in general obligation bonds in the May 2023 election. Terms of the bonds include semi-annual payments including 4.92% through June 2043. Total interest paid on the loan during the fiscal year was \$95,572. As of June 30, 2025, future payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 40,000	\$ 94,956	\$ 134,956
2027	45,000	92,988	137,988
2028	50,000	90,774	140,774
2029	55,000	88,314	143,314
2030	65,000	85,608	150,608
2031-2035	435,000	373,428	808,428
2036-2040	680,000	243,540	923,540
2040-2043	560,000	56,334	616,334
Total	<u>\$1,930,000</u>	<u>\$1,125,942</u>	<u>\$ 3,055,942</u>

Note 7. Compensated Absences

District employees earn paid time off for sick leave that carries over from year to year. In accordance with GASB Statement No. 101, *Compensated Absences*, the district recognizes a liability for the estimated expected use of accumulated sick leave.

The district estimates this liability based on a three-year lookback period, using historical usage patterns to determine the amount of accumulated sick leave expected to be used over the employees' service periods. The liability is measured at current pay rates.

The district has elected to report the net change in the compensated absences liability during the fiscal year rather than the gross increases and decreases, as permitted under GASB 101.

The following summarizes compensated absences activity for the fiscal year ended June 30, 2025:

Governmental Activities	Balance at July 01, 2024	Net Change	Balance at June 30, 2025	Estimated Amount Due within One Year
Compensated Absences	\$ 16,233	\$ 5,449	\$ 21,682	\$ 21,682
Total	<u>\$ 16,233</u>	<u>\$ 5,449</u>	<u>\$ 21,682</u>	<u>\$ 21,682</u>

Note 8. Defined Benefit Pension Plan

Name of pension plan

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

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Description of benefit terms

Plan Benefits

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

A. PERS Pension Chapter 238 (Tier One/Tier Two Retirement Benefit).

1. Pension Benefits

The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members on or after August 29, 2003.

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (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 result.

2. 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.

3. Disability Benefits

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

4. Benefit Changes After Retirement

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

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B. OPSRP Pension Program (OPSRP DB)

1. Pension Benefits

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

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:

- 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.

2. 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.

3. 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.

4. 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.

C. OPSRP Individual Account Program (OPSRP IAP)

1. 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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2. 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.

3. Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2022 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2023. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum unfunded actuarial liability payments to establish side accounts, and their rates have been reduced. Employer contributions for the year ended June 30, 2025 were \$71,698, excluding amounts to fund employer specific liabilities.

The rates, presented as a percentage of covered payroll, for the district in effect for the fiscal year ended June 30, 2025 were:

<u>Rate Category</u>	<u>Normal Cost Rate</u>	<u>Combined UAL Rate</u>	<u>Net Rate</u>
PERS general service	13.45%	13.33%	26.78%
OPSRP general service	8.64%	15.08%	23.72%

Pension Plan Comprehensive Annual Financial Report (ACFR)

Oregon PERS produces an independently audited ACFR which can be found at: <https://www.oregon.gov/pers/Documents/Financials/ACFR/2024-ACFR.pdf>.

Actuarial Valuations

The employer contribution rates effective July 1, 2023, through June 30, 2025, were set using the projected unit credit 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 amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions

Valuation date	December 31, 2022
Measurement date	June 30, 2024
Experience Study	2022, published July 24, 2023
Actuarial assumption:	
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%/0.15%) in accordance with <i>Moro</i> Decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disable Retiree, 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 reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2022 Experience Study which reviewed experience for the four-year period ending on December 31, 2022.

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 2023 the PERS Board reviewed long-term assumptions developed by both

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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/ACFR/2024-ACFR.pdf>.

Discount Rate

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

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

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

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
District's proportionate share of the net pension liability (asset)	\$ 1,073,542	\$ 680,551	\$ 351,402

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the district reported a liability of \$680,551 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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 school districts, actuarially determined. At June 30, 2024, the district's proportion was 0.00306179 percent.

