MOLALLA RIVER SCHOOL DISTRICT NO. 35
CLACKAMAS COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

CERTIFIED PUBLIC ACCOUNTANTS
PAULY ROGERS AND CO PC

12700 SW 72nd Ave.
Tigard, OR 97223

MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

2021-22 FINANCIAL REPORT

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

2021-22 FINANCIAL REPORT

BOARD OF DIRECTORS	TERM EXPIRES
Mark Lucht, Chair	June 30, 2025
Neal Lucht, Vice Chair	June 30, 2023
Linda Eskridge	June 30, 2023
Michelle Boran	June 30, 2025
Terrie Stafford	June 30, 2025
Amy McNeil	June 30, 2025
Ralph Gierke	June 30, 2023

All board members receive mail at the District Office address below.

ADMINISTRATION

Tony Mann – Superintendent
Keith McClung – Business Manager

P.O. Box 188
Molalla, OR 97038-8113

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

INDEPENDENT AUDITORS REPORT

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PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

November 11, 2022

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Molalla River School District 35
Clackamas County, Oregon

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Molalla River School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the basic 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 basic 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 Molalla River School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the basic financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Molalla River School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other information, as listed in the table of contents, and the listing of board members containing their term expiration dates, located before the table of contents, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 11, 2022 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 11, 2022, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Roy R Rogers

Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

MOLALLA RIVER
SCHOOL DISTRICT

412 S. Sweigle Avenue
P.O. Box 188
Molalla, Oregon 97038
503-829-2359 FAX 503-829-5540

MOLALLA RIVER SCHOOL DISTRICT 35, CLACKAMAS COUNTY, OREGON
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

The management of the Molalla River School District 35, Clackamas County, Oregon (the District), offers readers this narrative overview and analysis of the financial activities of the Molalla Public Schools for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements and notes of this report, to enhance their understanding of the District's financial activities.

This discussion and analysis is intended to serve as an introduction to the Molalla Public School's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Financial Highlights

- The District's assets totaled $22,831,835 on June 30, 2022, consisting of $10,245,613 in unrestricted cash and investments, $9,540,573 in capital assets, and $3,045,649 in other assets. Total assets increased by $134,471 or .59% from the previous fiscal year.
- The District's liabilities totaled $23,338,505 on June 30, 2022 consisting of $12,072,178 in long-term liabilities, $8,302,938 in pension related costs, and $2,963,389 in accounts payable and other liabilities. Total liabilities decreased by $7,549,032 or 24.4% from the previous fiscal year due to a decrease in the net pension liability.
- The June 30, 2022 net position of Molalla River School District in the government-wide financial statements was in a deficit position of $4,964,854, an increase of $251,391 compared to prior year's restated deficit balance of $5,216,245. Due to a restatement of financial results related to depreciation expense recognition, the deficit net position was also reduced $159,927 year over year.
- At June 30, 2022 the District's governmental funds reported combined ending fund balances of $9,542,529, a decrease of $1,335,329 or 12.3% compared to prior year's fund balance of $10,877,858. The General Fund had an unassigned fund balance of $6,368,947, a decrease of $638,846 or 9.2% when compared to prior year's unassigned fund balance of $7,007,793. The current year unassigned fund balance as a percentage of general fund expenditures is 21.8%, a 3.4% decline compared to the prior year of 25.2%.

Government-Wide Financial Statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

- The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Molalla Public Schools is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). As is typical for a school district, Molalla Public Schools has governmental activities, which include instruction, support services, facilities, food services, community service, and debt service.

The government-wide financial statements can be found on pages 5 and 6 of this report.

Fund Financial Statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of the Molalla Public Schools can be divided into two categories: governmental funds and fiduciary funds. The School Board sets appropriations within every fund each year (for instruction, support services, community services, facilities acquisition and construction, debt service, transfers, contingency, and un-appropriated ending fund balance) that establish the legal limits for expenditures of the District.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

Molalla Public Schools reports four major governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, State Grants Fund, Federal Grants Fund and Debt Service Fund.

Molalla Public Schools adopts an annual appropriated budget for all of its funds as stated above. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on page 7 and 9 of this report.

Notes To Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 - 38 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and supplemental information including the District's bond and bond interest transactions, schedule of bond redemption and interest requirements and schedule of property tax transactions for the General Fund.

Government-Wide Financial Analysis

Net position. As noted earlier, net position may serve over time as a useful indicator of the District's financial position. For Molalla Public Schools at June 30, 2022, the total liabilities and deferred inflows exceeded the total assets and deferred outflows by $4,964,854, a increase of $251,391 from the prior year restated deficit net position of $5,216,245.

Net Position at June 30, 2022 compared to June 30, 2021

	FY 2022	FY 2021 (restated)	Difference
Assets			
Current and other assets	$ 13,291,262	$ 13,238,935	$ 52,327
Net capital assets	9,540,573	9,458,429	82,144
Total Assets	22,831,835	22,697,364	134,471
Pension Related Items			
Total Deferred Outflows	6,910,608	8,343,141	(1,432,533)
Current Liabilities	4,046,924	2,254,481	1,792,443
Net Pension Liability	6,019,249	13,895,019	(7,875,770)
Noncurrent long-term debt	10,988,643	12,072,178	(1,083,535)
Noncurrent OPEB	2,283,689	2,665,859	(382,170)
Total Liabilities	23,338,505	30,887,537	(7,549,032)
Pension related items			
Total Deferred Inflows	11,368,792	5,529,140	5,839,652
Net Position			
Invested in capital assets,			
net of related debt	9,481,983	9,458,429	23,554
Restricted	2,549,073	2,820,114	(271,041)
Unrestricted	(16,995,910)	(17,494,788)	498,878
Restatement, see note 19	-	159,927	(159,927)
Total net position	$ (4,964,854)	$ (5,216,245)	$ 251,391

The increase in net position is primarily associated with the decrease of the net pension liability offset by the increase in deferred inflows of resources.

Capital assets, which consist of the District's land, buildings, building improvements, land improvements, vehicles, and equipment, represent about 41.8 percent of total assets compared to 41.6 percent in the prior year. The remaining assets consist mainly of investments, cash, grants, and property taxes receivable.

The District's largest liability, long-term debt, approximately 42 percent, is for the repayment of PERS pension bonds. Pension bonds were issued on October 31, 2002 and April 21, 2003 to pay off the district's portion of the debt associated with the Oregon Public Retirement System of which Molalla River School District is a member. Current liabilities, representing about 17.3 percent of the District's total liabilities, consist almost entirely of payables on accounts, salaries and benefits, 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, machinery, and equipment. The District uses these capital assets for classrooms and supporting services for providing K-12 education; consequently, these assets are not available for future spending.

