

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

Financial Statements
and Supplementary Information

Year Ended June 30, 2022

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS OF THE DISTRICT	i
FINANCIAL SECTION:	
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Position	10
Statement of Activities	11
FUND FINANCIAL STATEMENTS:	
Balance Sheet – Governmental Funds	12
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities	15
Statements of Revenues, Expenditures and Change in Fund Balance – Budget and Actual:	
General Fund	16
Food Services Fund	17
Special Revenue Fund	18
NOTES TO BASIC FINANCIAL STATEMENTS	19
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of the Proportionate Share of the Net Pension Liability (Asset) Oregon Public Employees Retirement System	42
Schedule of Pension Contributions Oregon Public Employees Retirement System	43
Schedule of the Proportionate Share of the Net OPEB Liability (Asset) Oregon Public Employees Retirement System	44
Schedule of OPEB Contributions Oregon Public Employees Retirement System	45
Schedule of Changes in Total OPEB Liability and Related Ratios Implicit Rate Subsidy	46
Notes to Required Supplementary Information	47

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

TABLE OF CONTENTS

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION:	
Schedules of Revenues, Expenditures and Change in Fund Balance – Budget and Actual:	
Debt Service Fund	48
Capital Projects Fund	49
Supplemental Information as Required by the Oregon Department of Education	50
Marion County Tax Information and Historical ADM Information	51
SINGLE AUDIT SECTION:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	52
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	54
Schedule of Expenditures of Federal Awards	57
Schedule of Findings and Questioned Costs	59
Schedule of Prior Audit Findings	61
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH OREGON STATE REGULATIONS	62

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

OFFICIALS OF THE DISTRICT

YEAR ENDED JUNE 30, 2022

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Glenn Holum	Chair	June 30, 2025
Heidi Torian	Vice-Chair	June 30, 2025
Bill Graupp	Director	June 30, 2025
Kristi Buckland	Director	June 30, 2023
Crystal Rostocil	Director	June 30, 2023
Richard Goddard	Director	June 30, 2025
Ricardo Verastegui	Director	June 30, 2023

DISTRICT ADMINISTRATION

Ginger Redlinger Superintendent/Clerk
Linda Murray Business Manager/Deputy Clerk

SCHOOL DISTRICT MAILING ADDRESS

20256 Grim Rd. NE
Aurora, OR 97002

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



Talbot, Korvola & Warwick, LLP 14945 SW Sequoia Parkway, Suite 150 Portland, OR 97224
P 503.274.2849 F 503.274.2853 www.tkw.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Marion School District No. 15
Aurora, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the North Marion School District No. 15, Marion County, Oregon (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2022, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, Food Services Fund, and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability (Asset) Oregon Public Employees Retirement System, Schedule of Pension Contributions Oregon Public Retirement System, Schedule of Proportionate Share of the Net OPEB Liability (Asset) Oregon Public Employees Retirement System, Schedule of OPEB Contributions Oregon Public Retirement System, Schedule of Changes in Total OPEB Liability and Related Ratios Implicit Rate Subsidy, and Notes to Required Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 other schedules listed in the Table of Contents as Supplementary Information, and the Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Supplementary Information and the SEFA are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated November 7, 2022, 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 that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



For Talbot, Korvola & Warwick, LLP
Portland, Oregon
November 7, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

As management of North Marion School District 15 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows at June 30, 2022, by \$2.19 million. Of this amount, \$21.5 million represents the District's investment in capital assets; \$876 thousand is restricted for debt service; \$454 thousand is restricted for student body funds, \$434 thousand is restricted for energy savings projects; \$528 thousand is restricted for uses required for construction excise tax; \$550 thousand is restricted for food services; \$18 thousand is restricted for special projects; \$427 thousand is restricted for OPEB and a negative \$22.6 million is unrestricted.
- The District's governmental funds report combined ending fund balances of \$6.31 million. This is an increase of \$798 thousand over last year. This increase can be attributed to multiple funds. Approximate changes included the Food Service Fund saw an increase of \$216 thousand due to increased revenue, the Debt Service fund increased by \$259 thousand mostly due to the issuance of a second PERS UAL bond, the Capital projects fund decreased by \$418 thousand mostly due to construction costs and the use of our bond proceeds and finally the General Fund saw an increase of \$729 thousand mostly due to the fact that the collective bargaining agreement with licensed employees with a payout that included administrators and confidential employees of approximately \$1.02 million was not settled until August 2022.
- At the end of the fiscal year, fund balance for the General Fund was \$3.4 million, or about 16.2 percent of total General Fund expenditures, excluding the lump sum PERS UAL payment. This is an increase of approximately \$729 thousand in the ending fund balance from the prior year. As explained above this increase is mostly due to the timing of the negotiations settlement and would have been less had the collective bargaining agreement with licensed employee been signed before June 30, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Statement of Net Position. The *Statement of Net Position* presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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 will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, pension obligations and other postemployment benefits).

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- *Governmental activities.* All of the District's basic functions are shown here, such as regular and special education, food services, transportation, and administration. These activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues.

The government-wide financial statements can be found on pages 10 and 11 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 grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The North Marion School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of 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 government's near-term financing decisions. The Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the Government-wide Statements of Net Position and Activities.

The District maintains five individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Food Services, Special Revenue, Debt Service Funds and Capital Projects Fund.

The basic governmental fund financial statements can be found on pages 12 through 18 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 41 of this report.

Required Supplementary Information. This includes the Schedule of the Proportionate Share of Net Pension Liability (Asset) Oregon Public Employees Retirement System, the Schedule of Pension Contributions Oregon Public Employees Retirement System, Schedule of the Proportionate Share of Net OPEB Liability (Asset) Oregon Public Employees Retirement System, Schedule of OPEB Contributions Oregon Public Employees Retirement System, and Schedule of Changes in Total OPEB Liability and Related Ratios Implicit Rate Subsidy and the Notes to Required Supplementary Information.

Other information. Schedules presenting detailed budgetary information for the Debt Service Fund, Capital Projects Fund and other supplementary information can be found on pages 48 through 51 of this report. The District's budget is prepared on the modified accrual basis of accounting.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$2.19 million at June 30, 2022.

Capital assets, which consist of the District's land, buildings, improvements and equipment and vehicles, represent about 88 percent of total assets. The remaining assets consist mainly of cash, grants and property taxes receivable.

The District's largest liabilities are the net pension liability and for the repayment of general obligation and limited tax pension bonds. The net pension liability decreased by \$9.01 million, primarily as a result of changes in Plan assumptions and investment earnings. Bond payables increased by \$13.7 million due to the issuance of Pension Obligation Bonds in the fiscal year ended June 30, 2022. Current liabilities consist mostly of accrued payables, unearned revenue, and the current portion of long-term debt.

A large portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, vehicles and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students and other District residents; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (primarily property taxes), since the capital assets themselves cannot be used to liquidate these liabilities. As the District continued its projects, it caused current assets to decrease to fund the construction of capital assets.

Statement of Net Position
(in millions)

	2022	2021	Change from 2021
Current and other assets	\$ 8.64	\$ 8.06	\$ 0.58
Capital assets	64.88	66.13	(1.25)
Total assets	<u>73.52</u>	<u>74.19</u>	<u>(0.67)</u>
Deferred outflows	19.48	6.05	13.43
Current liabilities	3.69	3.44	0.25
Long-term liabilities	77.84	73.68	4.16
Total liabilities	<u>81.53</u>	<u>77.12</u>	<u>4.41</u>
Deferred inflows	9.28	1.69	7.59
Net position:			
Net investment in capital assets	21.52	22.21	(0.69)
Restricted for debt service	0.88	0.61	0.27
Restricted for CET projects	0.53	0.49	0.04
Restricted for energy savings	0.43	0.39	0.04
Restricted for student body funds	0.45	0.49	(0.04)
Restricted for food service	0.55	-	0.55
Restricted for OBEB	0.43	0.35	0.08
Restricted for special projects	0.02	0.02	-
Unrestricted	<u>(22.62)</u>	<u>(23.13)</u>	<u>0.51</u>
Total net position	<u>\$ 2.19</u>	<u>\$ 1.43</u>	<u>\$ 0.76</u>

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities. In comparison to last year, the District's revenues increased by \$1.41 million while expenses decreased by \$229 thousand. The increase in District revenues can be attributed to an increase in unrestricted state and local sources while the decrease in expenses can be attributed the late settlement of negotiations as mentioned earlier in this report.

Statement of Activities
(in millions)

	<u>2022</u>	<u>2021</u>	<u>Change from 2021</u>
General revenues	\$ 25.48	\$ 24.14	\$ 1.34
Expenses	(27.99)	(28.22)	0.23
Charges for services	0.48	0.24	0.24
Operating grants and contributions	2.79	2.78	0.01
Capital grants and contributions	-	0.18	(0.18)
Change in net position	0.76	(0.88)	1.64
Beginning net position	1.43	2.31	(0.88)
Ending net position	<u>\$ 2.19</u>	<u>\$ 1.43</u>	<u>\$ 0.76</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds. The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements.