For the year ended June 30, 2025, the district recognized pension expense of \$184,452. Pension expense includes the district's proportionate share of system pension expense (adjusted for

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amortization of deferred amounts) of \$164,431 and employee contributions picked up by the district of \$20,021.

At June 30, 2025, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,316	\$ 1,624
Changes in assumptions	68,423	88
Net difference between projected and actual earnings on pension plan investments	43,234	-
Changes in proportion and differences between District contributions and proportionate share of contributions	193,070	66,951
Total (prior to post-MD contributions)	345,043	68,663
District contributions subsequent to the measurement date	(62,457)	-
Net deferred outflow/(inflow) of resources	<u>\$ 213,923</u>	

\$62,457 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Deferred Outflow or (Inflow) of Resources
2026	\$ 46,887
2027	120,976
2028	67,358
2029	33,037
2030	8,122
Thereafter	-
Total	<u>\$ 276,380</u>

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Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2024 measurement date that would require a brief description under GASB 68.

Note 9. Other Post-Employment Benefits (OPEB) - RHIA

Plan Description

Organization

The Oregon Public Employees Retirement System administers the Retirement Health Insurance Account (RHIA) cost-sharing, multiple-employer defined benefit Other Post-Employment Benefit (OPEB) plan (the plan) for political subdivisions such as the District. Plan assets may be used to pay the benefits of the employees of any employer that provides OPEB through the plan.

Plan Membership

RHIA was established by ORS 238.420. The plan was closed to new entrants 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 (3) enroll in a PERS-sponsored health plan.

Contribution

Contributions are mandatory for each employer that is a member of PERS. For the fiscal year ended June 30, 2025, the district's contribution rate was 0.00 percent of PERS subject to wages. Employees are not required to contribute to the plan.

Net OPEB Liability

The district's net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022.

Actuarial Methods and Assumptions

Valuation date	December 31, 2022
Measurement date	June 30, 2024
Experience Study	2022, published July 24, 2023
Actuarial assumption:	
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	Health retirees: 32%; Disabled retirees: 20%
Healthcare cost trend rate	Not Applicable
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social

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	<p>Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</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 based on the 2022 Experience Study which reviewed experience for the four-year period ending on December 31, 2022.

Discount Rate

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

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in January 2023 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/ACFR/2024-ACFR.pdf>.

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

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

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
District's proportionate share of the net OPEB liability (asset)	\$ (11,222)	\$ (12,123)	\$ (12,899)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the district reported an asset of \$12,123 for its proportionate share of the net OPEB liability (asset). The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The district's proportion of the net OPEB liability 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 June 30, 2024, the district's proportion was .00300142 percent.

For the year ended June 30, 2025, the district recognized income of \$6,216. On June 30, 2025, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 237
Changes in assumptions	-	153
Net difference between projected and actual earnings on OPEB plan investments	342	-
Changes in proportion and differences between District contributions and proportionate share of contributions	137	5,567
Total	\$ 479	\$ 5,957

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

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Fiscal Year	Deferred outflow or (inflow) of Resources
2026	\$ (5,610)
2027	(93)
2028	185
2029	40
2030	-
Thereafter	-
Total	<u>\$ (5,478)</u>

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2024 measurement date that would require a brief description under GASB standard.

Note 10. Other Post-Employment Benefits (OPEB) – OEGB Health Insurance Subsidy

Plan Description

A single-employer retiree benefit plan that provides post-employment health benefits to eligible employees and their spouses. There are active and retired members in the plan.

The post-retirement healthcare plan is established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the district's implicit employer contribution.

The district did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

Funding Policy

The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the district to fund these benefits in advance.

Actuarial Valuation

The district did not obtain an actuarial valuation for the implicit rate subsidy for retiree medical insurance coverage. The actuarial valuation is required as a part of the implementation of GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result, no net OPEB liability/asset has been recorded for this implicit subsidy. The amount by which this departure would affect assets, liabilities, net position, and expenses of the governmental activities has not been determined.