The results of this year's operations for the School District as a whole are reported in the statement of activities:

Change in Net Position for the Fiscal Year Ending June 30 2022

	FY 2022	FY 2021 (restated)	Increase (Decrease)	%
Revenues				
Function revenues				
Charges for services	$ 153,650	$ 138,820	$ 14,830	10.7
Operating grants and contributions	1,748,425	3,058,765	(1,310,340)	(42.8)
Total function revenues	1,902,075	3,197,585	(1,295,510)	(40.5)
General revenues				
Property taxes	9,796,318	9,226,335	569,983	6.2
State school fund	20,494,832	23,761,173	(3,266,341)	(13.7)
Unrestricted local and intermediate	5,701,390	3,373,488	2,327,902	69.0
Investment earnings	85,939	104,187	(18,248)	(17.5)
Loss on disposal of assets	-	(48,563)	48,563	(100.0)
Total general revenues	36,078,479	36,416,620	(338,141)	(0.9)
Total revenues	37,980,554	39,614,205	(1,633,651)	(4.1)
Expenses				
Instruction	20,724,373	21,531,763	(807,390)	(3.7)
Support services	14,563,396	14,400,092	163,304	1.1
Enterprise and community services	951,463	387,774	563,689	145.4
Interest on long-term debt	1,431,230	1,387,491	43,739	3.2
Unallocated depreciation and amortization	58,701	-	58,701	n/a
Total expenses	37,729,163	37,707,120	22,043	0.1
Increase in net position	251,391	1,907,085	44,086	2.3
Net position - beginning (previosuly reported)	(5,376,172)	(7,283,257)	732,258	(10.1)
Restatement, see note 20	159,927	-	159,927	n/a
Net Position - beginning	(5,216,245)	-	(5,216,245)	n/a
Net position - ending	$ (4,964,854)	$ (5,376,172)	$ 411,318	(7.7)

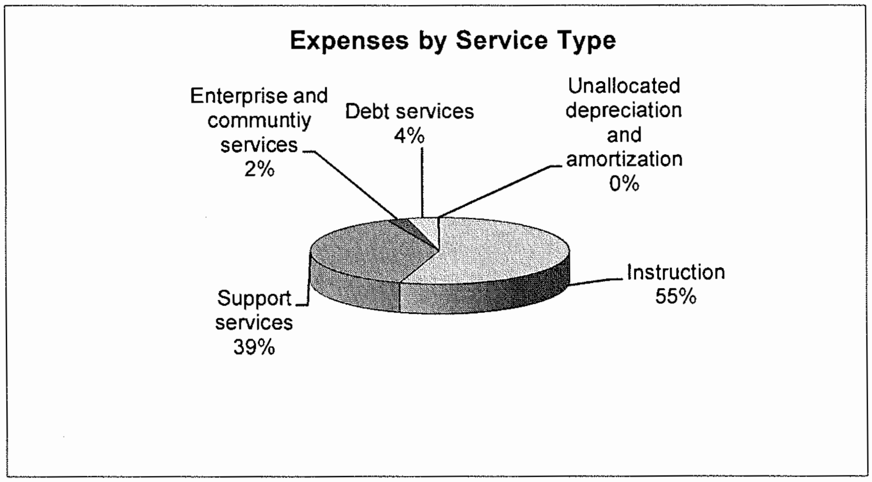
Total revenues decreased $1,633,651 from June 30, 2021. The decline is attributed to decreases in function revenue and state school fund revenue. The function revenues decreased by $1,295,510.

Since the District's mission is to provide a free and appropriate public education for K-12 students within its boundaries, the District may not charge for its academic services. Charges for services stem from Pay-to-Play fees for athletics. Total fees represented .41 percent of total resources.

General revenues account for more than 94 percent of all resources. The State School Fund (SSF) is the largest group of resources. Each Oregon school district receives money from the state based upon an average weighted student membership formula (ADMw). The formula is allocated by multiplying a dollar rate per student established by the legislature every two-year period (bi-annum). All General Fund Ad Valorem Taxes, County School Fund, State School Fund, Common School Fund, and Federal Forest Fees are included in the SSF formula.

Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	$ 20,724,373	$ 20,636,392
Support services	14,563,396	12,846,594
Enterprise and communtiy services	951,463	854,171
Debt services	1,431,230	1,431,230
Unallocated depreciation and amortization	58,701	58,701
Total	$ 37,729,163	$ 35,827,088



Expenses. Expenses related to governmental activities are presented in five broad functional categories. Costs of direct classroom instruction activities account for approximately 55% of the total expenses of $37,729,163. In addition, approximately 39% of the costs in support services relate to students, instructional staff and school administration.

Financial Analysis of the District's Funds

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

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. In particular, *unreserved fund balance* and any unused *budgeted contingencies* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. The district did not spend any of the budgeted contingency for the year ended June 30, 2022.

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance was $6,368,947. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund revenue. General Fund balance represents 22.1 percent of General Fund revenues.

The Debt Service fund balance decreased by $160,645 and ended the year at $1,191,370.

The Capital Project fund balances decreased by $421,832 and ended the year at $596,912.

Fund Budgetary Highlights

Expenditures of all the various funds were within authorized appropriations with the exception of one. Support services within the Capital Construction Fund were over $462.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2022, amounts to $9,540,573 net of accumulated depreciation. This investment in capital assets includes land, buildings, equipment, furniture, vehicles and construction in progress. Capital assets for the prior year amounted to $9,458,429 and reflect an increase of $82,144. This increase is net of acquisitions and normal depreciation.

Capital Assets (net of depreciation)

	June 30, 2022	June 30, 2021	Total Percentage Change
Land	$ 779,940	$ 779,940	0.00%
Buildings and improvements	8,232,842	8,382,494	-1.79%
Vehicles and equipment	527,791	295,995	78.31%
Total assets	$ 9,540,573	$ 9,458,429	0.87%

Long-term debt. At the end of the current fiscal year, the District had total long-term debt outstanding of $12,130,768. This is for Pension bonds issued on October 31, 2002 and April 21, 2003 to pay off the district's portion of the Unfunded Actuarial Liabilities associated with the Oregon Public Retirement System of which Molalla River School District is a member. In addition, GASB 84 established lease capitalization to represent the District's asset/liability balances related to leased equipment. The District's total long-term debt decreased by $909,085 during the current fiscal year.

Outstanding Long-Term Debt

	June 30, 2022	June 30, 2021	Total Percentage Change
Bonds payable	$ 12,024,850	$ 13,004,592	-7.53%
Lease Liability	58,590	0	100.00%
Accrued Discount PERS Bond	47,328	70,929	-33.27%
Total Long-Term Debt	$ 12,130,768	$ 13,075,521	

The pension bonds issued in 2002 and 2003 were part of a state-wide effort, to reduce pension debt, sponsored by the Oregon School Boards Association (OSBA). Moody's and Standard & Poor's gave ratings of A1 and AA- respectively to the group pension issue.

Additional information on the District's long-term debt can be found in note 8 on page 23 of this report.

Economic Factors and Next Year's Budgets

- The 2019 legislative Session appropriated $9.299 billion for the state school fund for the two-year period ending June 30, 2022. The economic disruption associated with the pandemic has resulted in setting aside plans contained in the 2020 – 2022 budget. The district is incurring unanticipated costs and is focusing on increasing contingency funds when possible.

- District licensed employees are represented by the Molalla River Education Association (MREA), affiliated with the Oregon Education Association (OEA) and the National Education Association and have an agreement with the District through June 2024.

- District classified employees are represented by the Oregon School Employees Association (OSEA) and have an agreement with the District through June 2022.

- Student membership has been disrupted by COVID 19. The intent of parents to return students to in person instruction is not measurable. The district receives approximately $9,255 per student from the State School Support Fund. Any loss in student membership creates a financial burden upon the district.