GASB reporting requirements require an analysis and breakdown of ending fund balance between five fund balance categories, Non-spendable, Restricted, Committed, Assigned and Unassigned. Below is a brief explanation of each of these fund balance categories:

- Non-Spendable – Includes items not immediately convertible to cash, such as prepaid items and inventory.
- Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- Committed – Includes committed by the District's Board of Directors, by formal board action.
- Assigned – Includes items assigned for specific uses, authorized by the District's Superintendent and/or Business Manager.
- Unassigned – This is the residual classification used for those balances not assigned to another category.

Under GASB 54, the General Fund is the only fund type that should have an unassigned balance. (Any fund may have an unassigned deficit.) Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. See Note 10 for the breakdown of ending fund balance by category. Total combined ending fund balances of \$6.31 million represents an increase of \$798 thousand in comparison with the prior year for reasons already mentioned in the financial highlights earlier in this section.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

General Fund. The General Fund is the chief operating fund of the district. As of June 30, 2022, the ending fund balance was \$3.41 million, up from \$2.69 million as of June 30, 2021.

As a measure of the fund's liquidity, it may be useful to compare ending fund balances to total fund expenditure. The ending fund balance represents about 16.2 percent of General Fund expenditures, excluding the lump sum PERS UAL payment. The higher fund balance is mostly due to the fact negotiations with one of the District's unions had not been concluded as of fiscal year end and was expected to include a payout. A goal of the District has been to achieve and maintain a 10 percent fund liquidity to expenditures. In an effort to be fiscally prudent, the District will continue to set aside fund balance to maintain our financial solvency due to PERS rate uncertainties, as well as potential increases in personnel costs from staffing requirements and negotiations settlements provide cautionary signals that require us to maintain a conservative financial position.

Expenditures in the General Fund were approximately \$2.7 million less than budgeted when including the budgeted contingency of \$741 thousand or \$1.9 million less than budgeted when excluding the budgeted contingency. This difference is mostly due to the negotiations settlement being paid out in the fiscal year ending June 30, 2023 rather than the current fiscal year as previously mentioned.

Actual expenditures were within budgeted amounts for fiscal year ended June 30, 2022.

**General Fund
Actual Expenditures vs. Budget
(in millions)
Year Ended June 30, 2022**

	<u>Actual</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
Instruction	\$ 11.79	\$ 13.06	\$ 1.27
Support services	9.30	9.51	0.21
Other Uses	15.20	15.64	0.44
Contingency	-	0.74	0.74
Total Expenditures	<u>\$ 36.29</u>	<u>\$ 38.95</u>	<u>\$ 2.66</u>

Food Services Fund. The Food Services Fund balance is \$550 thousand at June 30, 2022, as compared to a fund balance of \$334 thousand at June 30, 2021. This increase is mostly due to federal regulations allowing federal funding to be used to provide free meals for all students.

Special Revenue Fund. The Special Revenue Fund has a fund balance of \$918 thousand at June 30, 2022, most of which is restricted for Student Body Funds, as compared to \$905 thousand at June 30, 2021.

Debt Service Fund. The Debt Service Fund has a fund balance of \$825 thousand at June 30, 2022, all of which is restricted for the payment of debt service, as compared to \$566 thousand at June 30, 2021.

Capital Projects Fund. The Capital Projects Fund's fund balance decreased from \$1.02 million at June 30, 2021 to \$601 thousand at June 30, 2022 due to expenditures to construct fixed assets.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment. As of June 30, 2022, the District had invested approximately 64.88 million in capital assets, net of depreciation, as shown in the following table:

Capital Assets (in millions)	
<u>June 30, 2022</u>	<u>Actual</u>
Land	\$ 1.11
Construction in progress	0.44
Buildings and improvements	62.82
Furniture, fixtures, and equipment	<u>0.51</u>
Total	<u>\$ 64.88</u>

Further information about capital assets may be found in Note 4.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$65 million, consisting of general obligation bonds and limited tax pension bonds. State statutes limit the amount of general obligation debt the District may issue to approximately 7.95 percent of the real market value of all taxable property within the District. The current debt limitation for the District is approximately \$197 million, which is in excess of the District's outstanding general obligation debt. Further information on long-term debt can be found in Note 5.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor for the District is the State of Oregon's State School Fund. Oregon school funding is based on the numbers and classifications of students served during the course of a school year and is referred to as ADMw. The Fund includes local resources (primarily property taxes) and state sources (primarily personal and business income taxes). Approximately 78 percent of the District's General Fund revenue came from the State School Fund during the year ended June 30, 2022.

The District's 2022-2023 General Fund budget is approximately \$14.23 million less than the prior year due to the issuance of a pension obligation bond and related lump sum PERS UAL payment in the year ended June 30, 2022. Debt service requirements are met by local property tax collections. Property tax collections have been consistent with prior years' experience and budget requirements. PERS bond requirements are met by intercept payments from the State of Oregon to Wells Fargo and US Bank as a deduction of our State School Fund.

Declining enrollment and ADMw, along with increasing PERS costs create additional challenges to the district when seeking to maintain stable school funding. The costs of increases due to labor negotiations results in a growing concern over our ability to maintain current service levels and staff. We are encouraged by the passing of the Student Success Act and the funding stream it is providing to help stabilize support and services for students. Enrollment continues to decline as families have found alternatives for schooling their children that started with the onset of COVID. As has been in recent years, the District will continue working to maintain a conservative spending pattern.

REQUESTS FOR INFORMATION

This financial report is designed to present the users (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Business Manager at 20256 Grim Road N.E., Aurora, Oregon 97002.

BASIC FINANCIAL STATEMENTS

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

STATEMENT OF NET POSITION

JUNE 30, 2022

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 6,952,069
Cash held by County	15,850
Receivables	1,076,985
Prepays	162,092
Net other postemployment benefits asset	426,857
Capital assets:	
Not being depreciated	1,554,037
Being depreciated, net of accumulated depreciation	63,328,812
TOTAL ASSETS	73,516,702
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to other postemployment benefits	371,916
Deferred outflows related to pension	19,110,821
TOTAL DEFERRED OUTFLOWS OF RESOURCES	19,482,737
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	150,166
Accrued payroll payable	496,575
Accrued interest payable	51,098
Unearned grant revenue	1,080,319
Bonds payable, net, due within one year	1,918,656
Total current liabilities	3,696,814
Noncurrent liabilities:	
Bonds payable, net, due after one year	63,116,930
Accrued interest on deferred interest bonds	3,874,574
Total other postemployment benefits liability	1,236,374
Net pension liability	9,609,756
Total noncurrent liabilities	77,837,634
TOTAL LIABILITIES	81,534,448
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows related to other postemployment benefits	369,432
Deferred inflows related to pension	8,908,111
TOTAL DEFERRED INFLOWS OF RESOURCES	9,277,543
<u>NET POSITION</u>	
Net investment in capital assets	21,524,198
Restricted for debt service	875,525
Restricted for CET projects	527,505
Restricted for energy savings projects	434,211
Restricted for student body funds	454,192
Restricted for food service	549,225
Restricted for special projects	18,195
Restricted for OPEB	426,857
Unrestricted	(22,622,460)
TOTAL NET POSITION	\$ 2,187,448

See Notes to Basic Financial Statements.

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

STATEMENT OF ACTIVITIES**YEAR ENDED JUNE 30, 2022**

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Instruction:				
Regular programs	\$ 10,044,265	\$ 448,520	\$ 279,097	\$ (9,316,648)
Special programs	3,588,054	-	613,427	(2,974,627)
Summer School Programs	151,238	-	81,363	(69,875)
Support services:				
Student services	1,427,808	-	151,914	(1,275,894)
Instructional staff services	984,588	-	62,215	(922,373)
General administration	452,035	-	-	(452,035)
School administration	1,913,540	-	4,599	(1,908,941)
Business services	4,895,622	15,700	71,379	(4,808,543)
Central activities	870,839	-	269,002	(601,837)
Enterprise and community services:				
Food services	1,119,119	15,931	1,249,373	146,185
Community services	1,304	-	1,315	11
Interest on long-term debt	2,540,820	-	-	(2,540,820)
Totals	\$ 27,989,232	\$ 480,151	\$ 2,783,684	(24,725,397)
GENERAL REVENUES:				
Property taxes levied for general purposes				4,112,552
Property taxes levied for debt service				1,924,161
State school fund - general support				16,930,435
Unrestricted state and local sources				2,198,558
Earnings on investments				58,214
Miscellaneous				258,981
Total general revenues				25,482,901
CHANGE IN NET POSITION				757,504
NET POSITION , June 30, 2021				1,429,944
NET POSITION, June 30, 2022				\$ 2,187,448

See Notes to Basic Financial Statements.