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Note 11. Commitments and Contingencies

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

The district is dependent on the state of Oregon for a substantial portion of its operating funds. Due to funding uncertainties at the state level, future funding for school districts may be reduced. The ultimate effect of this possible reduction in funding on the district's future operations is not yet determinable.

Note 12. Risk Management

The district is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the district carries commercial insurance. The district does not engage in risk financing activities where the risk is retained (self-insurance). Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The district is exposed to risk of loss due to unemployment claims. Unemployment claims are administered through the state employment division and the district reimburses the state for all employment benefits paid out through the General Fund as claims are filed. The district does not have a policy for determining accruals for benefits or evaluating the adequacy of the cash balance. No accruals have been made for unpaid insurance claims.

Note 13. Fund Balance Classification

At year end the district's fund balances consisted of the following:

Fund Balances:	100 General Fund	200 Special Revenues Fund	300 Debt Service Fund	400 Capital Projects Fund	Total
Restricted fund balance					
<u>Restricted:</u>					
Education - grants	\$ -	\$ 30,425	\$ -	\$ -	\$ 30,425
Debt service	-	-	8,914	-	8,914
Capital projects	-	-	-	349,891	349,891
	<u>0</u>	<u>30,425</u>	<u>8,914</u>	<u>349,891</u>	<u>389,230</u>
Unrestricted fund balance					
<u>Assigned To:</u>					
PERS reserve	179,817	-	-	-	179,817
General reserve	439,372	-	-	-	439,372
Long term maintenance	84,905	-	-	-	84,905
	<u>704,094</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>704,094</u>
<u>Unassigned:</u>	<u>305,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>305,930</u>
Total fund balances	<u>\$ 1,010,024</u>	<u>\$ 30,425</u>	<u>\$ 8,914</u>	<u>\$ 349,891</u>	<u>\$ 1,399,254</u>

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Note 14. Interfund Transfers

Transfers between funds provide support for various district programs in accordance with budgetary authorizations. A transfer of \$20,662 was made from the Capital Projects Fund to reimburse the General Fund for capital activity. The details of interfund transfers for the fiscal year ended June 30, 2025, are as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 20,662
	Total Transfers	<u>\$ 20,662</u>

Note 15. Prior Period Adjustment

During the year ended June 30, 2025, the district implemented GASB Statement No. 101, *Compensated Absences*, which requires recognition of a liability for leave expected to be used in future periods rather than only leave expected to be paid or otherwise settled.

As a result of implementing this standard, the district recorded a beginning compensated absences liability of \$16,233, which had not been previously reported. This adjustment resulted in a decrease in beginning net position of \$16,233, reducing the balance of \$2,002,837 to \$1,986,604 in the government-wide financial statements. There was no impact on beginning fund balance because compensated absences are not recorded in governmental funds.

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REQUIRED SUPPLEMENTARY INFORMATION

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
OREGON PUBLIC RETIREMENT SYSTEM
Last 10 Fiscal Years*

Year Ended, June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (asset) (NPL/A)	(c) District covered payroll	(b/c) NPL/A as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	0.00306179%	\$ 680,551	\$ 400,841	169.78%	79.30%
2024	0.00270082%	\$ 505,882	\$ 418,598	120.85%	81.70%
2023	0.00270739%	\$ 414,556	\$ 371,179	111.69%	84.50%
2022	0.00154708%	\$ 185,131	\$ 397,850	46.53%	87.60%
2021	0.00262825%	\$ 573,575	\$ 300,335	190.98%	75.80%
2020	0.00245031%	\$ 423,845	\$ 205,368	206.38%	80.20%
2019	0.00205440%	\$ 311,215	\$ 178,483	174.37%	82.10%
2018	0.00247203%	\$ 333,231	\$ 154,213	216.08%	83.10%
2017	0.00335913%	\$ 504,283	\$ 173,525	290.61%	80.50%
2016	0.00339753%	\$ 195,068	\$ 183,862	106.09%	91.88%

* The amounts presented for each fiscal year were determined as of June 30.

