

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

Financial Statements
and Supplementary Information

Year Ended June 30, 2023

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	44
Schedule of Pension Contributions Oregon Public Employees Retirement System	45
Schedule of the Proportionate Share of the Net OPEB Liability (Asset) Oregon Public Employees Retirement System	46
Schedule of OPEB Contributions Oregon Public Employees Retirement System	47
Schedule of Changes in Total OPEB Liability and Related Ratios Implicit Rate Subsidy	48
Notes to Required Supplementary Information	49

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	50
Capital Projects Fund	51
Supplemental Information as Required by the Oregon Department of Education	52
Marion County Tax Information and Historical ADM Information	53
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	54
Independent Auditor's Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance	56
Schedule of Expenditures of Federal Awards	59
Schedule of Findings and Questioned Costs	61
Schedule of Prior Audit Findings	63
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	64

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

OFFICIALS OF THE DISTRICT

YEAR ENDED JUNE 30, 2023

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, 2023
Kristi Buckland	Director	June 30, 2023
Crystal Rostocil	Director	June 30, 2026
Richard Goddard	Director	June 30, 2025
Ricardo Verastegui	Director	June 30, 2023

DISTRICT ADMINISTRATION

Ginger Redlinger through 6/30/23 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, 2023, 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, 2023, 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 (*Government Auditing Standards*). 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 December 11, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 December 11, 2023, 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
December 11, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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, 2023.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows at June 30, 2023, by \$439 thousand. Of this amount, \$21.3 million represents the District's investment in capital assets; \$892 thousand is restricted for debt service; \$633 thousand is restricted for uses required for construction excise tax; \$9 thousand is restricted to energy savings projects; \$517 thousand is restricted for student body funds, \$296 thousand is restricted for capital projects; \$484 thousand is restricted for food service; \$13 thousand is restricted for special projects; \$422 thousand is restricted for OPEB and a negative \$24.1 million is unrestricted.
- The District's governmental funds report combined ending fund balances of \$5.72 million. This is a decrease of approximately \$587 thousand from last year. This decrease can be attributed to multiple funds. Approximate changes included the Food Service Fund saw a decrease of \$65 thousand due to increased expenses, the Debt Service Fund increased by \$13 thousand mostly due to an increase in tax collections, the Capital Projects Fund increased by \$328 thousand mostly due to a transfer from energy savings project fund and finally the General Fund saw a decrease of \$488 thousand mostly due to the fact that the payout from settling the collective bargaining contract with the licensed employees.
- At the end of the fiscal year, fund balance for the General Fund was \$2.93 million, or about 12.4 percent of total General Fund expenditures. This is a decrease of approximately \$488 thousand in the ending fund balance from the prior year. As explained above-this decrease is mostly due to the timing of the negotiations settlement of the collective bargaining agreement with licensed employees being signed after 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, 2023

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 43 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. These schedules can be found on pages 44 through 49 of this report.

Other information. Schedules presenting detailed budgetary information for the Debt Service Fund, Capital Projects Fund and other supplementary information can be found on pages 50 through 53 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, 2023

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 \$439 thousand at June 30, 2023.

Capital assets, which consist of the District's land, buildings, improvements, equipment, vehicles, leases and subscriptions represent about 89 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 \$3.1 million, primarily as a result of changes in Plan assumptions and investment earnings. Bond payables decreased by \$1.9 million due to principle payments on bonds. 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, equipment, leases and subscriptions); 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)

	2023	2022	Change from 2022
Current and other assets	\$ 7.97	\$ 8.64	\$ (0.67)
Capital assets	63.88	64.88	(1.00)
Total assets	71.85	73.52	(1.67)
Deferred outflows	13.20	19.48	(6.28)
Current liabilities	4.73	3.69	1.04
Long-term liabilities	72.00	77.84	(5.84)
Total liabilities	76.73	81.53	(4.80)
Deferred inflows	7.88	9.28	(1.40)
Net position:			
Net investment in capital assets	21.27	21.52	(0.25)
Restricted for debt service	0.89	0.88	0.01
Restricted for CET projects	0.63	0.53	0.10
Restricted for energy savings	0.01	0.43	(0.42)
Restricted for student body funds	0.52	0.45	0.07
Restricted for capital projects	0.30	-	0.30
Restricted for food service	0.48	0.55	(0.07)
Restricted for special projects	0.01	0.02	(0.01)
Restricted for OPEB	0.42	0.43	(0.01)
Unrestricted	(24.10)	(22.62)	(1.48)
Total net position	\$ 0.44	\$ 2.19	\$ (1.75)

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities. In comparison to last year, the District's general revenues increased by \$2.86 million while expenses increased by \$488 thousand. The increase in District revenues can be attributed to an increase in unrestricted state and local sources while the increase in expenses can be attributed the late settlement of negotiations as mentioned earlier in this report.

	2023	2022	Change from 2022
General revenues	\$ 28.34	\$ 25.48	\$ 2.86
Expenses	(32.70)	(27.99)	(4.71)
Charges for services	0.62	0.48	0.14
Operating grants and contributions	1.99	2.79	(0.80)
Change in net position	(1.75)	0.76	(2.51)
Beginning Net Position	2.19	1.43	0.76
Ending Net Position	<u>\$ 0.44</u>	<u>\$ 2.19</u>	<u>\$ (1.75)</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 \$5.72 million represents a decrease of \$588 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, 2023

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Governmental funds (Continued)

General Fund. The General Fund is the chief operating fund of the district. As of June 30, 2023, the ending fund balance was \$2.93 million, down from \$3.41 million as of June 30, 2022.