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2022

	General Fund	Food Services Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 3,642,094	\$ 333,571	\$ 1,526,713	\$ 809,329	\$ 640,362	\$ 6,952,069
Cash held by County	11,066	-	-	4,784	-	15,850
Accounts receivable	134,447	221,371	513,187	-	2,376	871,381
Prepays	161,792	300	-	-	-	162,092
Property taxes receivable	144,192	-	-	61,412	-	205,604
TOTAL ASSETS	\$ 4,093,591	\$ 555,242	\$ 2,039,900	\$ 875,525	\$ 642,738	\$ 8,206,996
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
LIABILITIES						
Accounts payable	\$ 63,390	\$ 3,311	\$ 41,814	\$ -	\$ 41,651	\$ 150,166
Accrued payroll	494,089	2,406	80	-	-	496,575
Unearned grant revenue	-	-	1,080,319	-	-	1,080,319
TOTAL LIABILITIES	557,479	5,717	1,122,213	-	41,651	1,727,060
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue- property taxes	121,244	-	-	51,022	-	172,266
FUND BALANCES						
Nonspendable	161,792	300	-	-	-	162,092
Restricted	-	549,225	906,598	824,503	601,087	2,881,413
Assigned	3,253,076	-	11,089	-	-	3,264,165
TOTAL FUND BALANCES	3,414,868	549,525	917,687	824,503	601,087	6,307,670
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,093,591	\$ 555,242	\$ 2,039,900	\$ 875,525	\$ 642,738	\$ 8,206,996

See Notes to Basic Financial Statements.

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

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

JUNE 30, 2022

TOTAL FUND BALANCES		\$	6,307,670
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost, net of retirements	\$	80,207,437	
Accumulated depreciation, net of retirements		<u>(15,324,588)</u>	64,882,849
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.			172,266
Certain assets and deferred outflows are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds:			
Net OPEB asset		426,857	
Deferred outflows related to OPEB		371,916	
Deferred outflows related to pension		<u>19,110,821</u>	19,909,594
Liabilities not payable in the current year and deferred inflows not realized in the current year are not reported as governmental fund liabilities. These liabilities and deferred inflows consist of:			
Accrued interest payable		(51,098)	
Bonds payable		(65,035,586)	
Accrued interest on deferred interest bonds		(3,874,574)	
Other postemployment benefits obligation		(1,236,374)	
Net pension liability		(9,609,756)	
Deferred inflows related to OPEB		(369,432)	
Deferred inflows related to pension		<u>(8,908,111)</u>	<u>(89,084,931)</u>
TOTAL NET POSITION			<u>\$ 2,187,448</u>

See Notes to Basic Financial Statements.

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

GOVERNMENTAL FUNDS**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES****YEAR ENDED JUNE 30, 2022**

	General Fund	Food Services Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:						
Local sources:						
Property taxes	\$ 4,091,404	\$ -	\$ -	\$ 1,913,689	\$ -	\$ 6,005,093
Charges for services	201,541	15,931	220,993	2,390,927	-	2,829,392
Earnings on investments	36,743	1,071	8,467	7,956	3,977	58,214
Other	176,495	459	78,556	3,471	31,658	290,639
Intermediate sources	190,200	-	27,716	2,095	-	220,011
State sources	16,932,757	50,159	2,074,463	-	-	19,057,379
Federal sources	-	1,249,373	1,397,095	-	-	2,646,468
Total revenues	21,629,140	1,316,993	3,807,290	4,318,138	35,635	31,107,196
EXPENDITURES:						
Current:						
Instruction	11,788,356	-	2,399,721	-	-	14,188,077
Support services	9,257,485	-	1,323,906	-	7,188	10,588,579
Enterprise and community services	-	1,101,251	1,316	-	-	1,102,567
Lump sum PERS UAL payment	15,200,320	-	-	-	-	15,200,320
Capital outlay	43,781	-	69,662	-	446,514	559,957
Debt Service:						
Principal	-	-	-	1,469,019	-	1,469,019
Interest	-	-	-	2,591,061	-	2,591,061
Total expenditures	36,289,942	1,101,251	3,794,605	4,060,080	453,702	45,699,580
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND CHANGE IN FUND BALANCE	(14,660,802)	215,742	12,685	258,058	(418,067)	(14,592,384)
OTHER FINANCING SOURCES (USES)						
Proceed from bonds	15,390,000	-	-	-	-	15,390,000
Total other financing sources (uses)	15,390,000	-	-	-	-	15,390,000
NET CHANGE IN FUND BALANCE	729,198	215,742	12,685	258,058	(418,067)	797,616
FUND BALANCE, June 30, 2021	2,685,670	333,783	905,002	566,445	1,019,154	5,510,054
FUND BALANCE, June 30, 2022	\$ 3,414,868	\$ 549,525	\$ 917,687	\$ 824,503	\$ 601,087	\$ 6,307,670

See Notes to Basic Financial Statements.

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

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

YEAR ENDED JUNE 30, 2022

NET CHANGES IN FUND BALANCES		\$	797,616
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation.</p>			
Cost, net of retirements	\$	428,558	
Depreciation expense		<u>(1,674,690)</u>	(1,246,132)
<p>Certain revenues that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.</p>			
Change in unavailable revenue			31,620
<p>Certain inflows and outflows related debt are reported in the governmental funds but are not recognized as revenue or expense in the Statement of Activities</p>			
Principal payments		1,469,019	
Proceeds from long-term debt		<u>(15,390,000)</u>	(13,920,981)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>			
Accrued interest payable		962	
Accrued interest on deferred interest bonds		(191,024)	
Amortization of bond premium		240,303	
Change in other postemployment benefits obligation and deferred inflows and outflows		19,378	
Change in pension asset/liability and deferred inflows and outflows		<u>15,025,762</u>	<u>15,095,381</u>
CHANGE IN NET POSITION		\$	<u><u>757,504</u></u>

See Notes to Basic Financial Statements.

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local sources:				
Property taxes	\$ 3,975,000	\$ 3,975,000	\$ 4,091,404	\$ 116,404
Charges for services	323,200	323,200	201,541	(121,659)
Earnings on investments	50,000	50,000	36,743	(13,257)
Other	101,500	101,500	176,495	74,995
Intermediate sources	154,499	154,499	190,200	35,701
State sources	15,997,978	15,997,978	16,932,757	934,779
Total revenues	<u>20,602,177</u>	<u>20,602,177</u>	<u>21,629,140</u>	<u>1,026,963</u>
EXPENDITURES:				
Current:				
Instruction	13,056,256	13,056,256	11,788,356	1,267,900
Support services	8,965,109	9,511,109	9,301,266	209,843
Other Uses	15,831,000	15,645,000	15,200,320	444,680
Contingency	1,100,812	740,812	-	740,812
Total expenditures	<u>38,953,177</u>	<u>38,953,177</u>	<u>36,289,942</u>	<u>2,663,235</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(18,351,000)</u>	<u>(18,351,000)</u>	<u>(14,660,802)</u>	<u>3,690,198</u>
OTHER FINANCING SOURCES (USES):				
Proceed from bonds	<u>15,801,000</u>	<u>15,801,000</u>	<u>15,390,000</u>	<u>(411,000)</u>
NET CHANGE IN FUND BALANCE	<u>(2,550,000)</u>	<u>(2,550,000)</u>	<u>729,198</u>	<u>3,279,198</u>
FUND BALANCE, June 30, 2021	<u>2,550,000</u>	<u>2,550,000</u>	<u>2,685,670</u>	<u>135,670</u>
FUND BALANCE, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,414,868</u>	<u>\$ 3,414,868</u>

See Notes to Basic Financial Statements.

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

FOOD SERVICES FUND

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local sources:				
Charges for services	\$ 156,200	\$ 156,200	\$ 15,931	\$ (140,269)
Interest on Investments	-	-	1,071	1,071
Other	3,200	3,200	459	(2,741)
State sources	55,500	55,500	50,159	(5,341)
Federal sources	980,000	980,000	1,249,373	269,373
Total revenues	<u>1,194,900</u>	<u>1,194,900</u>	<u>1,316,993</u>	<u>122,093</u>
EXPENDITURES:				
Current:				
Enterprise and community services	<u>1,319,700</u>	<u>1,319,700</u>	<u>1,101,251</u>	<u>218,449</u>
Total expenditures	<u>1,319,700</u>	<u>1,319,700</u>	<u>1,101,251</u>	<u>218,449</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND CHANGE IN FUND BALANCE	<u>(124,800)</u>	<u>(124,800)</u>	<u>215,742</u>	<u>340,542</u>
FUND BALANCE, June 30, 2021	<u>124,800</u>	<u>124,800</u>	<u>333,783</u>	<u>208,983</u>
FUND BALANCE, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 549,525</u>	<u>\$ 549,525</u>

See Notes to Basic Financial Statements.