SCHEDULE OF DISTRICT CONTRIBUTIONS
OREGON PUBLIC RETIREMENT SYSTEM
Last 10 Fiscal Years*

Year Ended, June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	District covered payroll	Contributions as a percent of covered payroll
2025	\$ 71,698	\$ 71,698	\$ -	\$ 415,894	17.24%
2024	\$ 64,630	\$ 64,630	\$ -	\$ 400,841	16.12%
2023	\$ 68,987	\$ 68,987	\$ -	\$ 418,598	16.48%
2022	\$ 68,476	\$ 68,476	\$ -	\$ 371,179	18.45%
2021	\$ 85,664	\$ 85,664	\$ -	\$ 397,850	21.53%
2020	\$ 53,981	\$ 53,981	\$ -	\$ 300,335	17.97%
2019	\$ 45,305	\$ 45,305	\$ -	\$ 205,368	22.06%
2018	\$ 42,193	\$ 42,193	\$ -	\$ 178,483	23.64%
2017	\$ 28,284	\$ 28,284	\$ -	\$ 154,213	18.34%
2016	\$ 29,829	\$ 29,829	\$ -	\$ 173,525	17.19%

* The amounts presented for each fiscal year were determined as of June 30.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
RETIREE HEALTH INSURANCE ACCOUNT PERS
Last 10 Fiscal Years*

Year Ended, June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net OPEB liability (asset) (NOL/A)	(c) District covered payroll	(b/c) NOL/A as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	0.00300142%	\$ (12,123)	\$ 400,841	-3.02%	220.60%
2024	0.00000000%	\$ -	\$ 418,598	0.00%	201.60%
2023	0.00033963%	\$ (1,207)	\$ 371,179	-0.33%	194.60%
2022	0.00000000%	\$ -	\$ 397,850	0.00%	183.90%
2021	0.00231634%	\$ (4,720)	\$ 300,335	-1.57%	150.10%
2020	0.00181948%	\$ (3,516)	\$ 205,368	-1.71%	64.90%
2019	0.00168159%	\$ (1,877)	\$ 178,483	-1.05%	123.99%
2018	0.00140764%	\$ (587)	\$ 154,213	-0.38%	108.90%

* The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

SCHEDULE OF DISTRICT CONTRIBUTIONS
RETIREE HEALTH INSURANCE ACCOUNT PERS
Last 10 Fiscal Years*

Year Ended, June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	District covered payroll	Contributions as a percent of covered payroll
2025	\$ -	\$ -	\$ -	\$ 415,894	0.00%
2024	\$ -	\$ -	\$ -	\$ 400,841	0.00%
2023	\$ 8	\$ 8	\$ -	\$ 418,598	0.00%
2022	\$ 8	\$ 8	\$ -	\$ 371,179	0.00%
2021	\$ 147	\$ 147	\$ -	\$ 397,850	0.04%
2020	\$ 903	\$ 903	\$ -	\$ 300,335	0.30%
2019	\$ 807	\$ 807	\$ -	\$ 205,368	0.39%
2018	\$ 701	\$ 701	\$ -	\$ 178,483	0.39%

* The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND - 100
For the Year Ended
June 30, 2025

	Actual	Budget		(Over) Under
		Original	Final	Budget
Revenues				
Taxes	\$ 334,738	\$ 353,659	\$ 353,659	\$ 18,921
Local sources	85,759	48,100	48,100	(37,659)
Intermediate sources	420	-	-	(420)
State sources	255,636	247,051	247,051	(8,585)
Federal sources	131	500	500	369
Total revenues	<u>676,684</u>	<u>649,310</u>	<u>649,310</u>	<u>(27,374)</u>
Expenditures				
1000 Instruction	368,722	354,616	414,616	45,894
2000 Supporting services	305,010	413,336	353,336	48,326
4000 Facilities acq. and construction	-	19,000	19,000	19,000
6000 Contingency	-	405,358	405,358	405,358
Total expenditures	<u>673,732</u>	<u>1,192,310</u>	<u>1,192,310</u>	<u>518,578</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,952</u>	<u>(543,000)</u>	<u>(543,000)</u>	<u>(545,952)</u>
Other financing sources (uses)				
Operating transfers in	20,662	-	-	(20,662)
Operating transfers out	-	(400,000)	(400,000)	(400,000)
Total other financing sources (uses)	<u>20,662</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>(420,662)</u>
Total change in fund balance	23,614	(943,000)	(943,000)	(966,614)
Fund balance at beginning of year	<u>986,410</u>	<u>943,000</u>	<u>943,000</u>	<u>(43,410)</u>
Fund balance at end of year	<u>\$ 1,010,024</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,010,024)</u>