- The School Board has a policy that targets an ending fund cash balance goal of at least 8 percent of total adopted revenues. It is projected that a surplus of this size will be attainable during both years of the bi-annum and the School Board continues to discuss fund balance amounts appropriate for future budgets.

Requests for Information

This financial report is designed to provide a general overview of the Molalla Public Schools' finances for all those with an interest in the school district's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the District Office, Molalla River School District, P.O. Box 188, Molalla, OR, 97038-8113.

Respectfully submitted.

Tony Mann, Superintendent

Keith McClung, Business Manager

MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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MOLALLA RIVER SCHOOL DISTRICT 35

STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities
ASSETS	
Cash and investments	$ 10,245,613
Receivables:	
Accounts	2,264,112
Property taxes	334,035
Intergovernmental	60
Prepaid expenses	6,514
Net OPEB Asset - RHIA	382,064
Right-to-use asset, net of amortization	58,864
Capital assets, net of depreciation:	
Land	779,940
Buildings, vehicles and equipment	8,760,633
Total assets	22,831,835
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferrals - PERS	6,540,694
OPEB Related Deferrals - RHIA	209,226
Pension Related Deferrals - OPEB Implicit Medical Benefit	160,688
Total Deferred Outflows	6,910,608
Total Assets and Deferred Outflows	29,742,443
LIABILITIES	
Current liabilities:	
Accounts payable	386,202
Payroll deductions and withholdings	1,435,513
Accrued Compensated Absences	76,484
Unearned revenues	1,005,724
Other liabilities	530
Accrued interest	346
Lease liabilities	58,590
Long-term debt due within one year	1,083,535
Noncurrent liabilities:	
Long-term debt due in more than one year	10,988,643
Net Pension Liability - PERS	6,019,249
Net Pension Liability - OPEB Early Retirement Stipend	104,914
Net OPEB Liability - OPEB Implicit Medical Benefit	2,178,775
Total liabilities	23,338,505
DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferrals - PERS	9,968,094
OPEB Related Deferrals - RHIA	177,503
OPEB Related Deferrals - OPEB Implicit Medical Benefit	1,221,192
Pension Related Deferrals - OPEB Early Retirement Stipend	2,003
Total Deferred Inflows	11,368,792
Total Liabilities and Deferred Inflows	34,707,297
NET POSITION	
Net investment in capital assets	9,481,983
Restricted for:	
Grants	645,558
Student Activities	146,674
Capital projects	183,407
Debt Service	1,191,370
OPEB - RHIA	382,064
Unrestricted	(16,995,910)
Total net position	$ (4,964,854)

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

Year Ended June 30, 2022

FUNCTIONS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Governmental activities:				
Instruction	$ 20,724,373	$ 87,981	$ -	$ (20,636,392)
Support services	14,563,396	69,912	1,646,890	(12,846,594)
Enterprise and community services	951,463	(4,243)	101,535	(854,171)
Interest on long-term debt	1,431,230	-	-	(1,431,230)
Unallocated depreciation and amortization	58,701	-	-	(58,701)
Total governmental activities	$ 37,729,163	$ 153,650	$ 1,748,425	(35,827,088)

General revenues:	
Property taxes	9,796,318
Construction excise tax	121,154
State revenue sharing	20,494,832
Unrestricted local sources and earnings on investment:	3,046,652
Unrestricted intermediate sources	375,925
Unrestricted federal income	2,243,598
Total general revenues	36,078,479
CHANGE IN NET POSITION	251,391
Net position - Beginning as Restated	(5,216,245)
Net position - June 30, 2022	$ (4,964,854)

See accompanying notes to basic financial statements.

GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2022

	GENERAL	STATE GRANTS	FEDERAL GRANTS	DEBT SERVICE	OTHER GOVERNMENTAL	TOTAL
ASSETS						
Cash and investments	$ 10,090,081	$ -	$ -	$ 8,158	$ 147,374	$ 10,245,613
Accounts receivable	196,040	198,822	1,595,871	-	273,379	2,264,112
Taxes receivable	334,035	-	-	-	-	334,035
Intergovernmental A/R	60	-	-	-	-	60
Due from other governmental funds	63,652	831,903	-	1,183,212	1,694,566	3,773,333
Prepaid expenses	950	5,564	-	-	-	6,514
Total assets	$ 10,684,818	$ 1,036,289	$ 1,595,871	$ 1,191,370	$ 2,115,319	$ 16,623,667
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Due to other governmental funds	$ 2,472,788	$ -	$ 1,548,785	$ -	$ -	$ 4,021,573
Accounts payable	130,914	11,618	29,526	-	206,519	378,577
Payroll deductions and withholdings	1,408,551	14,553	12,409	-	-	1,435,513
Other short term liabilities	-	-	150	-	380	530
Unearned revenues	-	1,004,554	-	-	1,170	1,005,724
Total liabilities	4,012,253	1,030,725	1,590,870	-	208,069	6,841,917
Deferred inflows of resources:						
Unavailable revenue-property taxes	239,221	-	-	-	-	239,221
Fund balances:						
Nonspendable	950	5,564	-	-	-	6,514
Restricted for:						
Grants	-	-	5,001	-	640,557	645,558
Student Activities	-	-	-	-	146,674	146,674
Capital projects	-	-	-	-	183,407	183,407
Debt Service	-	-	-	1,191,370	-	1,191,370
Committed	-	-	-	-	862,098	862,098
Assigned	63,447	-	-	-	74,514	137,961
Unassigned	6,368,947	-	-	-	-	6,368,947
Total fund balances	6,433,344	5,564	5,001	1,191,370	1,907,250	9,542,529
Total liabilities, deferred inflows of resources, and fund balances	$ 10,684,818	$ 1,036,289	$ 1,595,871	$ 1,191,370	$ 2,115,319	$ 16,623,667

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

June 30, 2022

TOTAL FUND BALANCES		$ 9,542,529
The net asset (liability) is the difference between the total liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.		
Net Pension Liability - PERS	(6,019,249)	
Net OPEB Asset - RHIA	382,064	
Net OPEB Liability - OPEB Implicit Medical Benefit	(2,178,775)	
Net Pension Liability - OPEB Early Retirement Stipend	(104,914)	(7,920,874)
Deferred inflows and outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.		
Deferred Outflows - PERS	6,540,694	
Deferred Inflows - PERS	(9,968,094)	
Deferred Outflows - RHIA	209,226	
Deferred Inflows - RHIA	(177,503)	
Deferred Outflows - OPEB Implicit Medical Benefit	160,688	
Deferred Inflows - OPEB Early Retirement Stipend	(2,003)	
Deferred Inflows - OPEB Implicit Medical Benefit	(1,221,192)	(4,458,184)
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Right-to-use asset, net of amortization	58,864	
Acquisition Cost	41,872,004	
Accumulated depreciation	(32,331,431)	9,599,437
The assets and liabilities of the Internal Service Fund are included in government activities in the Statement of Net Position		240,615
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.		
Property tax unearned		239,221
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
Accrued interest payable	(346)	
Accrued compensated absences	(76,484)	
Bonds payable	(12,024,850)	
Accrued discount on bonds payable	(47,328)	
Lease liability	(58,590)	(12,207,598)
TOTAL NET POSITION		$ (4,964,854)