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

SPECIAL REVENUE FUND

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local sources:				
Charges for services	\$ 276,650	\$ 276,650	\$ 220,993	\$ (55,657)
Earnings on investments	10,300	10,300	8,467	(1,833)
Other	153,700	153,700	78,556	(75,144)
Intermediate sources	-	-	27,716	27,716
State sources	2,946,945	2,946,945	2,074,463	(872,482)
Federal sources	4,199,995	4,199,995	1,397,095	(2,802,900)
Total revenues	<u>7,587,590</u>	<u>7,587,590</u>	<u>3,807,290</u>	<u>(3,780,300)</u>
EXPENDITURES:				
Current:				
Instruction	3,297,457	3,297,457	2,425,201	872,256
Support services	4,385,017	4,385,017	1,368,088	3,016,929
Enterprise and community services	50,000	50,000	1,316	48,684
Contingency	219,280	219,280	-	219,280
Total expenditures	<u>7,951,754</u>	<u>7,951,754</u>	<u>3,794,605</u>	<u>4,157,149</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(364,164)	(364,164)	12,685	376,849
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>(50,100)</u>	<u>(50,100)</u>	-	(50,100)
NET CHANGE IN FUND BALANCE	(414,264)	(414,264)	12,685	426,949
FUND BALANCE, June 30, 2021	<u>1,274,264</u>	<u>1,274,264</u>	<u>905,002</u>	<u>(369,262)</u>
FUND BALANCE, June 30, 2022	<u>\$ 860,000</u>	<u>\$ 860,000</u>	<u>\$ 917,687</u>	<u>\$ 57,687</u>

See Notes to Basic Financial Statements.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of North Marion School District No. 15, Marion County, Oregon (the District) is presented to assist in understanding the District's financial statements.

Reporting Entity

The District is organized under the general laws of the State of Oregon. The governing body is an elected Board of Directors of seven members. Administrative officials are approved by the Board. The daily functioning of the District is under the supervision of the Superintendent/Clerk. The District is the level of government financially accountable for all public education within its boundaries. As a result, all related activities have been included in the financial statements. There are various governmental agencies and special service districts which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities and accordingly their financial information is not included in these financial statements.

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. Governmental activities are financed through property taxes, intergovernmental revenues, and charges for services. For the most part, the effect of interfund activities has been removed from these statements except that interfund services provided and used are not eliminated in the process of consolidation.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function/program. Direct expenses are those that are specifically associated with a function/program and, therefore, are clearly identifiable to that function/program. The District does not allocate indirect expenses. Program revenues include: (1) charges to students or others for tuition, fees, rentals, materials, supplies or services provided and (2) operating grants and contributions. Revenues that are not classified as program revenues, including property taxes, 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 reports the following major funds:

General Fund – This is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Principal sources of revenue are property taxes and distributions from the State of Oregon. Expenditures are made for instructional purposes and related supporting services.

Food Services Fund – This fund accounts for revenues and expenditures of the District's food service program. Principal revenue sources are charges for services and federal grants.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Special Revenue Fund – This fund accounts for revenues and expenditures of grants restricted for particular educational projects and student activities. Principal revenue sources are federal and state grants and charges for services.

Debt Service Fund – This fund provides for the payment of principal and interest on general obligation bonded debt and the limited tax pension bonds. The principal revenue sources are property taxes and transfers from other funds (shown as charges for services).

Capital Projects Fund – This fund accounts for the proceeds from the sale of bonds, the sale of District properties and Construction Excise tax and the construction of District capital facilities.

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. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. 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 modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt are reported as other financing sources.

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 effect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, and disclosure of contingent assets and 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.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares. The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP. Investments with a remaining maturity of more than one year at the time of purchase are stated at fair value.

Receivables

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are payable on November 15, February 15 and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

District management has determined that an allowance for uncollectible property taxes is not required.

Grants

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

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their acquisition cost 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.

Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 to 50 years
Furniture, fixtures and equipment	5 to 20 years

Long-term Debt

In the government-wide financial statements long-term debt is reported as liabilities in the Statement of Net Position. Premiums, discounts and amounts deferred on refunding are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are expensed as incurred.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Debt (Continued)

In the fund financial statements bond premiums and discounts, as well as bond issuance costs are recognized when incurred and not deferred. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Other Postemployment Benefit Plans

The District's net other postemployment benefits plan (OPEB) asset/liability, deferred inflows and outflows related to OPEB, and OPEB benefit/expense have been determined on the basis reported by Oregon Public Employees Retirement System (OPERS). Additionally, the District's total OPEB obligation, deferred inflows and outflows related to OPEB, and OPEB benefit/expense for the implicit subsidy have been actuarially determined. These amounts are recognized in the government-wide financial statements.

Pension Obligations

The District's net pension liability, deferred inflows and outflows related to pensions, and pension expense have been determined on the basis reported by Oregon Public Employees Retirement System (OPERS).

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position/Balance Sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category; deferred outflows related to OPEB and deferred outflows related to pension, in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position/Balance Sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three types of deferred inflows, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes. This amount is deferred and recognized as an inflow of resources (revenue) in the period that the amount becomes available. In the Statement of Net Position, deferred inflows related to OPEB and deferred inflows related to pension are recognized.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

Governmental Accounting Standards Board (GASB) Statement No. 54 requires analysis and presentation of fund balance in five categories. They are:

- Non-Spendable – Includes items not in spendable form, such as prepaid items and inventory.
- Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by constitutional provisions or enabling legislation.
- Committed – Includes items committed by the District’s Board of Directors, by formal board action.
- Assigned – Includes items assigned for specific uses, authorized by the District’s Superintendent and/or Business Manager.
- Unassigned – This is the residual classification used for those balances not assigned to another category.

Budget

A budget is prepared and legally adopted for all funds on the modified accrual basis of accounting. The budget is adopted by the Board, appropriations made, and the tax levy is declared not later than June 30.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established at the major function level (instruction, support services, enterprise and community services and debt service), for each fund. The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund’s original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund’s original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. Appropriations lapse at the end of each fiscal year.

Net Position

Net position represents the difference between the District’s total assets and total liabilities and deferred inflows/outflows of resources.

District net position currently has three components:

Net investment in capital assets, represents capital assets less accumulated depreciation and outstanding principal of capital asset related debt, net of unspent bond proceeds.

Restricted net position represents net position upon which constraints have been placed, either externally by creditors, grantors, contributors or others, or legally constrained by law.

Unrestricted net position represents net position that does not meet the definition of “restricted” or “net investment in capital assets”.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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

2. CASH AND CASH EQUIVALENTS

The District maintains a common cash and cash equivalents and investment pool for all District funds. The types of investments in which the District may invest are restricted by State of Oregon statutes. Authorized investments include general obligations of the United States Government and its agencies, obligations of the States of Oregon, California, Washington and Idaho that have a rating of AA or better, A-1 commercial paper and banker's acceptances, AA rated corporate bonds, time deposits, repurchase agreements and the State of Oregon Treasurer's Local Government Investment Pool (LGIP).

At June 30, 2022, the District's cash and cash equivalents are comprised of the following:

Cash on hand	\$	104
Deposits with financial institutions		1,329,242
Money Market		7
State of Oregon Treasurer's Local Government Investment Pool		<u>5,622,716</u>
	\$	<u><u>6,952,069</u></u>

Deposits with Financial Institutions

At June 30, 2022, the carrying amount of the District's deposits was \$1,329,242 and the bank balance was \$2,753,630. The District's deposits with financial institutions are insured up to \$250,000 by the Federal Depository Insurance Corporation (the FDIC) per financial institution. Of the bank balance, \$250,000 was covered by the FDIC. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result, the District's remaining deposits in excess of FDIC insurance of \$2,503,630 are considered to be fully collateralized.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

2. CASH AND CASH EQUIVALENTS (Continued)

Credit Risk

The District's investment policy allows for 100% of the portfolio to be invested in U.S. Treasury or Agency obligations. In addition, the investment policy allows for 100% of the portfolio to be invested in LGIP up to the limit imposed by the State of Oregon. Additionally, the policy allows for up to 75% in certificate of deposits, 50% in banker's acceptances, 25% in state and local government securities, and 15% in repurchase agreements. As mentioned above, Oregon Revised Statutes limit the investments that the District may have. The District complies with these statutes at June 30, 2022.