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE **FUND** - 200
For the Year Ended
June 30, 2025

	Actual	Budget		(Over) Under
		Original	Final	Budget
Revenues				
Local sources	\$ 20,937	\$ -	\$ -	\$ (20,937)
Intermediate sources	9,199	-	-	(9,199)
State sources	89,212	93,761	93,761	4,549
Federal sources	31,062	24,635	24,635	(6,427)
Total revenues	<u>150,410</u>	<u>118,396</u>	<u>118,396</u>	<u>(32,014)</u>
Expenditures				
1000 Instruction	128,004	81,366	121,366	(6,638)
2000 Supporting services	66,024	123,022	83,022	16,998
Total expenditures	<u>194,028</u>	<u>204,388</u>	<u>204,388</u>	<u>10,360</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balance	(43,618)	(85,992)	(85,992)	(42,374)
Fund balance at beginning of year	<u>74,043</u>	<u>85,992</u>	<u>85,992</u>	<u>11,949</u>
Fund balance at end of year	<u>\$ 30,425</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (30,425)</u>

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
For the Year Ended
June 30, 2025

In accordance with Oregon Revised Statutes, the board of directors annually adopts a budget following required public notice and hearing for all funds except private purpose trust and agency funds. The budget may be amended during the year through statutorily prescribed procedures. The district's budget is prepared on the modified accrual or GAAP basis of accounting. Appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon major classes of expenditures known as functions within each fund. The functions include: instruction, support services, enterprise and community services, facilities acquisition and construction, debt services, contingencies and transfers. There was one budget amendment adopted for the General Fund and Special Revenue Fund during the year.

During the year ended June 30, 2025, disbursements in the major funds were within certified budget amounts in all functions with exception of the following:

Special Revenue Fund	1000 Instruction	\$6,638
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SUPPLEMENTARY SCHEDULES

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended
June 30, 2025

	Actual	Budget		(Over) Under
		Original	Final	Budget
Revenues				
Taxes	\$ 118,375	\$ 130,000	\$ 130,000	\$ 11,625
Local sources	7,598	2,000	2,000	(5,598)
Total revenues	125,973	132,000	132,000	6,027
Expenditures				
2000 Support services	-	50	50	50
6000 Contingency	-	10,518	10,518	10,518
Total expenditures	0	10,568	10,568	10,568
Excess (deficiency) of revenues over (under) expenditures	125,973	121,432	121,432	(4,541)
Other financing sources (uses)				
Debt service	(125,572)	(126,432)	(126,432)	(860)
Total other financing sources (uses)	(125,572)	(126,432)	(126,432)	(860)
Total change in fund balance	401	(5,000)	(5,000)	(5,401)
Fund balance at beginning of year	8,513	5,000	5,000	(3,513)
Fund balance at end of year	\$ 8,914	\$ 0	\$ 0	\$ (8,914)