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 12.4 percent of General Fund expenditures. The lower fund balance is mostly due to the fact negotiations with one of the District's unions had not been concluded as of fiscal year ended June 30, 2022 and includes a payout for prior year in this fiscal year. 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 \$1.2 million less than budgeted when including the budgeted contingency of \$1.13 million or \$27 thousand 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 prior fiscal year as previously mentioned.

Actual expenditures were within budgeted amounts for fiscal year ended June 30, 2023.

**General Fund
Actual Expenditures vs. Budget
(in millions)
Year Ended June 30, 2023**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance Positive (Negative)</u>
Instruction	\$ 13.00	\$ 13.07	\$ 0.07
Support services	10.48	10.48	(0.00)
Community Services	0.03	0.03	0.00
Debt Service	0.04	-	(0.04)
Contingency	-	1.13	1.13
Total Expenditures	<u>\$ 23.55</u>	<u>\$ 24.71</u>	<u>\$ 1.16</u>

Food Services Fund. The Food Services Fund balance is \$485 thousand at June 30, 2023, as compared to a fund balance of \$550 thousand at June 30, 2022. This decrease is mostly due to increased expenses, especially in food costs.

Special Revenue Fund. The Special Revenue Fund has a fund balance of \$541 thousand at June 30, 2023, most of which is restricted for Student Body Funds, as compared to \$918 thousand at June 30, 2022.

Debt Service Fund. The Debt Service Fund has a fund balance of \$838 thousand at June 30, 2023, all of which is restricted for the payment of debt service, as compared to \$825 thousand at June 30, 2022.

Capital Projects Fund. The Capital Projects Fund's fund balance increased from \$601 thousand at June 30, 2022 to \$929 thousand at June 30, 2023 mostly due to a transfer from the energy savings project fund.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital, lease and subscription assets. The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment. As of June 30, 2023, the District had approximately 63.87 million in capital assets, net of depreciation and amortization, as shown in the following table:

Land	\$ 1.11
Construction in progress	0.65
Buildings and improvements	61.20
Furniture, fixtures, and equipment	0.47
Leases	0.13
Subscriptions	<u>0.31</u>
Total	<u>\$ 63.87</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 \$63 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 \$209 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, 2023.

The District's 2023-2024 General Fund budget is approximately \$1.31 million more than the prior year due to higher costs across all areas. 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. Additionally, the increase in state school fund support has not matched the increases due to labor negotiations and inflation. This 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 NE, Aurora, Oregon 97002.

BASIC FINANCIAL STATEMENTS

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

STATEMENT OF NET POSITION

JUNE 30, 2023

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 6,021,767
Cash held by County	21,523
Receivables	1,349,877
Prepays	155,900
Net other postemployment benefits asset	422,046
Capital assets:	
Not being depreciated	1,765,888
Being depreciated, net of accumulated depreciation and amortization	62,112,482
TOTAL ASSETS	71,849,483
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to other postemployment benefits	312,323
Deferred outflows related to pension	12,892,669
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,204,992
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	113,504
Accrued payroll payable	604,192
Accrued interest payable	49,656
Unearned grant revenue	932,980
Bonds payable, net, due within one year	2,890,303
Lease payable, due within one year	30,752
Subscription payable, due within one year	114,385
Total current liabilities	4,735,772
Noncurrent liabilities:	
Bonds payable, net, due after one year	60,226,627
Lease payable, due after one year	102,684
Subscription payable, due after one year	29,018
Accrued interest on deferred interest bonds	3,976,828
Total other postemployment benefits liability	1,157,225
Net pension liability	6,509,226
Total noncurrent liabilities	72,001,608
TOTAL LIABILITIES	76,737,380
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows related to other postemployment benefits	333,762
Deferred inflows related to pension	7,544,015
TOTAL DEFERRED INFLOWS OF RESOURCES	7,877,777
<u>NET POSITION</u>	
Net investment in capital assets	21,274,601
Restricted for debt service	892,163
Restricted for CET projects	633,512
Restricted for energy savings projects	8,757
Restricted for student body funds	517,426
Restricted for capital projects	295,900
Restricted for food service	484,340
Restricted for special projects	12,816
Restricted for OPEB	422,046
Unrestricted	(24,102,243)
TOTAL NET POSITION	\$ 439,318

See Notes to Basic Financial Statements.

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

STATEMENT OF ACTIVITIES**YEAR ENDED JUNE 30, 2023**

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Instruction:				
Regular programs	\$ 11,596,097	\$ 463,215	\$ 24,640	\$ (11,108,242)
Special programs	4,392,453	-	772,189	(3,620,264)
Summer School Programs	184,173	-	125,788	(58,385)
Support services:				
Student services	1,952,948	-	59,707	(1,893,241)
Instructional staff services	1,230,296	-	91,456	(1,138,840)
General administration	592,207	-	-	(592,207)
School administration	2,622,997	-	128	(2,622,869)
Business services	5,339,662	19,050	37,678	(5,282,934)
Central activities	943,214	-	32,898	(910,316)
Enterprise and community services:				
Food services	1,299,459	134,570	846,631	(318,258)
Community services	6,592	-	-	(6,592)
Interest on long-term debt	2,539,580	-	-	(2,539,580)
Totals	<u>\$ 32,699,678</u>	<u>\$ 616,835</u>	<u>\$ 1,991,115</u>	<u>(30,091,728)</u>
GENERAL REVENUES:				
Property taxes levied for general purposes				4,294,865
Property taxes levied for debt service				2,121,615
State school fund - general support				18,084,402
Unrestricted state and local sources				3,268,748
Earnings on investments				305,294
Miscellaneous				268,674
Total general revenues				<u>28,343,598</u>
CHANGE IN NET POSITION				<u>(1,748,130)</u>
NET POSITION , June 30, 2022				<u>2,187,448</u>
NET POSITION, June 30, 2023				<u>\$ 439,318</u>

See Notes to Basic Financial Statements.