3. RECEIVABLES

Receivables are comprised of the following:

Property taxes	\$	205,604
Grants		734,558
Other		136,823
		\$ 1,076,985

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance June 30, 2021	Increases	Transfers	Decreases	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 1,114,538	\$ -	\$ -	\$ -	\$ 1,114,538
Construction in progress	129,570	389,061	(79,132)	-	439,499
Total capital assets not being depreciated	1,244,108	389,061	(79,132)	-	1,554,037
Capital assets being depreciated:					
Buildings and improvements	77,668,798	85,034	79,132	(343,842)	77,489,122
Furniture, fixtures and equipment	1,164,561	85,862	-	(86,145)	1,164,278
Total capital assets being depreciated	78,833,359	170,896	79,132	(429,987)	78,653,400
Less accumulated depreciation for:					
Buildings and improvements	(13,269,621)	(1,615,918)	-	214,201	(14,671,338)
Furniture, fixtures and equipment	(678,865)	(58,772)	-	84,387	(653,250)
Total accumulated depreciation	(13,948,486)	(1,674,690)	-	298,588	(15,324,588)
Total capital assets being depreciated, net	64,884,873	(1,503,794)	79,132	(131,399)	63,328,812
Total capital assets, net	\$ 66,128,981	\$ (1,114,733)	\$ -	\$ (131,399)	\$ 64,882,849

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

4. CAPITAL ASSETS (Continued)

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

Instruction:			
Regular programs	\$	758,422	
Special programs		273,213	
Support services:			
Instructional staff services		73,700	
School administration		145,786	
Business services		342,713	
Enterprise and community services:			
Food service		80,856	
Total	\$	<u>1,674,690</u>	

5. LONG-TERM DEBT

The District has issued general obligation bonds for the improvement and construction of education facilities and limited tax pension bonds for the payment of a portion of its estimated OPERS unfunded actuarial liability. The debt service fund is typically used to liquidate long-term debt.

Bonds payable transactions for the year are as follows:

	<u>Original Issue</u>	<u>June 30, 2021</u>	<u>Issued</u>	<u>Redeemed</u>	<u>June 30, 2022</u>	<u>Due Within One Year</u>
General Obligation Bonds:						
Series 2018A, Deferred Interest imputed interest at 4.2-4.4%	\$ 15,378,009	\$ 15,378,009	\$ -	\$ -	\$ 15,378,009	\$ -
Series 2018B, Current Interest Issued February 22, 2018 interest at 3-5%	26,820,000	25,470,000	-	770,000	24,700,000	865,000
Limited Tax Pension Bonds:						
Series 2013A&B Issued April 21, 2003, imputed interest at 1.5-6.3%	11,859,719	6,912,372	-	314,019	6,598,353	313,353
Series 2021A Issued August 19, 2021, imputed interest at .8 - 2.9%	15,390,000	-	<u>15,390,000</u>	<u>385,000</u>	<u>15,005,000</u>	<u>500,000</u>
Total bonds payable		<u>47,760,381</u>	<u>15,390,000</u>	<u>1,469,019</u>	<u>61,681,362</u>	<u>1,678,353</u>
Premiums on bonds payable		<u>3,594,527</u>	<u>-</u>	<u>240,303</u>	<u>3,354,224</u>	<u>240,303</u>
Bonds payable, net		<u>\$ 51,354,908</u>	<u>\$ 15,390,000</u>	<u>\$ 1,709,322</u>	<u>\$ 65,035,586</u>	<u>\$ 1,918,656</u>

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

5. LONG-TERM DEBT (Continued)

Future maturities of bond principal and interest are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2023	1,678,353	2,676,172
2024	2,650,000	1,863,365
2025	2,930,000	1,746,933
2026	3,235,000	1,614,493
2027	3,560,000	1,465,869
2028-2032	13,420,000	5,398,609
2033-2037	16,985,483	3,996,152
2038-2042	9,953,807	10,793,880
2043-2047	6,108,282	13,961,718
2048	1,160,437	3,219,563
Total	<u>\$ 61,681,362</u>	<u>\$ 46,736,754</u>

6. OTHER POST-EMPLOYMENT BENEFITS

The other postemployment benefits (OPEB) for the District includes two separate plans. The District provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan.

Financial Statement Presentation

The District's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows:

	Implicit Rate Subsidy Plan	PERS RHIA Plan	Totals
Net OPEB Asset	\$ -	\$ 426,857	\$ 426,857
Deferred Outflow of Resources	301,450	70,466	371,916
Total OPEB Liability	1,236,374	-	1,236,374
Deferred Inflow of Resources	214,081	155,351	369,432
OPEB Expense (Benefit)	159,275	(68,213)	91,062

Implicit Subsidy

Plan Description

The District does not have a formal postemployment benefits plan for its employees; however, the District is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements. There are no assets accumulated in a trust that meets the criteria of GASB Statement 75 to pay related benefits.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

6. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rate as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2021, the following employees were covered by the benefit terms:

Active employees		187
Inactive employees (or their beneficiaries) currently receiving benefits		12
Spouses of Ineligible Retirees		<u>1</u>
Total		<u><u>200</u></u>

Total OPEB Liability, OPEB Expense, and Deferred outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District's total OPEB liability of \$1,236,374 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2021.

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 55,545	\$ 186,316
Changes of assumptions	<u>138,749</u>	<u>27,765</u>
	194,294	214,081
Contributions made subsequent to measurement date	<u>107,156</u>	<u>-</u>
Totals	<u><u>\$ 301,450</u></u>	<u><u>\$ 214,081</u></u>

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

6. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Implicit Subsidy (Continued)

Total OPEB Liability, OPEB Expense, and Deferred outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Deferred outflows of resources related to OPEB of \$107,156 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Employer subsequent fiscal years	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2023	\$ (4,118)
2024	(4,118)
2025	1,229
2026	5,682
2027	5,161
Thereafter	(23,623)
Total	\$ (19,787)

Actuarial Assumptions and Other Inputs

Valuation date	July 1, 2021
Measurement date	June 30, 2021
Actuarial Assumptions	
Actuarial cost method	Entry Age Normal
Inflation	2.40 percent
Discount rate*	2.16 percent (change from 2.21 percent in previous measurement period)
Salary increases	3.40 percent
Healthcare cost trend rate	Medical: starts at 3.25 percent in 2021, 5.00 percent in 2022, 5.25 percent in 2023, and then decreases over time to 3.75 percent in 2073 Dental and vision: 4.0 percent per year
Election and lapse rates	55% of eligible employees; 60% of male members and 35% of female members will elect spouse coverage; 5% annual lapse rate
Withdrawal, retirement, and mortality rates	Based on the December Oregon PERS valuation (see Note 7 for additional information).

*Discount rate was based on a 20-year general obligation bond yield index published by The Bond Buyer.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

6. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Implicit Subsidy (Continued)

Changes in Total OPEB Liability

Balance as of June 30, 2021		\$	1,346,856
Changes for the year:			
Service Cost			132,147
Interest on total OPEB liability			31,246
Effect of economic/demographic gains or losses			(213,715)
Effect of assumptions changes or inputs			70,878
Benefit payments			<u>(131,038)</u>
Balance as of June 30, 2021		\$	<u>1,236,374</u>

Changes in assumptions is the result of the change in the discount rate from 2.21 to 2.16, revisions to health care cost trends, and other updates to the inputs used in the most current valuation.

Sensitivity of the Total OPEB Liability

The following presents the District's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Discount Rate:			
Net OPEB Liability (Asset)	\$ 1,320,872	\$ 1,236,374	\$ 1,156,131
	<u>1% Decrease (4.5% decreasing to 3.25%)</u>	<u>Current Healthcare Cost Trend (5.5% decreasing to 4.25%)</u>	<u>1% Increase (6.5% decreasing to 5.25%)</u>
Healthcare Trend Cost			
Total OPEB Liability	\$ 1,111,414	\$ 1,236,374	\$ 1,384,463

PERS Retirement Health Insurance Account

Plan Description

The District contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at http://Oregon.gov/PERS/section/financial_reports/financials.shtml.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

6. OTHER POST-EMPLOYMENT BENEFITS (Continued)

PERS Retirement Health Insurance Account (Continued)

Benefits Provided

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Contributions

PERS funding policy provides for 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. Employer contribution rates for the period were based on the December 31, 2019 actuarial valuation. The current rates based on a percentage of payroll, first became effective July 1, 2021. The District's contribution rates for the period were 0.05% and 0.00% for Tier One/Tier Two and OPSRP members, respectively. The District's total for the year ended June 30, 2022 contributions was \$2,927.

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

At June 30, 2022, the District reported an asset of \$426,857 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. The District's proportion of the net OPEB asset was based on the District's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At the June 30, 2021 measurement date, the District's proportionate share was 0.124303%, which is a decrease from its proportion of 0.17192% as of the June 30, 2020 measurement date.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

6. OTHER POST-EMPLOYMENT BENEFITS (Continued)

PERS Retirement Health Insurance Account (Continued)

OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2022, the District recognized OPEB benefit from this plan of \$68,213. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 11,876
Changes of assumptions	8,399	6,350
Net difference between projected and actual earnings on investments	-	101,444
Changes in proportionate share	59,140	35,681
	67,539	155,351
Contributions made subsequent to measurement date	2,927	-
Totals	\$ 70,466	\$ 155,351

Deferred outflows of resources related to OPEB of \$2,927 resulting from the District's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Employer subsequent fiscal years	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2023	\$ (36,187)
2024	3,580
2025	(23,160)
2026	(32,045)
Total	\$ (87,812)

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

6. OTHER POST-EMPLOYMENT BENEFITS (Continued)

PERS Retirement Health Insurance Account (Continued)

Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial methods and assumptions:

Healthcare cost trend rate	Not applicable
Retiree healthcare participation:	Healthy retirees: 32%; Disabled retirees: 20%

All other actuarial methods and assumptions are consistent with those disclosed for the OPERS Pension Plan. See Note 7. for additional information on Actuarial Assumptions and Methods, the Long-Term Expected Rate of Return, and the Discount Rate.