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2022

	GENERAL	STATE GRANTS	FEDERAL GRANTS	DEBT SERVICE	OTHER GOVERNMENTAL	TOTAL
REVENUES						
Local sources	$ 9,936,585	$ -	$ -	$ 2,249,981	$ 886,469	$ 13,073,035
Intermediate sources	375,925	-	-	-	-	375,925
State sources	18,588,572	1,895,363	-	-	10,897	20,494,832
Federal sources	51,058	-	2,754,165	-	1,130,224	3,935,447
Total revenues	28,952,140	1,895,363	2,754,165	2,249,981	2,027,590	37,879,239
EXPENDITURES						
Instruction	16,534,882	1,497,616	1,692,679	-	884,730	20,609,907
Support services	12,770,913	532,850	1,047,866	-	255,370	14,606,999
Community service & enterprise	-	34,494	8,619	-	887,627	930,740
Capital Outlay	43,723	54,539	-	-	675,599	773,861
Debt service	-	-	-	2,410,626	-	2,410,626
Total expenditures	29,349,518	2,119,499	2,749,164	2,410,626	2,703,326	39,332,133
Excess of revenues over (under) expenditures	(397,378)	(224,136)	5,001	(160,645)	(675,736)	(1,452,894)
OTHER FINANCING SOURCES (USES)						
Lease Financing	117,565	-	-	-	-	117,565
Transfer in	264,089	-	-	-	379,761	643,850
Transfer out	(643,850)	-	-	-	-	(643,850)
Total other financing sources (uses)	(262,196)	-	-	-	379,761	117,565
Net change in fund balance	(659,574)	(224,136)	5,001	(160,645)	(295,975)	(1,335,329)
FUND BALANCE, beginning of year	7,092,918	229,700	-	1,352,015	2,203,225	10,877,858
FUND BALANCE, end of year	$ 6,433,344	$ 5,564	$ 5,001	$ 1,191,370	$ 1,907,250	$ 9,542,529

See accompanying notes to basic financial statements.

MOLALLA RIVER SCHOOL DISTRICT 35

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

Year Ended June 30, 2022

NET CHANGE IN FUND BALANCE		$ (1,335,329)
Amounts reported for governmental activities in the Statement of Activities are different because:		
The pension expense represents the changes in net pension asset (liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits.		
PERS		414,052
RHIA		36,032
OPEB - Implicit Medical Benefit		60,132
OPEB - Early Retirement Stipend		21,591
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. The value of leased assets are amortized over the lease term.		
Less current year amortization	(58,701)	
Expenditures for capital assets	773,861	
Less current year depreciation	(851,644)	(136,484)
Internal service funds are used by the District to charge the costs of Worker' Compensation and Unemployment Compensation to the individual funds. The change in net position of the internal service funds is reported with governmental activities.		6,848
Long-term debt proceeds and lease financings are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt and agreeing to lease financing increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.		
Lease payments	58,975	
Debt principal repaid	979,742	1,038,717
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		23,601
In the Statement of Activities, interest is accrued on long-term debt and lease liabilities, whereas in the governmental funds it is recorded as an interest expense when due.		(346)
Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes unearned revenue for all property taxes levied but not received, however in the Statement of Activities, there is no unearned revenue and the full property tax receivable is accrued.		101,315
Compensated absences are recognized as expenditures in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expense when earned. (Net)		21,262
CHANGE IN NET POSITION		$ 251,391

See accompanying notes to basic financial statements.

PROPRIETARY FUND
STATEMENT OF NET POSITION
June 30, 2022

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
ASSETS	
Due from other governmental funds	$ 248,240
LIABILITIES	
Accounts payable	7,625
NET POSITION	
Total net position	$ 240,615

See accompanying notes to basic financial statements.

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2022

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
REVENUES	
Local sources	$ 43,418
EXPENSES	
Support services	36,570
Change in net position	6,848
NET POSITION, beginning of year	233,767
NET POSITION, end of year	$ 240,615

MOLALLA RIVER SCHOOL DISTRICT 35

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
Year Ended June 30, 2022

	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
Cash flow from operating activities:	
Receipts from other funds	$ -
Net cash provided by operating activites	-
Net increase in cash and cash equivalents	-
CASH BALANCE, beginning of year	-
CASH BALANCE, end of year	$ -

NOTE: For the year ended June 30, 2022, there were no cash revenues or cash expenses associated with the proprietary fund, and thus the statement of cash flows shows no activity.

See accompanying notes to basic financial statements.

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

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1. REPORTING ENTITY

The Molalla River School District 35 (the District) was established on July 1, 1993 as the result of the unification of the former Clarkes School District No. 32, Dickey Prairie School District No. 25, Maple Grove School District No. 87, Molalla Elementary School District No. 35, Mulino School District No. 84, Rural Dell School District No. 92 and Schuebel School District No. 80 merged into Molalla Union High School District No. 4 to form the present District. The District assumed all assets and liabilities of the elementary districts, except for bonded debt.

The District is governed by an elected board, and is a special-purpose primary government exercising financial accountability for all public education within its boundaries. As required by accounting principles generally accepted in the United States of America, all significant activities and organizations have been included in the basic financial statements. Component units, as established by GASB Statement 61, are separate organizations that would be included in the District's reporting because of the significance of their operational or financial relationships with the District. Based on these criteria, there are no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the governmental and proprietary financial activities, excluding the fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or others for tuition, fees, rentals, materials, supplies or services provided, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements.

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 funds including those of a fiduciary nature. Separate statements for each fund category – governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

There are the following major governmental funds:

General Fund – This is the primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund.

Federal Grants Fund – The Grants Fund includes Title I, IDEA, and other federally financed special project funds. The principal sources of revenue are grants from governmental agencies. The primary uses of revenue are salaries and supplies specifically requested with application for grant.

Debt Service Fund – The Debt Service Fund accounts for the repayment of principal and interest of the general obligation bonds. The principal revenue source is property taxes.

State Grants Fund – The State Grants Fund accounts for state financed special project funds. The principal sources of revenue are state grants. The primary uses of revenue are salaries and supplies specifically requested with application for grant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

There is the following proprietary find:

Internal Service Fund – This fund's purpose is to account for costs and claims related to risk management.

SPECIAL REVENUE FUNDS ROLLED INTO THE GENERAL FUND FOR GASB 54 PURPOSES

As discussed at Note 2 (Fund Balance), financial statements for periods beginning after June 15, 2010 must report as Special Revenue funds only those which have a substantial portion of revenue inflows from restricted or committed revenue sources. The MHS Land Lab fund is combined into the General fund because the primary revenue source is transfers from the General fund or there is not revenue to report.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the business-type fund and fiduciary fund financial statements. 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 are 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. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is 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 and acquisitions under capital leases are reported as other financing sources.

CASH AND INVESTMENTS

Investments in the State of Oregon Local Government Investment Pool, savings deposits, demand deposits and cash with the county treasurer are considered to be cash equivalents. Investments that have a remaining maturity at the time of purchase of one year or less are stated at amortized cost. All other investments are stated at fair value or estimated fair value.

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

PROPERTY TAXES RECEIVABLE

Property taxes are levied and become a lien as of July 1st on personal and real property values assessed as of the same date. Collection dates are November 15th, February 15th and May 15th following the lien date. Discounts are allowed if the amount due is received by November 15th or February 15th. Taxes unpaid and outstanding on May 16th are considered delinquent. All property taxes receivable are due from property owners within the District.

Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore no allowance for uncollectible taxes has been established. Property taxes collected within approximately sixty days of fiscal year-end are recognized as revenue.

The remaining balance of taxes receivable is recorded as a deferred inflow of resources because it is not deemed available to finance operations of the current period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GRANTS

Unreimbursed grant expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Cash and donated commodities received from grantor agencies in excess of related grant expenditures are recorded as unearned revenue on the combined balance sheet.

SUPPLIES INVENTORY

Supplies inventory is valued at cost using first-in, first-out (FIFO) method. Accounting for supplies inventory is based on the consumption method for the government-wide financial statements. Under the consumption method inventory is recorded when purchased and expenditures/expenses are recorded when inventory items are used. Donated commodities consumed during the year are reported as revenues and expenditures. The amount of unused supplies inventory and donated commodities at balance sheet date is considered immaterial by management for reporting purposes.

CAPITAL ASSETS

Capital assets are stated at cost or estimated historical cost. Donated assets are stated at their estimated fair market value on the date donated. Capital assets are defined as assets with an initial cost of more than $5,000 and an estimated life in excess of one year. Interest incurred during construction is not capitalized. Maintenance and repairs of a routine nature are charged to expenditures as incurred and not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 to 50 years
Vehicles and equipment	5 to 30 years

LONG-TERM DEBT

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

ESTIMATES

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (CONTINUED)

At June 30, 2022 there were deferred outflows representing PERS pension related deferrals, OPEB (RHIA), and OPEB medical benefits reported in the Statement of Net Position.

In addition to liabilities, the basic financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items, which qualify for reporting in this category. Unavailable revenue is in the governmental funds balance sheet for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other type of item arises under full accrual accounting in the Statement of Net Position. At June 30, 2022 there were deferred inflows representing PERS pension related deferrals, OPEB (RHIA), OPEB implicit medical benefits, and OPEB stipends.

FUND BALANCE

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

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Authority to classify portions of ending fund balance as Assigned is granted to the Superintendent and the Business Manager.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RETIREMENT PLANS

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

POST EMPLOYMENT HEALTH BENEFITS

Retirees electing to take part in any of the retirement programs will be allowed to continue the group medical, dental and/or vision insurance coverage at their own expense, subject to the terms and conditions of the OEBB or its successor. Insurance premiums may be deducted from the retiree's monthly stipend upon authorization of the retiree. The District is not paying any retirees group medical and dental insurance premiums.

ACCRUED SALARIES AND BENEFITS

Accrued salaries and benefits for vacation pay are calculated at fiscal year-end and adjusted to current salary costs including payroll related benefits. All unused vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay does not vest and is forfeited at resignation, retirement or death and is, therefore recorded as an expenditure when taken and no accrued liability is recorded.

APPROPRIATIONS AND BUDGETARY CONTROLS

A budget is prepared for each fund in accordance with the modified accrual basis of accounting and legal requirements set forth in Oregon Local Budget Law. The budgetary basis of accounting is substantially the same as generally accepted accounting principles in the United States of America with the following features:

- Capital outlay expenditures are expensed when purchased and depreciation is not calculated,
- Inventories of supplies are budgeted as expenditures when purchased or constructed,
- Compensated absences are expensed when paid rather than when accrued
- Interest is expensed when paid rather than when incurred
- Debt principal is recorded as an expense when paid instead of a liability reduction
- Debt issuance costs are expensed when paid rather than amortized
- OPEB benefits are expensed when paid rather than when incurred
- Property taxes are recorded as revenue when received rather than when levied
- Pension costs are not recorded as an expense until paid

Consistent with Oregon law, expenditures are appropriated for each legally adopted annual operating budget at the following levels of control:

Instruction
Support Services
Enterprise and Community Services
Facilities Acquisition and Construction
Other Uses (Interagency/Fund Transactions and Debt Service)
Contingency

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE (CONTINUED)

Budgetary appropriations may not be legally over-expended except in the case of reimbursable grant expenditures and trust monies, which could not be reasonably estimated at the time the budget was adopted. After the original budget is adopted, the Board of Directors may approve appropriation transfers between levels of control. There were three amended appropriations adopted by the board during the year under audit. After budget approval, the Board of Directors may approve supplemental appropriations if any occurrence, condition or need exists which had not been anticipated at the time the budget was adopted. Expenditures of all the various funds were within authorized appropriations, except for the Capital Construction Fund Support Services which was $462 overspent.

FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access
Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)
Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Lease Receivables

Lease receivables are recognized at the net present value of the leased assets at a borrowing rate either explicitly described in the agreement or implicitly determined by the government, reduced by principal payments received.

Lease Assets

Lease assets are assets which the government leases for a term of more than one year. The value of leases is determined by the net present value of the leases at the government's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

Leases Payable

In the government-wide financial statements, leases payable are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources.

3. CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2022:

Cash in Bank	$	243,448
Investments		10,002,165
	$	10,245,613

There were the following investments and maturities:

		Investment Maturities (in months)		
Investment Type	Fair Value	Less than 3	3-18	18-59
State Treasurer's Investment Pool	$ 10,002,165	$ 10,002,165	$ -	$ -
Total	$ 10,002,165	$ 10,002,165	$ -	$ -

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements is $1,036,915, of which $396,675 was covered by federal depository insurance and the remainder was collateralized by the Oregon Public Funds Collateralization Program (PFCP).

INVESTMENTS

Statues authorize investing in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Fitch Ratings and Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record (A-2/P-2 if Oregon Commercial paper) and the state treasurer's investment pool.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at $1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at $1.00 per share, it is possible to lose money by investing in the pool. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2022, the fair value of the position in the LGIP is 98.98% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The District booked a fair market value loss of $103,073, for the difference between the pool fair market value and the book value. The audited financial reports of the Oregon Short Term Fund can be found here:

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

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

3. CASH AND INVESTMENTS (CONTINUED)

INTEREST RATE RISK - INVESTMENTS

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There were no investments that had a maturity date beyond three months.

CUSTODIAL CREDIT RISK – DEPOSITS

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a deposit policy for custodial credit risk.

CREDIT RISK - INVESTMENTS

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

CONCENTRATION OF CREDIT RISK

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

4. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables are comprised primarily of claims for reimbursement of costs under various federal, state and local grant programs and various billings for services rendered. Property taxes are levied and become a lien on all taxable property as of July 1. Taxes unpaid and outstanding on May 16 are considered delinquent. No allowance for uncollectible accounts has been recorded because management believes all receivables are collectible.