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2023

	General Fund	Food Services Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 3,261,913	\$ 417,848	\$ 583,058	\$ 819,443	\$ 939,505	\$ 6,021,767
Cash held by County	14,431	-	-	7,092	-	21,523
Accounts receivable	131,817	74,880	900,711	-	29,158	1,136,566
Prepays	155,600	300	-	-	-	155,900
Property taxes receivable	147,683	-	-	65,628	-	213,311
TOTAL ASSETS	\$ 3,711,444	\$ 493,028	\$ 1,483,769	\$ 892,163	\$ 968,663	\$ 7,549,067
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
LIABILITIES						
Accounts payable	\$ 59,111	\$ 5,905	\$ 9,237	\$ -	\$ 39,251	\$ 113,504
Accrued payroll	600,829	2,483	880	-	-	604,192
Unearned grant revenue	-	-	932,980	-	-	932,980
TOTAL LIABILITIES	659,940	8,388	943,097	-	39,251	1,650,676
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue- property taxes	124,327	-	-	54,311	-	178,638
FUND BALANCES						
Nonspendable	155,600	300	-	-	-	155,900
Restricted	-	484,340	538,999	837,852	929,412	2,790,603
Assigned	2,771,577	-	1,673	-	-	2,773,250
TOTAL FUND BALANCES	2,927,177	484,640	540,672	837,852	929,412	5,719,753
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,711,444	\$ 493,028	\$ 1,483,769	\$ 892,163	\$ 968,663	\$ 7,549,067

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, 2023

TOTAL FUND BALANCES		\$	5,719,753
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost, net of retirements	\$	81,031,894	
Accumulated depreciation and amortization, net of retirements		<u>(17,153,524)</u>	63,878,370
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.			178,638
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		422,046	
Deferred outflows related to OPEB		312,323	
Deferred outflows related to pension		<u>12,892,669</u>	13,627,038
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		(49,656)	
Bonds payable		(63,116,930)	
Lease payable		(133,436)	
Subscription payable		(143,403)	
Accrued interest on deferred interest bonds		(3,976,828)	
Other postemployment benefits obligation		(1,157,225)	
Net pension liability		(6,509,226)	
Deferred inflows related to OPEB		(333,762)	
Deferred inflows related to pension		<u>(7,544,015)</u>	<u>(82,964,481)</u>
TOTAL NET POSITION		\$	<u><u>439,318</u></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, 2023**

	General Fund	Food Services Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:						
Local sources:						
Property taxes	\$ 4,291,782	\$ -	\$ -	\$ 2,118,326	\$ -	\$ 6,410,108
Charges for services	165,762	147,089	275,919	2,194,476	-	2,783,246
Earnings on investments	191,193	10,366	35,108	52,710	15,917	305,294
Other	147,610	1,021	70,435	-	90,090	309,156
Intermediate sources	27,213	-	47,020	2,357	-	76,590
State sources	18,075,291	127,346	3,120,942	-	-	21,323,579
Federal sources	-	846,631	1,097,462	-	-	1,944,093
Total revenues	<u>22,898,851</u>	<u>1,132,453</u>	<u>4,646,886</u>	<u>4,367,869</u>	<u>106,007</u>	<u>33,152,066</u>
EXPENDITURES:						
Current:						
Instruction	12,840,189	-	2,829,774	-	-	15,669,963
Support services	10,464,156	-	1,387,286	-	49,946	11,901,388
Enterprise and community services	28,581	1,197,338	6,603	-	-	1,232,522
Capital outlay	170,891	-	449,185	-	209,096	829,172
Debt Service:						
Principal	38,632	-	104,327	1,678,353	-	1,821,312
Interest	2,903	-	-	2,676,167	-	2,679,070
Total expenditures	<u>23,545,352</u>	<u>1,197,338</u>	<u>4,777,175</u>	<u>4,354,520</u>	<u>259,042</u>	<u>34,133,427</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND CHANGE IN FUND BALANCE	<u>(646,501)</u>	<u>(64,885)</u>	<u>(130,289)</u>	<u>13,349</u>	<u>(153,035)</u>	<u>(981,361)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of lease	158,810	-	-	-	-	158,810
Issuance of subscription	-	-	234,634	-	-	234,634
Transfers In	-	-	-	-	481,360	481,360
Transfers Out	-	-	(481,360)	-	-	(481,360)
Total other financing sources (uses)	<u>158,810</u>	<u>-</u>	<u>(246,726)</u>	<u>-</u>	<u>481,360</u>	<u>393,444</u>
NET CHANGE IN FUND BALANCE	<u>(487,691)</u>	<u>(64,885)</u>	<u>(377,015)</u>	<u>13,349</u>	<u>328,325</u>	<u>(587,917)</u>
FUND BALANCE, June 30, 2022	<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>
FUND BALANCE, June 30, 2023	<u>\$ 2,927,177</u>	<u>\$ 484,640</u>	<u>\$ 540,672</u>	<u>\$ 837,852</u>	<u>\$ 929,412</u>	<u>\$ 5,719,753</u>

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, 2023

NET CHANGES IN FUND BALANCES \$ (587,917)

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.

Cost, net of retirements	\$ 816,577	
Depreciation and amortization expense	<u>(1,847,410)</u>	(1,030,833)

Certain revenues that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.

Change in unavailable revenue		6,372
-------------------------------	--	-------

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

Principal paid on bonds	1,678,353	
Principal paid on leases	25,374	
Principal paid on subscriptions	117,585	
Issuance of lease	(158,810)	
Issuance of subscription	<u>(234,634)</u>	1,427,868

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.