Sensitivity of the District's proportionate share of the net OPEB liability (asset) to changes in the discount rate

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

Discount Rate:	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
Net OPEB Liability (Asset)	\$ (377,493)	\$ (426,857)	\$ (469,026)

7. RETIREMENT PLANS

Pension Plan – The District is a participating employer in the State of Oregon Public Employees Retirement System (OPERS), a cost sharing multiple-employer defined benefit plan. All District employees are eligible to participate in the system after completing six months of service.

Plan description. Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. OPERS issues a publicly available financial report that can be obtained at:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

Benefits provided under Chapter 238-Tier One / Tier Two

1. *Pension Benefits.* The OPERS 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 either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

7. RETIREMENT PLANS (Continued)

Benefits provided under Chapter 238-Tier One / Tier Two (Continued)

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

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 an OPERS employer at the time of death,
 - Member died within 120 days after termination of OPERS-covered employment,
 - Member died as a result of injury sustained while employed in a OPERS-covered job, or
 - Member was on an official leave of absence from an OPERS-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 for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 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. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Benefits provided under Chapter 238A-OPSRP Pension Program (OPSRP).

The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

1. *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.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

7. RETIREMENT PLANS (Continued)

Benefits provided under Chapter 238A-OPSRP Pension Program (OPSRP). (Continued)

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. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Actuarial Valuations. The employer contribution rates effective July 1, 2021 through June 30, 2023, were set using the entry age normal actuarial cost method.

For the Tier One/Tier Two component of the 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 twenty years.

For the OPSRP Pension Program 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 actuarially determined amount for funding a disability benefit component, and (3) 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 sixteen years.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

7. RETIREMENT PLANS (Continued)

Actuarial Valuations (Continued):

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2019
Measurement Date	June 30, 2021
Experience Study Report	2018, published July 24, 2019
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.40 percent
Investment Rate of Return	6.90 percent
Discount rate	6.90 percent (was 7.20 percent in prior measurement period)
Projected Salary Increases	3.40 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blended based on service.
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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

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.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

7. RETIREMENT PLANS (Continued)

Actuarial Valuations (Continued):

Depletion Date Projection:

GASB Statement No. 68 generally requires that a blended discount rate be used to measure the Total Pension Liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. GASB Statement No. 68 does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made.

Assumed Asset Allocation:

<u>Asset Class/Strategy</u>	<u>OIC Target</u>
Debt Securities	20.0 %
Public Equity	32.5
Real Estate	12.5
Private Equity	17.5
Alternative Equity	15.0
Risk Parity	2.5
Total	<u>100.0 %</u>

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

7. RETIREMENT PLANS (Continued)

Long-Term Expected Rate of Return (Continued):

Asset Class	Target Allocation*	Annual Arithmetic Return **	20-Year Annualized Geometric Mean	Annual Standard Deviation
Global Entity	30.62 %	7.11 %	5.85 %	17.05 %
Private Equity	25.50	11.35	7.71	30.00
Core Fixed Income	23.75	2.80	2.73	3.85
Real Estate	12.25	6.29	5.66	12.00
Master Limited Partnerships	0.75	7.65	5.71	21.30
Infrastructure	1.50	7.24	6.26	15.00
Commodities	0.63	5.85	5.31	11.05
Hedge Fund of Funds - Multistrategy	1.25	5.42	5.11	8.45
Hedge Fund Equity - Hedge	0.63	5.85	5.31	11.05
Hedge Fund - Macro	5.62	5.33	5.06	7.90
US Cash	-2.50 ***	1.77	1.76	1.20
Assumed Inflation - Mean			2.40 %	1.65 %

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

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

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

Contributions:

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

Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation. The rates, based on a percentage of payroll, first became effective July 1, 2021. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2022 were \$15,788,822, including a lump sum payment of \$15,200,320 into a second side account in August 2021. The rates, as a percent of covered payroll, in effect as of July 1, 2021 were 12.91 percent for Tier 1/Tier 2 and 9.85 percent for OPSRP general service. As a result of the contribution to the second side account, the District's contribution rates were further reduced in September 2021 to 2.89 percent for Tier1/Tier 2 and 0.0 percent for OPSRP general service. Rates would be 26.78 percent and 23.72 percent, respectively, if not for the side accounts.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

7. RETIREMENT PLANS (Continued)

Pension Assets/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2022, the District reported a liability of \$9,609,756 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 and rolled forward to June 30, 2021. The District's proportion of the net pension liability was based on the District's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers. At the June 30, 2021 measurement date, the District's proportionate share was 0.08030562 percent, which is a decrease from its proportion of 0.08533256 percent as of the June 30, 2020 measurement date.

For the year ended June 30, 2022, the District recognized a pension expense of \$796,264 for the Defined Benefit Pension Plan. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 899,536	\$ -
Changes of assumptions	2,405,611	25,291
Net difference between projected and actual earnings on investments	-	7,114,028
Changes in proportionate share	16,852	1,027,744
Differences between employer contributions and proportionate share of contributions	-	741,048
	3,321,999	8,908,111
Contributions made subsequent to measurement date	15,788,822	-
Totals	\$ 19,110,821	\$ 8,908,111

\$15,788,822 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 fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Employer subsequent fiscal years	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2023	\$ (1,219,301)
2024	(1,216,194)
2025	(1,355,225)
2026	(1,939,456)
2027	144,064
Total	\$ (5,586,112)

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

7. RETIREMENT PLANS (Continued)

Sensitivity of the District's proportionate share of the net pension asset/liability to changes in the discount rate:

The following presents the District's proportionate share of the net pension asset/liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension asset/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:

Discount Rate:	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
Net Pension Liability	\$ 18,871,262	\$ 9,609,756	\$ 1,861,237

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report. See OPERS' audited financial statements at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An Individual Account Program (IAP) 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 OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

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

Contributions

The District has chosen to pay the employees' required contributions, 6 percent of covered payroll, to the plan. When the PERS system is less than 90 percent funded, 2.5 percent for Tier 1/Tier 2 and 0.75 percent for OPSRP is redirected into an Employee Pension Stability Account (EPSA) for employees with salaries over the statutory salary threshold (\$3,333 as of January 1, 2022). Employees may elect to contribute the redirected amount on an after-tax basis to the IAP. For the year ended June 30, 2022, the District paid approximately \$591,000, with approximately \$90 thousand redirected to the EPSA.

8. 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). Settlements have not exceeded insurance coverage for any of the preceding three years ended June 30, 2022.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2022

9. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the District. The amount, if any, of expenditures 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, in the regular course of business, is a defendant in various lawsuits. The likely outcome of these lawsuits is not presently determinable; however, in the opinion of the District's management the resolution of these matters will not have a material adverse effect on the financial condition of the District.

At June 30, 2022, approximately 92% of the District's employees were covered by a collective bargaining agreement. None of the District's employees were covered by a collective bargaining agreement that expires within one year of June 30, 2022.

The District is dependent on the State of Oregon for a substantial portion of its operating funds. The ultimate effect of any change in funding on the District's future operations is not yet determinable.

10. FUND BALANCES

Fund balances by classification for the year ended June 30, 2022 are as follows:

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<u>Nonspendable:</u>						
Prepays	\$ 161,792	\$ 300	\$ -	\$ -	\$ -	\$ 162,092
<u>Restricted:</u>						
Student Body Funds	-	-	454,192	-	-	454,192
Special Projects	-	-	18,195	-	-	18,195
Food services	-	549,225	-	-	-	549,225
Energy Savings Projects	-	-	434,211	-	-	434,211
Construction Excise	-	-	-	-	527,505	527,505
Capital Improvements	-	-	-	-	73,582	73,582
Debt Service	-	-	-	824,503	-	824,503
	<u>-</u>	<u>549,225</u>	<u>906,598</u>	<u>824,503</u>	<u>601,087</u>	<u>2,881,413</u>
<u>Assigned:</u>						
Subsequent year's budget appropriation of fund balance	3,253,076	-	-	-	-	3,253,076
Surplus Sales	-	-	11,089	-	-	11,089
	<u>3,253,076</u>	<u>-</u>	<u>11,089</u>	<u>-</u>	<u>-</u>	<u>3,264,165</u>
Total Fund Balances	<u>\$ 3,414,868</u>	<u>\$ 549,525</u>	<u>\$ 917,687</u>	<u>\$ 824,503</u>	<u>\$ 601,087</u>	<u>\$ 6,307,670</u>

11. SUBSEQUENT EVENTS

Negotiations with United North Marion educators for the fiscal year ended June 30, 2022 year did not conclude until subsequent to fiscal year end. The resulting agreement was finalized in August 2022 and included a payout for Administrators and Confidential employees. The total payout was approximately \$1.02 million.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years

Fiscal Year ¹	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.08030562%	\$ 9,606,756	\$ 11,319,429	84.9%	87.6%
2021	0.08533256%	18,622,500	10,637,183	175.1%	75.8%
2020	0.08583473%	14,847,353	10,638,767	139.6%	80.2%
2019	0.09095594%	13,778,627	10,105,845	136.3%	82.1%
2018	0.09197140%	12,397,779	9,870,867	125.6%	83.1%
2017	0.08840541%	13,271,705	9,899,535	134.1%	80.5%
2016	0.07591663%	4,358,724	9,341,657	46.7%	91.9%
2015	0.07830880%	(1,775,037)	9,336,283	(19.0)%	103.6%
2014	0.07830880%	3,996,213	8,825,083	45.3%	N/A ²
2013	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²

¹ Measurement date is one year in arrears.