5. DUE TO/DUE FROM OTHER FUNDS

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

The composition of interfund balances is as follows:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	$ 63,652	$ 2,472,788
State Grants Fund	831,903	-
Federal Grants Fund	-	1,548,785
Debt Service Fund	1,183,212	-
Other Governmental	1,694,566	-
Internal Service Fund	248,240	-
Totals	$ 4,021,573	$ 4,021,573

6. TRANSFERS IN/OUT

Operating transfers between funds were made to fund the various programs and activities as follows:

	Transfers Out	Transfers In
General Fund	$ 643,850	$ 264,089
Other Governmental	-	379,761
Totals	$ 643,850	$ 643,850

7. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2021	Adjustments	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:					
Land	$ 779,940	$ -	$ -	$ -	$ 779,940
Total capital assets not being depreciated	779,940	-	-	-	779,940
Capital assets being depreciated					
Buildings & improvements	37,604,700	-	558,400	-	38,163,100
Vehicles and equipment	2,713,503	-	215,461	-	2,928,964
Total capital assets being depreciated	40,318,203	-	773,861	-	41,092,064
Less accumulated depreciation for:					
Buildings & improvements	29,222,206	-	753,305	-	29,975,511
Vehicles and equipment	2,417,508	(159,927)	98,339	-	2,355,920
Total accumulated depreciation	31,639,714	(159,927) *	851,644	-	32,331,431
Total capital assets being depreciated, net	8,678,489				8,760,633
Total capital assets, net	$ 9,458,429				$ 9,540,573

A prior period adjustment was required to correct overstated depreciation expense in the prior year which overstated accumulated depreciation and understated capital assets and net position (Note 19).

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

Program	
Instruction	$ 485,523
Support services	344,149
Enterprise and community services	21,972
Total	$ 851,644

8. LONG-TERM OBLIGATIONS

Payment of principal and interest on the general obligation bonds are payable from the Debt Service Fund. The District is in compliance for continuing disclosure on all long-term bonds.

	BALANCE JULY 1, 2021	Reductions	BALANCE JUNE 30, 2022	Due Within One Year
Bonds Payable				
Pension Obligations Bonds	$ 13,004,592	$ 979,742	$ 12,024,850	$ 1,059,850
Discount related to Bond				
Accrued Discount on PERS Bond	70,929	23,601	47,328	23,685
Total Long-term Liabilities	$ 13,075,521	$ 1,003,343	$ 12,072,178	$ 1,083,535

Principal and interest payment streams for Bonds Payable:

Fiscal Year Ending June 30,	Bond Principal	Bond Interest	Total
2022	$ 1,059,850	$ 1,461,680	$ 2,521,530
2023	2,025,000	616,180	2,641,180
2024	2,270,000	503,067	2,773,067
2025	2,530,000	375,328	2,905,328
2026	2,815,000	232,968	3,047,968
2027	1,325,000	74,562	1,399,562
	$ 12,024,850	$ 3,263,785	$ 15,288,635

The following pension obligations were outstanding at June 30, 2022:

Issue Date	Original Issue	Interest Coupon Rates	Final Maturity Date	Principal Balance Remaining
October 31, 2002	$ 8,635,318	2.06-6.10	6-30-28	$ 5,195,000
April 21, 2003	12,181,530	1.50-6.27	6-30-28	6,829,850
Total Outstanding:				$ 12,024,850

9. LEASE LIABILITY

On 07/01/2021, Molalla River School District, OR entered into a 24 month lease as Lessee for the use of Copiers. An initial lease liability was recorded in the amount of $117,565. As of 06/30/2022, the value of the lease liability is $61,131. Molalla River School District is required to make annual fixed payments of $61,170. The lease has an interest rate of 0.5930%. The value of the right to use asset as of 06/30/2022 of $117,565 with accumulated amortization of $58,701 is included with Equipment on the Lease Class activities table found below.

Changes in Lease Liability

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Copier	$ -	$ 117,565	$ 58,975	$ 58,590	$ 58,590

Principal and Interest Requirements to Maturity

	Governmental Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	58,590	386	58,976

10. RIGHT TO USE ASSET

Amount of Lease Assets by Major Classes of Underlying Asset

	At June 30, 2022		
Asset Class	Lease Asset Value	Accumulated Amortization	Net Value
Equipment	$ 117,565	$ 58,701	$ 58,864

GOVERNMENTAL ACTIVITIES LEASED ASSETS

Description	Balance at July 1, 2021	Additions	Disposals	Balance at June 30, 2022
Copier	$ -	$ 117,565	$ -	$ 117,565
Accumulated Amortization				
Copier	-	58,701	-	58,701
Total Lease Assets, net	$ -	$ 58,864	$ -	$ 58,864

11. DEFINED BENEFIT PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Annual Comprehensive Financial Report which can be found at:
https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf
If the link is expired please contact Oregon PERS for this information.

a. **PERS Pension (Chapter 238)**. The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
   i. **Pension Benefits**. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
   A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.
   ii. **Death Benefits**. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following contributions are met:
      - member was employed by PERS employer at the time of death,
      - member died within 120 days after termination of PERS covered employment,
      - member died as a result of injury sustained while employed in a PERS-covered job, or
      - member was on an official leave of absence from a PERS-covered job at the time of death.
   iii. **Disability Benefits**. A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
   iv. **Benefit Changes After Retirement**. Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations due to changes in the fair value of the underlying global equity investments of that account. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

b. **OPSRP Pension Program (OPSRP DB)**. The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
   i. **Pension Benefits**. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
   Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

ii. **Death Benefits**. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.

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

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation, which became effective July 1, 2021. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2022 were $2,246,616, excluding amounts to fund employer specific liabilities. In addition approximately $877,589 in employee contributions were paid or picked up by the District in fiscal 2022.

Pension Asset or Liability – At June 30, 2022, the District reported a net pension liability of $6,019,249 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2021 and 2020, the District's proportion was .05 percent and .06 percent, respectively. Pension expense/(income) for the year ended June 30, 2022 was ($414,052).

The rates in effect for the year ended June 30, 2022 were:
(1) Tier 1/Tier 2 – 0.05%
(2) OPSRP general services – 0.00%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 563,441	$ -
Changes in assumptions	1,506,799	15,841
Net difference between projected and actual earnings on pension plan investments	-	4,456,004
Net changes in proportionate share	2,223,838	3,120,466
Differences between District contributions and proportionate share of contributions	-	2,375,783
Subtotal - Amortized Deferrals (below)	4,294,078	9,968,094
District contributions subsequent to measuring date	2,246,616	-
Deferred outflow (inflow) of resources	$ 6,540,694	$ 9,968,094

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2023. Subtotal amounts related to pension as deferred outflows of resources $4,294,078, and deferred inflows of resources, ($9,968,094), net to $5,674,016 and will be recognized in pension expense as follows:

Year ending June 30,	Amount
2023	$ (1,160,828)
2024	(1,529,667)
2025	(1,219,736)
2026	(1,649,067)
2027	(114,717)
Thereafter	-
Total	$ (5,674,016)

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 1, 2022. Oregon PERS produces an independently audited ACFR which can be found at: https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf

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 (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

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

Actuarial Methods and Assumptions:

Valuation date	December 31, 2019
Experience Study Report	2018, Published July 24, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value of assets
Inflation rate	2.40 percent (reduced from 2.50 percent)
Investment rate of return	6.90 percent (reduced from 7.20 percent)
Discount rate	6.90 percent (reduced from 7.20 percent)
Projected salary increase	3.40 percent (reduced from 3.50 percent)
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Assumed Asset Allocation:

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

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

Long-Term Expected Rate of Return:

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

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

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

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability as of the measurement dates of June 30, 2021 and 2020 was 6.90 and 7.20 percent, respectively, for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – the following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate.