Accrued interest payable	1,442	
Accrued interest on deferred interest bonds	(102,254)	
Amortization of bond premium	240,303	
Change in other postemployment benefits obligation and deferred inflows and outflows	50,415	
Change in pension asset/liability and deferred inflows and outflows	<u>(1,753,526)</u>	<u>(1,563,620)</u>

CHANGE IN NET POSITION **\$ (1,748,130)**

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, 2023**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local sources:				
Property taxes	\$ 4,205,000	\$ 4,205,000	\$ 4,291,782	\$ 86,782
Charges for services	216,000	216,000	165,762	(50,238)
Earnings on investments	35,000	35,000	191,193	156,193
Other	145,500	145,500	147,610	2,110
Intermediate sources	55,000	55,000	27,213	(27,787)
State sources	16,498,249	16,498,249	18,075,291	1,577,042
Total revenues	<u>21,154,749</u>	<u>21,154,749</u>	<u>22,898,851</u>	<u>1,744,102</u>
EXPENDITURES:				
Instruction	12,965,769	13,065,534	12,998,999	66,535
Support services	9,656,541	10,477,300	10,476,237	1,063
Community Services	19,700	29,700	28,581	1,119
Debt Service	-	-	41,535	(41,535)
Contingency	2,061,469	1,130,945	-	1,130,945
Total expenditures	<u>24,703,479</u>	<u>24,703,479</u>	<u>23,545,352</u>	<u>1,158,127</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,548,730)</u>	<u>(3,548,730)</u>	<u>(646,501)</u>	<u>2,902,229</u>
OTHER FINANCING SOURCES (USES):				
Issuance of lease	-	-	158,810	158,810
Transfers In	21,148	21,148	-	(21,148)
Transfers Out	(21,418)	(21,418)	-	21,418
Total other financing sources (use)	<u>(270)</u>	<u>(270)</u>	<u>158,810</u>	<u>159,080</u>
NET CHANGE IN FUND BALANCE	<u>(3,549,000)</u>	<u>(3,549,000)</u>	<u>(487,691)</u>	<u>3,061,309</u>
FUND BALANCE, June 30, 2022	<u>3,549,000</u>	<u>3,549,000</u>	<u>3,414,868</u>	<u>(134,132)</u>
FUND BALANCE, June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,927,177</u>	<u>\$ 2,927,177</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, 2023

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local sources:				
Charges for services	\$ 132,500	\$ 132,500	\$ 147,089	\$ 14,589
Interest on Investments	-	-	10,366	10,366
Other	2,000	2,000	1,021	(979)
State sources	40,500	40,500	127,346	86,846
Federal sources	876,869	876,869	846,631	(30,238)
Total revenues	<u>1,051,869</u>	<u>1,051,869</u>	<u>1,132,453</u>	<u>80,584</u>
EXPENDITURES:				
Enterprise and community services	<u>1,376,869</u>	<u>1,376,869</u>	<u>1,197,338</u>	<u>179,531</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND CHANGE IN FUND BALANCE	<u>(325,000)</u>	<u>(325,000)</u>	<u>(64,885)</u>	<u>260,115</u>
FUND BALANCE, June 30, 2022	<u>325,000</u>	<u>325,000</u>	<u>549,525</u>	<u>224,525</u>
FUND BALANCE, June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 484,640</u>	<u>\$ 484,640</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, 2023**

	Budget		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Local sources:				
Charges for services	\$ 257,917	\$ 257,917	\$ 275,919	\$ 18,002
Earnings on investments	10,750	10,750	35,108	24,358
Other	133,280	133,280	70,435	(62,845)
Intermediate sources	30,686	30,686	47,020	16,334
State sources	2,906,849	2,906,849	3,120,942	214,093
Federal sources	2,650,124	2,650,124	1,097,462	(1,552,662)
Total revenues	<u>5,989,606</u>	<u>5,989,606</u>	<u>4,646,886</u>	<u>(1,342,720)</u>
EXPENDITURES:				
Instruction	3,260,020	3,260,020	3,261,757	(1,737)
Support services	2,967,518	2,967,518	1,404,488	1,563,030
Enterprise and community services	43,975	43,975	6,603	37,372
Debt Service	-	-	104,327	(104,327)
Contingency	216,316	216,316	-	216,316
Total expenditures	<u>6,487,829</u>	<u>6,487,829</u>	<u>4,777,175</u>	<u>1,710,654</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(498,223)	(498,223)	(130,289)	367,934
OTHER FINANCING SOURCES (USES):				
Issuance of subscription	-	-	234,634	234,634
Transfers Out	(480,000)	(480,000)	(481,360)	(1,360)
Total other financing sources (use)	<u>(480,000)</u>	<u>(480,000)</u>	<u>(246,726)</u>	<u>233,274</u>
NET CHANGE IN FUND BALANCE	(978,223)	(978,223)	(377,015)	601,208
FUND BALANCE, June 30, 2022	<u>1,788,223</u>	<u>1,788,223</u>	<u>917,687</u>	<u>(870,536)</u>
FUND BALANCE, June 30, 2023	<u>\$ 810,000</u>	<u>\$ 810,000</u>	<u>\$ 540,672</u>	<u>\$ (269,328)</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, 2023

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, 2023

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, 2023

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

Leases and Subscriptions

The District is a lessee for a noncancellable lease of equipment. Additionally, the District enters into subscription agreements for the right to use certain software. The District recognizes a lease and subscription liabilities and an intangible right-to-use lease and subscription assets (lease asset and subscription asset) in the government-wide financial statements. The District recognizes lease and subscription liabilities with an initial, individual value of \$5,000 or more.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases and Subscriptions (Continued)