² 10-year trend information required by GASB Statement 68 will be presented prospectively.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years

<u>Fiscal Year</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2022	\$ 588,502	\$ 15,788,822	\$ (15,200,320)	\$ 11,853,803	133.2%
2021	1,584,967	1,584,967	-	11,319,429	14.0%
2020	1,408,733	1,408,733	-	10,637,183	13.2%
2019	1,068,780	1,068,780	-	10,638,773	10.0%
2018	905,651	905,651	-	10,105,845	9.0%
2017	459,438	459,438	-	9,870,867	4.7%
2016	450,029	450,029	-	9,899,535	4.5%
2015	819,405	819,405	-	9,341,657	8.8%
2014	781,689	781,689	-	9,336,283	8.4%
2013	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹

¹ 10-year trend information required by GASB Statement 68 will be presented prospectively.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years

Fiscal Year ¹	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered payroll	Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.12430298%	\$ (426,857)	\$ 11,319,429	-3.8%	183.9%
2021	0.17191796%	(350,300)	10,637,183	-3.3%	150.1%
2020	0.09804154%	(189,452)	10,638,773	-1.8%	144.4%
2019	0.12686094%	(141,611)	10,105,845	-1.4%	124.0%
2018	0.09642835%	(40,243)	9,870,867	-0.4%	108.9%
2017	0.10397918%	28,237	9,899,535	0.3%	N/A ²
2016	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²
2015	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²
2014	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²
2013	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²

¹ Measurement date is one year in arrears.

² 10-year trend information required by GASB Statement 75 will be presented prospectively.

NORTH MARION SCHOOL DISTRICT No. 15
 Marion County, Oregon

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OPEB CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years

<u>Fiscal Year</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2022	\$ 2,927	\$ 2,927	\$ -	\$ 11,853,803	0.02%
2021	3,326	3,326	-	11,319,429	0.03%
2020	12,277	12,277	-	10,637,183	0.12%
2019	48,591	48,591	-	10,638,773	0.46%
2018	61,426	61,426	-	10,105,845	0.61%
2017	48,007	48,007	-	9,870,867	0.49%
2016	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
2015	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
2014	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
2013	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹

¹ 10-year trend information required by GASB Statement 75 will be presented prospectively.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
IMPLICIT RATE SUBSIDY

Last 10 Fiscal Years

Fiscal Year ¹	Beginning Total OPEB Liability	Service Cost	Interest on Total OPEB Liability	Effect of Assumption Changes or Inputs	Effect of Economic/ Demographic Gains or Losses	Benefit Payments	Ending Total OPEB Liability	Covered Employee Payroll	Total OPEB Liability as a % of Covered Employee Payroll
2022	\$1,346,856	\$132,147	\$31,246	\$ 70,878	\$ (213,715)	\$(131,038)	\$1,236,374	\$11,319,429	10.9%
2021	1,238,789	114,184	45,043	82,023	-	(133,183)	1,346,856	10,637,183	12.7%
2020	1,071,007	81,078	43,218	25,313	89,550	(71,377)	1,238,789	10,638,773	11.6%
2019	1,038,953	80,359	38,923	(22,523)	-	(64,705)	1,071,007	10,105,845	10.6%
2018	1,055,522	84,923	31,411	(55,797)	-	(77,106)	1,038,953	9,870,867	10.5%
2017	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²
2016	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²
2015	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²
2014	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²
2013	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²

¹ Measurement date is one year in arrears.

² 10-year trend information required by GASB Statement 75 will be presented prospectively

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

1. OREGON PUBLIC EMPLOYEE RETIREMENT PENSION PLAN (PERS)

During the year ended June 30, 2022, the District made a \$15,200,320 lump sum payment to PERS to fund a second side account that will be amortized to reduce the District's future required pension contributions.

Changes in Assumptions

A summary of key changes implemented with the December 31, 2019 actuarial valuation, rolled forward to June 30, 2021, which was used in the pension calculations and amounts reported for the fiscal year ended June 30, 2022, along with additional detail and a comprehensive list of changes in methods and assumptions from the prior actuarial valuation can be found at:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

2. IMPLICIT RATE SUBSIDY

There are no assets accumulated in a trust that meets the criteria of GASB Statement 75 to pay related benefits.

Changes in Assumptions

Changes in assumptions is the result of the change in the discount rate from 2.21% to 2.16%, revisions to health care cost trends, and other updates to the inputs used in the most current valuation.

OTHER SUPPLEMENTARY INFORMATION

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

DEBT SERVICE FUND

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

YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local sources:				
Property taxes	\$ 1,884,450	\$ 1,884,450	\$ 1,913,689	\$ 29,239
Charges for services	2,117,369	2,117,369	2,390,927	273,558
Earnings on investments	20,500	20,500	7,956	(12,544)
Other	-	-	3,471	
Intermediate sources	-	-	2,095	2,095
Total revenues	<u>4,022,319</u>	<u>4,022,319</u>	<u>4,318,138</u>	<u>292,348</u>
EXPENDITURES:				
Debt Service	4,204,319	4,204,319	4,060,080	144,239
Contingency	400,000	400,000	-	400,000
Total expenditures	<u>4,604,319</u>	<u>4,604,319</u>	<u>4,060,080</u>	<u>544,239</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND CHANGE IN FUND BALANCE	(582,000)	(582,000)	258,058	840,058
FUND BALANCE, June 30, 2021	<u>632,000</u>	<u>632,000</u>	<u>566,445</u>	<u>(65,555)</u>
FUND BALANCE, June 30, 2022	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 824,503</u>	<u>\$ 774,503</u>

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

CAPITAL PROJECTS FUND

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

YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local sources:				
Earnings on investments	\$ 9,005	\$ 9,005	\$ 3,977	\$ (5,028)
Construction excise tax	95,000	95,000	31,658	(63,342)
Energy Trust grant and other	150,000	150,000	-	(150,000)
Total revenues	<u>254,005</u>	<u>254,005</u>	<u>35,635</u>	<u>(218,370)</u>
EXPENDITURES:				
Current:				
Support services	620,000	620,000	7,188	612,812
Facilities, acquisitions and construction	1,105,105	1,105,105	446,514	658,591
Total expenditures	<u>1,725,105</u>	<u>1,725,105</u>	<u>453,702</u>	<u>1,271,403</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,471,100)</u>	<u>(1,471,100)</u>	<u>(418,067)</u>	<u>1,053,033</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>50,100</u>	<u>50,100</u>	<u>-</u>	<u>(50,100)</u>
NET CHANGE IN FUND BALANCE	<u>(1,421,000)</u>	<u>(1,421,000)</u>	<u>(418,067)</u>	<u>1,002,933</u>
FUND BALANCE, June 30, 2021	<u>1,421,000</u>	<u>1,421,000</u>	<u>1,019,154</u>	<u>(401,846)</u>
FUND BALANCE, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 601,087</u>	<u>\$ 601,087</u>

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

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

YEAR ENDED JUNE 30, 2022

School Business Managers and Auditors:

This page is a required part of your annual audited financial statements. Please make sure it is included.

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

A. Energy Bill for Heating - **All Funds:**

Please enter your expenditures for electricity, heating fuel, and water & sewage for these Functions & Objects.

	Objects 325 & 326 & *327
Function 2540	\$ 365,870
Function 2550	\$ -

B. Replacement of Equipment - **General Fund:**

Include all General Fund expenditures in object 542, except for the following exclusions:

Exclude these functions:

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

Exclude these functions:

4150 Construction
2550 Pupil Transportation
3100 Food Service
3300 Community Services

\$ 43,781

* **Object code 327** (water and sewage) has been added to Part A to be included in the Function 2540 and 2550 totals.