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	$ 11,820,366	$ 6,019,249	$ 1,165,820

Changes Subsequent to the Measurement Date

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

There are no changes subsequent to the June 30, 2021 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

OPSRP Individual Account Program (OPSRP IAP)

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

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

11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Contributions:
Employees of the District pay six (6) percent of their covered payroll. Effective July 1, 2020, currently employed Tier 1/Tier 2 and OPSRP members earning $2,500 or more per month (increased to $2,535 per month on January 1, 2021) will have a portion of their 6 percent monthly IAP contributions redirected to an Employee Pension Stability Account. The Employee Pension Stability Account will be used to pay part of the member's future benefit. Of the 6 percent monthly IAP contribution, Tier 1/Tier 2 will have 2.5 percent redirected to the Employee Pension Stability Account and OPSRP will have 0.75 percent redirected to the Employee Pension Stability Account, with the remaining going to the member's existing IAP account. Members may voluntarily choose to make additional after-tax contributions into their IAP account to make a full 6 percent contribution to the IAP. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2022.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO Box 23700 Tigard, OR 97281-3700.
http://www.oregon.gov/pers/EMP/Pages/GASB.aspx

12. OTHER POST EMPLOYMENT BENEFIT PLANS – (RHIA)

Plan Description:
As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

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

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.00% of annual covered OPERF payroll and 0.00% of OPSRP payroll under a contractual requirement in effect until June 30, 2022. Consistent with GASB Statement 75, the OPERS Board of Trustees sets the employer contribution rates as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined. The basis for the employer's portion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the plan with the total actual contributions made in the fiscal year of all employers. The District's contributions to RHIA for the years ended June 30, 2020, 2021 and 2022 were $14,313, $3,531 and $2,923, respectively, which equaled the required contributions each year.

12. OTHER POST EMPLOYMENT BENEFIT PLANS – (RHIA) (CONTINUED)

At June 30, 2022, the District reported a net OPEB asset of $382,064 for its proportionate share of the net OPEB asset. The OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. Consistent with GASB Statement No. 75, paragraph 59(a), the District's proportion of the net OPEB asset is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. As of the measurement date of June 30, 2021 and 2020, the District's proportion was .11 percent and .27 percent, respectively. OPEB expense/(income) for the year ended June 30, 2022 was ($36,032).

Components of OPEB Expense/(Income):

Employer's proportionate share of collective system OPEB Expense/(Income)	$	(62,486)
Net amortization of employer-specific deferred amounts from:		
- Changes in proportionate share (per paragraph 64 of GASB 75)		32,673
- Differences between employer contributions and employer's proportionate share of system contributions (per parapgrah 65 of GAB 75)		-
Employer's Total OPEB Expense/(Income)	$	(29,813)

Components of Deferred Outflows/Inflows of Resources:

	Deferred Outflow of Resources		Deferred Inflow of Resources	
Difference between expected and actual experience	$	-	$	10,630
Changes in assumptions		7,518		5,684
Net difference between projected and actual earning on pension plan investments		-		90,799
Net changes in proportionate share		198,785		70,390
Differences between District contributions and proportionate share of contributions		-		-
Subtotal - Amortized Deferrals (below)		206,303		177,503
District contributions subsequent to measuring date		2,923		-
Deferred outflow (inflow) of resources	$	209,226	$	177,503

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

Subtotal amounts related to OPEB as deferred outflows of resources, $206,303, and deferred inflows of resources, ($177,503), net to $28,800 and will be recognized in OPEB expense as follows:

Year ending June 30,	Amount	
2023	$	14,675
2024		63,537
2025		(20,730)
2026		(28,682)
2027		-
Thereafter		-
Total	$	28,800

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS Retirement Health Insurance Account Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the Year Ended June 30, 2021. That independently audited report was dated March 1, 2022 and can be found at:

12. OTHER POST EMPLOYMENT BENEFIT PLANS – (RHIA) (CONTINUED)

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

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2019
Experience Study Report	2018, Published July 24, 2019
Actuarial cost method	Entry Age Normal
Inflation rate	2.40 percent (reduced from 2.50 percent)
Investment rate of return	6.90 percent (reduced from 7.20 percent)
Discount rate	6.90 percent (reduced from 7.20 percent)
Projected salary increase	3.40 percent (reduced from 3.50 percent)
Retiree healthcare participation	Healthy retirees: 32%; Disabled retirees: 20%
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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

Discount Rate:

The discount rate used to measure the total pension liability as of the measurement dates of June 30, 2021 and 2020 was 6.90 and 7.20 percent, respectively, for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB asset.

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.

12. OTHER POST EMPLOYMENT BENEFIT PLANS – (RHIA) (CONTINUED)

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

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

Sensitivity of the District's proportionate share of the net OPEB liability/(asset) to changes in the discount rate – The following presents the District's proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate.

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net OPEB liability (asset)	$ (337,880)	$ (382,064)	$ (419,808)

Changes Subsequent to the Measurement Date

There are no changes subsequent to the June 30, 2021 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

13. OTHER POST-EMPLOYMENT BENEFITS - (OPEB)

Early Retirement (Stipends)

A single employer, defined benefit early retirement supplement program is maintained. The program covers all teachers hired at the District prior to July 1, 2001. It was established under collective bargaining agreements and contains provisions for early retirement after reaching age 55 or after 30 years of credited service with PERS and at least 10 years of service with the District prior to normal retirement age. This optional early retirement program provides employees with a monthly stipend of $400 until the teacher reaches age 62 or qualifies for social security benefits, whichever comes first. A teacher may be paid this stipend for a maximum of seven years and the retiree shall be obligated to either five or ten days of service to the District per year. The retirees electing to take part in this program will be allowed to continue in the group medical, dental and/or vision insurance coverage at their own expense. All payments under these programs terminate upon the employee's death. The District maintains single employer post-employment benefit programs (commonly referred to as early retirement). These programs cover licensed and administrative personnel of the District, individual employees, and certain retired employees.

Contributions and Funding Policy – The benefits from this program are fully paid and, consequently, no contributions by employees are required. There is no obligation to fund these benefits in advance. The only obligation is to make current benefit payments due each fiscal year. Consequently, it has not been found necessary to establish a pension trust fund, and payments are made on a pay-as-you-go basis each year out of the General Fund. An estimate of this liability for current retirees is done annually. There is no separately issued financial report for the plan. The annual expenditures recognized on a budgetary basis were approximately $21,021, $31,032, and $32,000 for the years ended June 30, 2022, 2021, and 2020, respectively.

Annual OPEB Cost and Total OPEB Liability – The annual other postemployment benefit (OPEB) cost is calculated based on the Total OPEB Liability, an amount actuarially determined in accordance with the parameters of GASB Statement 75. For detailed information and a table showing the components of the District's annual OPEB costs and liabilities, see page 40.

Actuarial Methods and Assumptions - The Total OPEB Liability for the current year was determined as part of the July 1, 2020 actuarial valuation, and its supplemental exhibits dated September 9, 2022, using the entry age normal method. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost and the healthcare cost trend. The actuarial assumptions included; (a) a rate of return on investment of present and future assets of 3% compounded annually; (b) no future increase in benefit payable from this program; (c) a general inflation rate of 2.5% per year, and (d) no post-retirement benefit increases and a payroll increase of 3%. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year. The present value of benefits accrued as of the valuation date is called the accrued liability.