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended
June 30, 2025

	Actual	Budget		(Over) Under
		Original	Final	Budget
Revenues				
Local sources	\$ 35,154	\$ 45,500	\$ 45,500	\$ 10,346
State sources	1,370,484	1,700,000	1,700,000	329,516
Total revenues	1,405,638	1,745,500	1,745,500	339,862
Expenditures				
2000 Support services	-	1,000	1,000	1,000
4000 Facilities acquisition and const	2,963,412	4,144,500	4,144,500	1,181,088
Total expenditures	2,963,412	4,145,500	4,145,500	1,182,088
Excess (deficiency) of revenues over (under) expenditures	(1,557,774)	(2,400,000)	(2,400,000)	(842,226)
Other financing sources (uses)				
Operating transfers in	-	400,000	400,000	400,000
Operating transfers out	(20,662)	-	-	20,662
Total other financing sources (uses)	(20,662)	400,000	400,000	420,662
Total change in fund balance	(1,578,436)	(2,000,000)	(2,000,000)	(421,564)
Fund balance at beginning of year	1,928,327	2,000,000	2,000,000	71,673
Fund balance at end of year	\$ 349,891	\$ 0	\$ 0	\$ (349,891)

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
OREGON DEPARTMENT OF EDUCATION REQUIRED INFORMATION
FORM 581-3211 - SUPPLEMENTAL INFORMATION
June 30, 2025

A. Energy bills for heating – Enter expenditures for electricity and heating fuel for these functions and objects.

Function	Objects 325, 326, and 327
2540	\$ 6,034
2550	\$ 3,782

B. Replacement of equipment - general fund expenditures for objects 542, except for the following exclusions:

\$	0
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Exclude these functions:

1113 Co-curricular activities
1122 Co-curricular activities
1132 Co-curricular activities
1140 Pre-kindergarten
1300 Adult/continuing education
1400 Summer school
2550 Student transportation
3100 Food services
3300 Community services
4150 Construction

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2025

<u>Program Title</u>	<u>Pass Through Organization</u>	<u>Federal Assistance Listing Number</u>	<u>Pass Through Entity Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture				
Forest service schools and roads cluster				
Federal forest fees	Jefferson County	10.666	N/A	<u>\$ 131</u>
Total forest service schools and roads cluster				<u>131</u>
Total Department of Agriculture				<u>131</u>
U.S. Department of Education				
Special Education - Grants to States	ODE	84.027	77924	1,219
Small Rural Schools Achievement Program	Direct	84.358A	S358A243302	26,034
Supporting Effective Instruction - State				
Grants	ODE	84.367	82379	887
COVID-19 ESSER III	ODE	84.425U	64840	<u>2,922</u>
Total Department of Education				<u>31,062</u>
Total federal assistance				<u><u>\$ 31,193</u></u>

See accompanying notes to the schedule of expenditures of federal awards

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2025

Note 1. Purpose of the Schedule

The accompanying schedule of expenditures of federal awards (SEFA) is a supplementary schedule to the district financial statements and is presented for purposes of additional analysis. Because the schedule presents only a selected portion of the activities of the district, it is not intended to and does not present the financial position or changes in fund balances of the district.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The SEFA includes the federal grant activity for the district and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

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, 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.

Federal Forest Fees

Federal forest fees considered federal revenues are included in the schedule due to requirements of the Oregon Department of Education. However, these expenditures are not subject to Uniform Guidance and there are no applicable compliance requirements once these funds are passed to the district. Based on guidance from the oversight agency, the Oregon Department of Education, and the United States Department of Agriculture, a single audit has not been completed because the total federal revenues, not including forest fees, are less than \$750,000.

Reporting Entity

The reporting entity is fully described in the notes to financial statements. The schedule includes all federal programs administered by the district for the year ended June 30, 2025.

Indirect Cost Rate

The district has not elected to use the 10% de minimis indirect cost rate.

Subrecipients

The district did not pass any federal funds to subrecipients during the year ended June 30, 2025.