At the commencement of a lease or subscription, the District initially measures the lease or subscription liability at the present value of payments expected to be made during the lease or subscription term. Subsequently, the lease or subscription liability is reduced by the principal portion of payments made. The lease or subscription asset is initially measured as the initial amount of the lease or subscription liability, adjusted for payments made at or before the lease commencement date, plus certain initial direct costs or implementation costs. Subsequently, the lease or subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases and subscriptions include how the District determines the discount rate it uses to discount the expected payments to present value, the term, and the payments. The District uses the interest rate charged as the discount rate. When the interest rate charged is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate. The term includes the noncancellable period of the lease or subscription. Payments included in the measurement of the lease liability are composed of fixed payments and purchase option price, if include in the agreement, that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its leases and subscriptions and will remeasure the lease and/or subscription assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease and/or subscription liability.

Lease and subscription assets are reported with other capital assets and lease and subscription liabilities are reported separately on the statement of net position.

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.

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).

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget (Continued)

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".

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, 2023, the District's cash and cash equivalents are comprised of the following:

Cash on hand	\$	104
Deposits with financial institutions		902,627
State of Oregon Treasurer's Local Government Investment Pool		5,119,036
		<hr/>
	\$	<u>6,021,767</u>

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

2. CASH AND CASH EQUIVALENTS (Continued)

Deposits with Financial Institutions

At June 30, 2023, the carrying amount of the District's deposits was \$899,394 and the bank balance was \$1,952,550. 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 \$1,702,550 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.

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, 2023.

3. RECEIVABLES

Receivables are comprised of the following:

Property taxes	\$ 213,311
Grants	975,591
Other	<u>160,975</u>
	<u>\$ 1,349,877</u>

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance June 30, 2022	Increases	Transfers	Decreases	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 1,114,538	\$ -	\$ -	\$ -	\$ 1,114,538
Construction in progress	439,499	226,301	(14,450)	-	651,350
Total capital assets not being depreciated	<u>1,554,037</u>	<u>226,301</u>	<u>(14,450)</u>	<u>-</u>	<u>1,765,888</u>
Capital assets being depreciated/amortized:					
Buildings and improvements	77,489,122	-	-	-	77,489,122
Furniture, fixtures and equipment	1,164,278	12,764	14,450	(31,069)	1,160,423
Lease assets	-	158,810	-	-	158,810
Subscription assets	26,354	431,297	-	-	457,651
Total capital assets being depreciated/amortized	<u>78,679,754</u>	<u>602,871</u>	<u>14,450</u>	<u>(31,069)</u>	<u>79,266,006</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(14,671,338)	(1,618,370)	-	-	(16,289,708)
Furniture, fixtures and equipment	(653,250)	(58,710)	-	18,474	(693,486)
Lease assets	-	(25,498)	-	-	(25,498)
Subscription assets	-	(144,832)	-	-	(144,832)
Total accumulated depreciation/amortization	<u>(15,324,588)</u>	<u>(1,847,410)</u>	<u>-</u>	<u>18,474</u>	<u>(17,153,524)</u>
Total capital assets being depreciated/amortized, net	<u>63,355,166</u>	<u>(1,244,539)</u>	<u>14,450</u>	<u>(12,595)</u>	<u>62,112,482</u>
Total capital assets, net	<u>\$ 64,909,203</u>	<u>\$ (1,018,238)</u>	<u>\$ -</u>	<u>\$ (12,595)</u>	<u>\$ 63,878,370</u>

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

Instruction:		
Regular programs	\$	908,296
Special programs		289,394
Support services:		
Instructional staff services		74,279
School administration		156,482
Business services		326,591
Central services		11,877
Enterprise and community services:		
Food service		80,491
Total	<u>\$</u>	<u>1,847,410</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.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

5. LONG-TERM DEBT (Continued)

Bonds payable transactions for the year are as follows:

	<u>Original Issue</u>	<u>June 30, 2022</u>	<u>Issued</u>	<u>Redeemed</u>	<u>June 30, 2023</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	24,700,000	-	865,000	23,835,000	965,000
Limited Tax Pension Bonds:						
Series 2003A&B Issued April 21, 2003, imputed interest at 1.5-6.3%	11,859,719	6,598,353	-	313,353	6,285,000	1,160,000
Series 2021A Issued August 19, 2021, imputed interest at .8 - 2.9%	15,390,000	15,005,000	-	500,000	14,505,000	525,000
Total bonds payable		61,681,362	-	1,678,353	60,003,009	2,650,000
Premiums on bonds payable		3,354,224	-	240,303	3,113,921	240,303
Bonds payable, net		<u>\$ 65,035,586</u>	<u>\$ -</u>	<u>\$ 1,918,656</u>	<u>\$ 63,116,930</u>	<u>\$ 2,890,303</u>

Future maturities of bond principal and interest are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
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	2,890,000	1,299,671
2029-2033	13,730,000	4,843,208
2034-2038	16,420,645	5,216,097
2039-2043	8,580,938	11,347,371
2044-2048	6,006,426	14,663,574
Total	<u>\$ 60,003,009</u>	<u>\$ 44,060,581</u>

6. LEASE PAYABLE

On September 12, 2022, the District entered into a 60-month lease as lessee for the use of Sharp Copiers. An initial lease liability was recorded in the amount of \$158,810. The District is required to make monthly fixed payments of \$2,815. The lease has an interest rate of 2.5357%. The equipment estimated useful life was 60 months as of the contract commencement.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

6. LEASE PAYABLE (Continued)

Lease liability transactions for the year are as follows:

	<u>June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>	<u>Due Within One Year</u>
Lease payable	\$ -	\$ 158,810	\$ 25,374	\$ 133,436	\$ 30,752

Future maturities of lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 30,752	\$ 3,028
2025	31,541	2,239
2026	32,351	1,429
2027	33,180	600
2028	5,612	18
Total	\$ 133,436	\$ 7,314

7. SUBSCRIPTIONS PAYABLE

On July 1, 2022, the District entered into a 24-month subscription for the use of Core Plus CTE Concurrent License. An initial subscription liability was recorded in the amount of \$191,081. The District is required to make annual fixed payments of \$96,577. The subscription has an interest rate of 2.1937%.