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

**MARION COUNTY TAX INFORMATION
AND HISTORICAL ADM INFORMATION**

YEAR ENDED JUNE 30, 2022

2021-2022 Measure 5 Taxable Value: \$ 1,851,049,841

<u>2021-2022 Top 10 Taxpayers for North Marion SD</u>	<u>M5 Assessed Value</u>	<u>Total Tax</u>
Portland General Electric Company	\$ 23,364,000	\$ 287,899
Hazelnut Growers of Oregon	27,284,110	270,920
Catalina WM LLC	24,551,340	267,769
US LEASECO INC	25,947,040	259,894
Marion Ag Service INC	28,007,860	258,023
Northwest Natural Gas Company	14,389,000	207,188
Smith Aurora LLC	30,914,090	200,679
PNWP LLC #5 18% & 132nd Avenue LLC 82%	21,615,920	171,467
Van's Aircraft INC	13,793,630	149,642
Lumen Technologies INC	10,060,000	116,249

<u>2021-2022 Top 10 Taxpayers for Marion County</u>	<u>M5 Assessed Value</u>	<u>Total Tax</u>
Portland General Electric Company	\$ 454,296,990	\$ 6,955,116
Northwest Natural Gas Company	217,749,000	3,671,955
WinCo Foods LLC	115,302,380	2,088,737
Lumen Technologies INC	102,065,340	1,773,300
Woodburn Premium Outlets LLC	100,994,560	1,482,239
Comcast Corporation	80,140,000	1,434,905
State Accident Insurance Fund	63,435,770	1,155,263
Lancaster Development Company LLC	57,346,100	1,057,991
Wal-Mart Real Estate Business TR	58,962,350	1,054,930
Snyders-Lance INC	61,522,170	966,807

Marion County's tax collection rate for 2021-22 was 97%

<u>Historical ADMw Information</u>	<u>Enrollment</u>	<u>ADMw</u>
<u>Fiscal Year</u>		
2021/22	1679*	2111*
2020/21	1758	2195
2019/20	1823	2263
2018/19	1867	2316
2017/18	1887	2321
2016/17	1890	2379
2015/16	1940	2427
2014/15	1884	2376

* not yet finalized

SINGLE AUDIT SECTION



Talbot, Korvola & Warwick, LLP 14945 SW Sequoia Parkway, Suite 150 Portland, OR 97224
P 503.274.2849 F 503.274.2853 www.tkw.com

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

Board of Directors
North Marion School District No. 15
Aurora, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities and each major fund of North Marion School District No. 15, Marion County, Oregon (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2022.

Report on 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as item 2022-001 that we consider to be a significant deficiency.

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

Report on Compliance and Other Matters

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

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying *Schedule of Findings and Questioned Costs*. The District's response was not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Talbot, Kowola & Warwick LLP

Portland, Oregon
November 7, 2022



Talbot, Korvola & Warwick, LLP 14945 SW Sequoia Parkway, Suite 150 Portland, OR 97224
P 503.274.2849 F 503.274.2853 www.tkw.com

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

Board of Directors
North Marion School District No. 15
Aurora, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited North Marion School District No. 15, Marion County, Oregon (the District's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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



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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

Talbot, Kowala & Warwick LLP

Portland, Oregon
November 7, 2022

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Period</u>	<u>Federal Assistance Number</u>	<u>Pass-Through Number</u>	<u>Expend- itures</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>				
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:				
Title I, Part A				
Title I Grants to Local Educational Agencies	2020-2021	84.010A	58323	\$ 1,928
Title I Grants to Local Educational Agencies	2021-2022	84.010A	67032	316,646
Total Title I, Part A				<u>318,574</u>
Supporting Effective Instruction State Grants	2020-2021	84.367A	58815	7,715
Supporting Effective Instruction State Grants	2021-2022	84.367A	67465	27,505
Total Supporting Effective Instruction State Grants				<u>35,220</u>
English Language Acquisition State Grants	2021-2022	84.365	67153	20,522
Title IV Student Support and Accademic Enrichment	2021-2022	84.424	66821	23,438
Special Education Cluster (IDEA):				
Special Education - Grants to States	2020-2021	84.027	60711	9,352
Special Education - Grants to States	2021-2022	84.027	68437	11,030
Special Education - Grants to States	2021-2022	84.027	68686	228,166
Special Education - Grants to States	2021-2022	84.173	68964	2,098
Total Special Education Cluster (IDEA)				<u>250,646</u>
Education Stabilization Fund				
COVID-19 Elementary and Secondary School Emergency Relief Fund	2019-2023	84.425D	64640	436,364
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief	2021-2024	84.425U	64945	265,436
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief - Homeless Children Youth	2021-2024	84.425W	69375	3,944
Total Education Stabilization Fund				<u>705,744</u>
TOTAL PASSED THROUGH STATE DEPARTMENT OF EDUCATION				
				<u>1,354,144</u>
PASSED THROUGH WILLAMETTE EDUCATION SERVICE DISTRICT:				
Migrant Education - State Grant Programs	2021-2022	84.011	N/A	<u>23,951</u>
PASSED THROUGH OREGON COMMUNITY FOUNDATION:				
Gaining Early Awareness and Readiness for Undergraduate Programs	2020-2021	84.334	N/A	<u>19,000</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				
				<u>1,397,095</u>

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Period</u>	<u>Federal Assistance Number</u>	<u>Pass-Through Number</u>	<u>Expend- itures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
PASSED THROUGH STATE				
DEPARTMENT OF EDUCATION:				
Child Nutrition Cluster:				
School Breakfast Program	2020-2021	10.553	N/A	<u>\$ 235,722</u>
National School Lunch Program	2020-2021	10.555	N/A	825,746
Donated Commodities	2020-2021	10.555	N/A	81,545
Summer Food Service Program for Children	2020-2021	10.559	N/A	<u>106,360</u>
Total Child Nutrition Cluster				<u>1,249,373</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>1,249,373</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u><u>\$ 2,646,468</u></u>

N/A - Not available

Notes:

1. This schedule is presented on the modified accrual basis of accounting.
2. Donated commodities are valued at their estimated fair value.
3. No amounts were passed through to subrecipients.
4. The District has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	Yes <u> </u>	No <u> X </u>
Significant deficiency(ies) identified?	Yes <u> X </u>	No <u> </u>
Noncompliance material to financial statements noted?	Yes <u> </u>	No <u> X </u>

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	Yes <u> </u>	No <u> X </u>
Significant deficiency(ies) identified?	Yes <u> </u>	No <u> X </u>

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes <u> </u>	No <u> X </u>
--	-----------------	---------------

Identification of major programs:

ASSISTANCE LISTING

NUMBER(S)

84.425

NAME OF PROGRAM OR CLUSTER

Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs	\$ 750,000	
Auditee qualified as low-risk auditee?	Yes <u> X </u>	No <u> </u>

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2022-001

Criteria: The District has the responsibility for establishing and maintaining effective internal control over financial reporting.

Condition: A significant deficiency in controls over financial reporting was identified for controls over bank transfers.

Cause: The cause appears to be related to human error that was not detected the District's internal controls.

Effect or potential effect: Cash was understated and miscellaneous revenue was overstated by \$14,299 due a bank transfer not being properly recorded. A lack of effective internal controls over financial reporting for bank transfers may allow a material misstatement due to error or fraud.

Recommendation: The District should implement policies and procedures to ensure that bank transfers are properly recorded.

Views of responsible officials: The District understands and concurs with this finding.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No findings or questioned costs for federal awards were reported.

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

Finding 2021-001

Condition:

A significant deficiency in controls over compliance was identified for controls over compliance requirements A and B from 2020 Office of Management and Budget (OMB) *Compliance Supplement* due to a lack of segregation of duties. This was also considered to be a significant deficiency in controls over financial reporting.

Corrective Action:

The District employed an individual for the HR/Payroll position for the year ended 2021/2022. The HR/Payroll person and the Business Manager checked and approved each other's work as was past practice.

Corrective action was fully implemented during the year ended June 30, 2022.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
OREGON STATE REGULATIONS**



Talbot, Korvola & Warwick, LLP 14945 SW Sequoia Parkway, Suite 150 Portland, OR 97224
P 503.274.2849 F 503.274.2853 www.tkw.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH OREGON STATE REGULATIONS**

Board of Directors
North Marion School District No. 15
Aurora, Oregon

We have audited the financial statements of the governmental activities and each major fund of North Marion School District No. 15, Marion County, Oregon (the District), as of and for the year ended June 30, 2022, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- 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 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except for:

- Out of a sample of 14 teachers selected from a population of 105 teachers, it appears that the District over reported teacher experience for one teacher by one year for years of experience outside of Oregon.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH OREGON STATE REGULATIONS (Continued)**

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 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.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control that we consider to be a significant deficiency described in the *Schedule of Findings and Questions Costs* as items 2022-001.

Purpose of This Report

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 specified parties.

Talbot, Kowala & Warwick LLP

Portland, Oregon
November 7, 2022