CONTINUING DISCLOSURE REQUIREMENTS
FOR BONDED DEBT

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
For the Year Ended
June 30, 2025

2024-25 Assessed valuation of taxable property \$ 120,439,061

Tax rate (Dollars per \$1,000 assessed value) \$ 3.0137

Ratio of annual debt service requirements for bonded debt to total General Fund Expenditures and Transfers:

	<u>Principal</u>	<u>Interest</u>	<u>Total Bonded Debt Service</u>	<u>General Fund Expenditures and Transfers</u>	<u>Ratio of Debt Service to General Fund Expenditures and Transfers</u>
2024-25	\$ 40,000	\$ 95,572	\$ 135,572	\$ 673,731	20.12%

Ratio of Net Bonded Debt to Assessed Value:

	<u>Assessed Valuation</u>	<u>Net Bonded Debt (1)</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>
2024-25	\$120,439,061	\$1,921,086	1.60%

(1) Computed as gross bonded debt less amount available for retirement of debt in Debt Service Fund

Principal Taxpayers for Black Butte School District No. 41

	<u>Assessed Valuation</u>	<u>Percent of Total County Value</u>
<u>Private Enterprises</u>		
SL Resort LLC	\$ 2,465,170	2.05%
Lake Creek Partners LLC Et Al	2,370,910	1.97%
Metolius LLC	2,395,410	1.99%
Souza Bradley & Shellie Ann Revoc Trust	1,129,270	0.94%
Cold Springs Hideaway LLC	967,140	0.80%
Lake Creek Partners LLC	950,618	0.79%
AT&T, Inc	836,008	0.69%
Warner/Korish LLC	816,410	0.68%
Wieden, Dan G. Revocable Trust	796,120	0.66%
Ellsworth, Michael J and Barbara J	734,350	0.61%
<u>All other taxpayers</u>	<u>\$106,977,655</u>	<u>88.82%</u>
Total	<u>\$120,439,061</u>	<u>100.00%</u>

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
For the Year Ended
June 30, 2025

Summary of General Fund State Revenue:

	State Sources	State Sources as % of Total Revenues	Total Revenues
2024-25	\$ 255,636	36.66%	\$ 697,346

Computation of Legal Debt Margin:

Real Market Value	\$ 391,692,002
Allowable proportion	0.0495
Debt limit: 4.95% of real market value (1)	<u>19,388,754</u>
Amount of debt applicable to debt limit:	
Bonded debt	\$ 1,930,000
Less: amount available in debt service funds	<u>(8,914)</u>
Amount of debt applicable to debt limit	<u>\$ 1,921,086</u>
Legal debt margin	<u><u>\$ 17,467,668</u></u>

(1) ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Aggregates are governed by real market values of all taxable properties within the district based on the following:

- A. For each grade from kindergarten to eighth for which the district operates schools, fifty-five one-hundredths of one percent of the real market value.
- B. For each grade from ninth to twelfth for which the district operates schools, seventy-five one-hundredths of one percent of the real market value.

Allowable percentage of real market value:

A. Kindergarten through eighth grade, 9 x .0055	4.95%
B. Ninth through twelfth, 4 x .0075	3.00%
Allowable percentage	<u><u>7.95%</u></u>

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REPORT REQUIRED BY
OREGON STATE REGULATIONS

REPORT REQUIRED BY OREGON STATE REGULATIONS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Black Butte School District No. 41
Camp Sherman, Jefferson County, Oregon

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 basic financial statements of the Black Butte School District 41 (the district) as of and for the year ended June 30, 2025, and have issued our report thereon dated December 3, 2025.

COMPLIANCE

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

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).
- State school fund factors 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, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except for the following:

- Expenditures exceeded appropriations in the following funds and functions
 - ✓ Special Revenue Fund 1000 Instruction \$6,638
 - ✓ Capital Projects Fund 5000 Transfers \$20,662
- Transfer from the Capital Projects Fund to the General Fund was not authorized by resolution that pre-dates the transfer (ORS 294.463)

OAR 162-10-0230 INTERNAL CONTROL

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

Our 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* dated December 3, 2025, is presented under separate cover.

RESTRICTIONS ON USE

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



For Solutions, CPAs PC
John Day, Oregon
December 3, 2025

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REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Black Butte School District No. 41
Camp Sherman, Jefferson County, Oregon

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, each major fund, and the aggregate remaining fund information of Black Butte School District No. 41 (the district), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the district's basic financial statements, and have issued our report thereon dated December 3, 2025.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 district's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-002 to be a material weakness.

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 responses as item 2025-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the district in a separate letter dated December 3, 2025.