Effective July 1, 2022, the District recorded a 27-month subscription for the use of Sophos Software. An initial subscription liability was recorded in the amount of \$16,744. The District is required to make annual fixed payments of \$8,509. The subscription has an interest rate of 2.1937%.

Effective July 1, 2022, the District recorded a 26-month subscription for the use of Municode Software. An initial subscription liability was recorded in the amount of \$9,610. The District is required to make annual fixed payments of \$4,875. The subscription has an interest rate of 2.1937%.

On July 1, 2022, the District entered into a 72-month subscription for the use of Amplify Software. An initial subscription liability was recorded in the amount of \$43,553. The District is required to make annual fixed payments of \$7,750. The subscription has an interest rate of 2.6957%.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

7. SUBSCRIPTIONS PAYABLE (Continued)

Subscription liability transactions for the year are as follows:

	<u>June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>	<u>Due Within One Year</u>
Core Plus CTE Concurrent License	\$ -	\$ 191,081	\$ 96,577	\$ 94,504	\$ 94,504
Sophos Software	16,744	-	8,418	8,326	8,326
Municode Software	9,610	-	4,840	4,770	4,770
Amplify Software	-	43,553	7,750	35,803	6,785
Subscription payable	<u>\$ 26,354</u>	<u>\$ 234,634</u>	<u>\$ 117,585</u>	<u>\$ 143,403</u>	<u>\$ 114,385</u>

Future maturities of subscription payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 114,385	\$ 3,326
2025	6,968	782
2026	7,156	594
2027	7,347	402
2028	7,547	203
Total	<u>\$ 143,403</u>	<u>\$ 5,307</u>

8. 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:

	<u>Implicit Rate Subsidy Plan</u>	<u>PERS RHIA Plan</u>	<u>Totals</u>
Net OPEB Asset	\$ -	\$ 422,046	\$ 422,046
Deferred Outflow of Resources	274,367	37,956	312,323
Total OPEB Liability	1,157,225	-	1,157,225
Deferred Inflow of Resources	276,071	57,691	333,762
OPEB Expense (Benefit)	124,006	(58,158)	65,848

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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.

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	1
Total	200

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 \$1,157,225 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2021.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 44,210	\$ 158,917
Changes of assumptions	116,075	117,154
	160,285	276,071
Contributions made subsequent to measurement date	114,082	-
Totals	\$ 274,367	\$ 276,071

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

8. 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 \$114,082 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, 2024. 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)
2024	\$ (18,841)
2025	(13,494)
2026	(9,041)
2027	(9,562)
2028	(23,693)
Thereafter	(41,155)
Total	\$ (115,786)

Actuarial Assumptions and Other Inputs

Valuation date	July 1, 2021
Measurement date	June 30, 2022
Actuarial Assumptions	
Actuarial cost method	Entry Age Normal
Inflation	2.40 percent
Discount rate*	3.54 percent (change from 2.16 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 31, 2020 Oregon PERS valuation (see Note 9 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, 2023

8 OTHER POST-EMPLOYMENT BENEFITS (Continued)

Implicit Subsidy (Continued)

Changes in Total OPEB Liability

Balance as of June 30, 2022	\$	1,236,374
Changes for the year:		
Service Cost		114,812
Interest on total OPEB liability		28,035
Effect of assumptions changes or inputs		(114,840)
Benefit payments		(107,156)
		(107,156)
Balance as of June 30, 2022	\$	1,157,225

Changes in assumptions is the result of the change in the discount rate from 2.16 to 3.54, 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 or 1-percentage-point higher than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Discount Rate:			
Net OPEB Liability (Asset)	\$ 1,237,819	\$ 1,157,225	\$ 1,081,684
	1% Decrease (4.5% decreasing to 3.25%)	Current Healthcare Cost Trend (5.5% decreasing to 4.25%)	1% Increase (6.5% decreasing to 5.25%)
Healthcare Trend Cost			
Total OPEB Liability	\$ 1,046,989	\$ 1,157,225	\$ 1,287,155

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, 2023

8. 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, 2023 contributions was \$2,187

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

At June 30, 2023, the District reported an asset of \$422,046 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to June 30, 2022. 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, 2022 measurement date, the District's proportionate share was 0.11877%, which is a decrease from its proportion of 0.12430% as of the June 30, 2021 measurement date.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

8. 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, 2023, the District recognized OPEB benefit from this plan of \$58,158. At June 30, 2023, 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	\$ -	\$ 11,437
Changes of assumptions	3,305	14,068
Net difference between projected and actual earnings on investments	-	32,186
Changes in proportionate share	32,464	-
	35,769	57,691
Contributions made subsequent to measurement date	2,187	-
Totals	\$ 37,956	\$ 57,691

Deferred outflows of resources related to OPEB of \$2,187 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, 2024. 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)
2024	\$ 4,867
2025	(16,787)
2026	(20,311)
2027	10,309
Total	\$ (21,922)

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

PERS Retirement Health Insurance Account (Continued)

Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial methods and assumptions:

Healthcare cost trend rate	Not applicable
Retiree healthcare participation:	Healthy retirees: 27.5%; Disabled retirees: 15%

All other actuarial methods and assumptions are consistent with those disclosed for the OPERS Pension Plan. See Note 9. 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)	\$ (380,382)	\$ (422,046)	\$ (457,761)

9. 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, 2023

9. 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, 2023

9. 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, 2023

9. RETIREMENT PLANS (Continued)

Actuarial Valuations (Continued):

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study Report	2020, published July 20, 2021
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
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 2020 Experience Study which reviewed experience for the four-year period ending on December 31, 2020.

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, 2023

9. 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	30.0
Real Estate	12.5
Private Equity	20.0
Real Assets	7.5
Diversifying Strategies	7.5
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, 2023

9. 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	4.68	3.10	18.85
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, 2023 were \$110,255. 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 2.88 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, 2023

9. RETIREMENT PLANS (Continued)

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

At June 30, 2023, the District reported a liability of \$6,509,226 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020 and rolled forward to June 30, 2022. 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, 2022 measurement date, the District's proportionate share was 0.04251060 percent, which is a decrease from its proportion of 0.08030562 percent as of the June 30, 2021 measurement date.

For the year ended June 30, 2023, the District recognized a pension expense of \$1,776,674 for the Defined Benefit Pension Plan. At June 30, 2023, 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	\$ 315,970	\$ 40,593
Changes of assumptions	1,021,333	9,331
Net difference between projected and actual earnings on investments	-	1,163,724
Changes in proportionate share	-	5,895,012
Differences between employer contributions and proportionate share of contributions	11,445,111	435,355
	12,782,414	7,544,015
Contributions made subsequent to measurement date	110,255	-
Totals	\$ 12,892,669	\$ 7,544,015

\$110,255 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, 2024. 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)
2024	\$ 958,505
2025	965,693
2026	715,712
2027	1,887,580
2028	710,909
Total	\$ 5,238,399

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

9. 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	\$ 11,543,549	\$ 6,509,226	\$ 2,295,730

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 (\$3,570 as of January 1, 2023). Employees may elect to contribute the redirected amount on an after-tax basis to the IAP. For the year ended June 30, 2023, the District paid approximately \$603,000, with approximately \$107 thousand redirected to the EPSA.

10. 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, 2023.

NORTH MARION SCHOOL DISTRICT No. 15
Marion County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2023

11. 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, 2023, approximately 92% of the District's employees were covered by a collective bargaining agreement. The District's OSEA contract for classified employees expires within one year of June 30, 2023. Approximately 96 employees are covered by this contract.

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.

12. FUND BALANCES

Fund balances by classification for the year ended June 30, 2023 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	\$ 155,600	\$ 300	\$ -	\$ -	\$ -	\$ 155,900
<u>Restricted:</u>						
Student Body Funds	-	-	517,426	-	-	517,426
Special Projects	-	-	12,816	-	-	12,816
Food services	-	484,340	-	-	-	484,340
Energy Savings Projects	-	-	8,757	-	-	8,757
Construction Excise	-	-	-	-	633,512	633,512
Capital Improvements	-	-	-	-	295,900	295,900
Debt Service	-	-	-	837,852	-	837,852
	<u>-</u>	<u>484,340</u>	<u>538,999</u>	<u>837,852</u>	<u>929,412</u>	<u>2,790,603</u>
<u>Assigned:</u>						
Subsequent year's budget appropriation of fund balance	2,771,577	-	-	-	-	2,771,577
Surplus Sales	-	-	1,673	-	-	1,673
	<u>2,771,577</u>	<u>-</u>	<u>1,673</u>	<u>-</u>	<u>-</u>	<u>2,773,250</u>
Total Fund Balances	<u>\$ 2,927,177</u>	<u>\$ 484,640</u>	<u>\$ 540,672</u>	<u>\$ 837,852</u>	<u>\$ 929,412</u>	<u>\$ 5,719,753</u>

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
2023	0.04251060%	\$ 6,509,226	\$ 11,853,803	54.9%	84.5%
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

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>
2023	\$ 110,255	\$ 110,255	\$ -	\$ 13,128,136	0.8%
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%

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
2023	0.11877406%	\$ (422,046)	\$ 11,853,803	-3.6%	194.6%
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

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>
2023	\$ 2,187	\$ 2,187	\$ -	\$ 13,128,136	0.02%
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

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
2023	\$1,236,374	\$114,812	\$28,035	\$ (114,840)	\$ -	\$(107,156)	\$1,157,225	\$11,853,803	9.8%
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

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)

Changes in Assumptions

A summary of key changes implemented with the December 31, 2020 actuarial valuation, rolled forward to June 30, 2022, which was used in the pension calculations and amounts reported for the fiscal year ended June 30, 2023, 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 2.16% to 3.54%, 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, 2023

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local sources:				
Property taxes	\$ 2,087,350	\$ 2,087,350	\$ 2,118,326	\$ 30,976
Charges for services	2,480,174	2,480,174	2,194,476	(285,698)
Earnings on investments	7,300	7,300	52,710	45,410
Intermediate sources	-	-	2,357	2,357
Total revenues	<u>4,574,824</u>	<u>4,574,824</u>	<u>4,367,869</u>	<u>(206,955)</u>
EXPENDITURES:				
Debt Service	4,349,324	4,354,526	4,354,520	6
Contingency	550,000	544,798	-	544,798
Total expenditures	<u>4,899,324</u>	<u>4,899,324</u>	<u>4,354,520</u>	<u>544,804</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND CHANGE IN FUND BALANCE	(374,500)	(374,500)	13,349	387,849
FUND BALANCE, June 30, 2022	<u>424,500</u>	<u>424,500</u>	<u>824,503</u>	<u>400,003</u>
FUND BALANCE, June 30, 2023	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 837,852</u>	<u>\$ 787,852</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, 2023