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the district'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 black ink, appearing to read "John Day", with a long horizontal flourish extending to the right.

For Solutions, CPAs PC
John Day, Oregon
December 3, 2025

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SCHEDULE OF FINDINGS AND RESPONSES

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2025

SIGNIFICANT DEFICIENCY IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2025-001

Segregation of Duties

Criteria: Custody, recording, and authorization functions should be segregated among different personnel over each significant transaction cycle when possible to provide adequate internal control for the prevention, detection, and correction of error or fraud.

Condition: Our evaluation of the district's internal control structure disclosed that the district does not have adequate segregation of duties. Accounting duties for main transaction cycles are concentrated on one individual which result in incompatible functions to provide proper segregation of duties.

Cause: The number of district employees has been limited due to the extent of various program activities.

Effect: Without separation of critical duties, accounting errors or fraud may not be prevented, detected, or corrected in a timely manner.

Recommendations: We acknowledge that a complete separation of duties (such as treasury functions from accounting functions) is not possible due to staffing limitations. We recommend, however, that management review accounting positions and functions to identify specific duties that could be separated among the available personnel to achieve the strongest control possible under the circumstances.

In order to achieve adequate segregation of duties the internal control structure will need to be distributed among all available employees and directors. Those whose duties have traditionally been limited to oversight duties will need to be involved at some level with the treasury or accounting function.

With some thought and creativity, we are confident that you will be able to identify specific areas where segregation should occur and the steps necessary to achieve this segregation. We are available to assist you in this process through analysis and training where needed.

Responsible Official's Response: Management understands the importance of segregation of duties and the need to address these matters in an informed, cost-beneficial way. As a result of our cost-benefit analysis we have determined the value of incurring the additional expense of hiring a staff person in order to provide additional segregation of duties does not justify the cost. In the future, we will continue to review our processes and attempt to identify ways to involve other employees and directors in order to improve our segregation.

BLACK BUTTE SCHOOL DISTRICT NO. 41
Jefferson County, Oregon
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2025

MATERIAL WEAKNESS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2025-002

Financial Statement Preparation

Criteria: The financial statements are the responsibility of the district's management, including the prevention or detection of material misstatements in the presentation and disclosure of the financial statements. Non-audit services performed by the auditor in the preparation of the financial statements cannot be considered compensating controls.

Condition: The district engages their auditors to provide non-audit services for the preparation of its financial statements. Although common for municipalities the size of the district, this condition represents a control deficiency over the financial reporting process that is required to be reported under professional standards as long as management makes all financial reporting decisions and accepts responsibility for the content of the financial statements. However, those activities performed by the auditor are not a substitute for, or extension of, internal controls over the preparation of the financial statements in accordance with the modified cash basis of accounting.

Cause: The district's accounting personnel do not possess the advanced training that would provide the expertise necessary to prepare the financial statements and related notes in accordance with the modified cash basis of accounting and therefore may not be able to prevent or detect a material misstatement in the preparation and disclosure of the financial statements. Misstatements in financial statements may include not only misstated financial amounts, but also the omission of required disclosures.

Effect: Material misstatement in the preparation and disclosure of the financial statements in accordance with the modified cash basis of accounting may not be prevented or detected. Misstatements in financial statements include not only misstated dollar amounts, but also the omission of required disclosures.

Recommendations: We understand that it may not be practical to acquire or allocate the internal resources to perform all of the controls necessary over financial reporting. However, management (including the district council) should mitigate this deficiency by keeping informed about the district's internal controls, performing supervisory reviews, studying the financial statements and related footnote disclosures, and understanding its responsibility for the financial statements as a whole.

This deficiency is related specifically to the preparation of basis financial statements and does not adversely affect the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with their budget basis of accounting.

Responsible Official's Response: We understand the importance of risk management and the need to address risks in an informed, cost-beneficial way. As a result of our cost-benefit analysis we have determined the value of incurring the additional expense of hiring a staff person or another firm to prepare our financial statements does not justify the cost.