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local sources:				
Earnings on investments	\$ 4,000	\$ 4,000	\$ 15,917	\$ 11,917
Construction excise tax	95,000	95,000	90,090	(4,910)
Total revenues	<u>99,000</u>	<u>99,000</u>	<u>106,007</u>	<u>7,007</u>
EXPENDITURES:				
Support services	623,000	623,000	49,946	573,054
Facilities, acquisitions and construction	481,000	481,000	209,096	271,904
Total expenditures	<u>1,104,000</u>	<u>1,104,000</u>	<u>259,042</u>	<u>844,958</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,005,000)	(1,005,000)	(153,035)	851,965
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>480,000</u>	<u>480,000</u>	<u>481,360</u>	<u>1,360</u>
NET CHANGE IN FUND BALANCE	(525,000)	(525,000)	328,325	853,325
FUND BALANCE, June 30, 2022	<u>525,000</u>	<u>525,000</u>	<u>601,087</u>	<u>76,087</u>
FUND BALANCE, June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 929,412</u>	<u>\$ 929,412</u>

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

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

YEAR ENDED JUNE 30, 2023

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	\$ 449,753
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

\$ 12,081

* **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, 2023

2022-2023 Real Market Value: \$ 2,630,775,466

<u>2022-2023 Top 10 Taxpayers for North Marion SD</u>	<u>Real Market 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>2022-2023 Top 10 Taxpayers for Marion County</u>	<u>Real Market 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 2022-23 was 98%

<u>Historical ADMw Information</u>	<u>Enrollment</u>	<u>ADMw</u>
<u>Fiscal Year</u>		
2022/23	1668*	2142*
2021/22	1664	2118
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 (*Government Auditing Standards*) 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

**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)**

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, Korwala & Warwick, LLP
Portland, Oregon
December 11, 2023



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, 2023. 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, 2023.

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, Korwala & Warwick, LLP

Portland, Oregon
December 11, 2023

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, 2023

<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	2022-2023	84.010A	72572	\$ 337,166
Title I Grants to Local Educational Agencies	2021-2022	84.010A	67032	5,606
Total Title I, Part A				<u>342,772</u>
Supporting Effective Instruction State Grants	2022-2023	84.367A	72769	39,181
Supporting Effective Instruction State Grants	2021-2022	84.367A	67475	33,713
Total Supporting Effective Instruction State Grants				<u>72,894</u>
English Language Acquisition State Grants	2022-2023		73112	22,490
English Language Acquisition State Grants	2021-2022	84.365	67153	23,215
Total English Language Acquisition				<u>45,705</u>
Special Education Cluster (IDEA):				
Special Education - Grants to States	2022-2023	84.027	74082	262,975
Special Education - Grants to States	2022-2023	84.173	74266	1,934
Special Education - Grants to States	2022-2023	84.027	75357	9,220
Special Education - Grants to States	2021-2022	84.027	68686	37,457
Special Education - Grants to States	2021-2022	84.027	68437	53,948
Total Special Education Cluster (IDEA)				<u>365,534</u>
Education Stabilization Fund				
COVID-19 Elementary and Secondary School Emergency Relief Fund	2019-2023	84.425D	64640	153,223
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief	2021-2024	84.425U	64945	82,625
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief - Homeless Children Youth	2021-2024	84.425W	69375	1,508
Total Education Stabilization Fund				<u>237,356</u>
TOTAL PASSED THROUGH STATE DEPARTMENT OF EDUCATION				
				<u>1,064,261</u>
PASSED THROUGH WILLAMETTE EDUCATION SERVICE DISTRICT:				
Migrant Education - State Grant Programs	2022-2023	84.011	N/A	<u>27,201</u>

NORTH MARION SCHOOL DISTRICT No. 15

Marion County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2023

<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 (Continued):</u>				
PASSED THROUGH OREGON COMMUNITY FOUNDATION:				
Gaining Early Awareness and Readiness for Undergraduate Programs	2022-2023	84.334	N/A	<u>6,000</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>1,097,462</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:				
Child Nutrition Cluster: School Breakfast Program	2022-2023	10.553	2414002	<u>\$ 165,499</u>
National School Lunch Program	2022-2023	10.555	2414002	555,312
Donated Commodities	2022-2023	10.555	2414002	92,319
Summer Food Service Program for Children	2022-2023	10.559	2414002	<u>33,501</u>
Total Child Nutrition Cluster				<u>846,631</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>846,631</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 1,944,093</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, 2023

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> </u>	No <u> X </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)

10.553, 10.555, 10.559

NAME OF PROGRAM OR CLUSTER

Child Nutrition Cluster

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, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

No financial statement findings were reported.

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

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2023

Finding 2022-001

Audit Finding: Significant Deficiency

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.

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

Corrective Action Plan Taken: The District has implemented procedures to ensure that these types of transactions are properly recorded now and in the future. When a bank account is closed the Superintendent, Business Manager and HR/Payroll person will review the transaction for accuracy. (This action was approved by the board 11/14/2022.)

**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, 2023, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2023. 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.

**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)**

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:

- Expenditures of \$41,535 in excess of appropriations for debt service in the General Fund
- Expenditures of \$1,737 in excess of appropriations for instruction in the Special Revenue Fund
- Expenditures of \$104,347 in excess of appropriations for debt service in the Special Revenue Fund
- Expenditures of \$1,360 in excess of appropriations for transfers out in the Special Revenue Fund

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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, Korwala & Warwick, LLP

Portland, Oregon
December 11, 2023