The following table shows sensitivity of the Total OPEB Liability for the Stipend Benefit to changes in discount rates, as determined by the July 1, 2020 actuarial valuation and its supplemental exhibits dated September 9, 2022:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	$ 108,055	$ 104,914	$ 101,786

13. OTHER POST-EMPLOYMENT BENEFITS - (OPEB) (CONTINUED)

The actuary reported the following deferred outflows and deferred inflows of resources related to OPEB:

STIPEND BENEFIT - ACCOUNTING UNDER GASB 73
SCHEDULE OF COLLECTIVE DEFERRED INFLOWS AND OUTFLOWS

Gain/Loss	Deferred Outflows of Resources	Deferred Inflows of Resources
1. Differences between expected and actual experience	$ -	$ -
2. Changes of assumptions or other input	-	2,003
	$ -	$ 2,003

Subtotal amounts related to Pensions as deferred outflows of resources of $0 and deferred inflows of resources of ($2,003) net to ($2,003) will be recognized in Pension expense as follows:

Year ended June 30	Amount
2023	$ (2,003)
2024	-
2025	-
2026	-
2027	-
Thereafter	-
Total	$ (2,003)

Funding Status and Funding Progress – As of July 1, 2020, the plan was 0% funded. The actuarial accrued liability for benefits was $104,914, and the actuarial value of assets was $0. Estimated covered payroll was $1,192,387. The Actuarially Determined Contribution for June 30, 2022, 2021, and 2020 has been actuarially determined to be $30,215, $31,200, and $22,805, respectively, for District contributions.

Program membership consisted of the following as of the July 1, 2020 actuarial valuation date:

Participant Counts:	
Active	15
Inactive	6
	21

Post-Employment Health Insurance Subsidy

Plan Description - A single-employer retiree benefit plan is maintained that provides postemployment health, dental vision and life insurance benefits to eligible employees and their spouses. There are active and retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements.

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

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

13. OTHER POST-EMPLOYMENT BENEFITS - (OPEB) (CONTINUED)

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

Annual OPEB Cost and Total OPEB Liability – The annual other postemployment benefit (OPEB) cost is calculated based on the Total OPEB Liability, an amount actuarially determined in accordance with the parameters of GASB Statement 75. For detailed information and a table showing the components of the District's annual OPEB costs and liabilities, see page 41.

Actuarial Methods and Assumptions – The Total OPEB Liability for the current year was determined as part of the July 1, 2020 actuarial valuation, revised September 9, 2022, using the entry age normal method. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost and the healthcare cost trend. The actuarial assumptions included; (a) a rate of return on investment of present and future assets of 4% compounded annually; (b) no future increase in benefit payable from this program; and (c) no post-retirement benefit increases and a payroll increase of 3%. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following tables show sensitivity of the Total OPEB Liability for the Medical Benefit to changes in discount and trend rates, as determined by the September 9, 2022 actuarial valuation:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	$ 2,359,661	$ 2,178,775	$ 2,011,094

	1% Decrease 2.50% Graded Up to 5.00%, Down to 3.50	Current Trend Rate 3.50% Graded Up to 6%, Down to 4.50%	1% Increase 4.50% Graded Up to 7.00%, Down to 5.50%
Total OPEB Liability	$ 1,898,336	$ 2,178,775	$ 2,516,109

Funding Status and Funding Progress – As of July 1, 2021, the plan was 0% funded. The actuarial accrued liability for benefits was $2,178,775, and the actuarial value of assets was $0. Estimated covered payroll was $15,717,447. The Actuarially Determined Contribution for June 30, 2022, 2021 and 2020 has been actuarially determined to be $84,237, $56,309, and $89,385, respectively for District contributions.

Program membership consisted of the following as of the July 1, 2020 actuarial valuation date:

Participant Counts:	
Active	291
Inactive	13
	304

13. OTHER POST-EMPLOYMENT BENEFITS - (OPEB) (CONTINUED)

The actuary reported the following deferred outflows and deferred inflows of resources related to OPEB:

MEDICAL BENEFIT - ACCOUNTING UNDER GASB 75
SCHEDULE OF COLLECTIVE DEFERRED INFLOWS AND OUTFLOWS

Gain/Loss	Deferred Outflows of Resources	Deferred Inflows of Resources
1. Differences between expected and actual experience	$ -	$ 624,949
2. Changes of assumptions or other input	160,688	596,243
	$ 160,688	$ 1,221,192

Subtotal amounts related to deferred outflows of resources, $160,688 and deferred inflows of resources of ($1,221,192) net to ($1,060,504) and will be recognized in pension expense as follows:

Year ended June 30		Amount
2023	$	(219,383)
2024		(219,383)
2025		(219,383)
2026		(219,378)
2027		(76,881)
Thereafter		(106,096)
Total	$	(1,060,504)

14. RISK MANAGEMENT

There is exposure to various risks or losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Commercial insurance is purchased for all claims other than that represented by minimal deductible amounts per loss. Workers' compensation insurance is purchased to manage the risk of loss as the total insurance cost is ultimately in direct proportion to losses. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years and there have been no reductions in insurance coverage from the prior year.

15. PROPERTY TAX LIMITATIONS

The Voters of the State of Oregon imposed a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to $5 for each $1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

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

16. COMMITMENTS AND CONTINGENCIES

A substantial portion of operating funding is received from the State of Oregon. State funding is determined through state-wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate, they can cause either increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the operations cannot be determined.

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

The COVID-19 outbreak in the United States has caused substantial disruption to business and local governments due to mandated and voluntary suspension of operations and stay at home orders. There is considerable uncertainty around the duration of the outbreak and the long-term impact to the overall economy. The ultimate impact on the District's finances is not determinable at this time.

17. DEFERRED COMPENSATION PLAN

Deferred Compensation Plan -A deferred compensation plan is available to employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. The deferred compensation plan is one which is authorized under IRC Section 403(b) and has been approved in its specifics by a private ruling from the Internal Revenue Service. These funds are deposited at the direction of the participant to qualified vendor accounts owned and directed by the participants. The assets of the plan are not considered assets or liabilities of the District.

18. TAX ABATEMENTS

As of June 30, 2022, the District potentially had tax abatements through various state allowed programs that impacted levied taxes. Based on the information from the county as of the date of issuance of these basic financial statements, there were no material abatements disclosed by the county for the year ended June 30, 2022 for any program covered under GASB 77.

19. RESTATEMENT

A prior period adjustment was required to correct overstated depreciation expense in the prior year which overstated accumulated depreciation and understated capital assets and net position. (See Note 7)

Net position-Beginning as previously reported	$ (5,376,172)
Accumulated Depreciation Correction	159,927
Net position-Beginning as restated	$ (5,216,245)

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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MOLALLA RIVER SCHOOL DISTRICT
CLACKAMAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

PERS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.050 %	$ 6,019,249	$ 14,645,749	41.1 %	87.6 %
2021	0.064	13,895,019	13,294,951	104.5	75.8
2020	0.047	8,113,376	12,803,053	63.4	80.2
2019	0.072	10,904,884	12,221,311	89.2	82.1
2018	0.045	6,075,434	11,968,086	50.8	83.1
2017	0.029	4,353,052	11,243,524	38.7	80.5
2016	0.000	-	10,258,313	-	91.9
2015	0.000	-	10,069,616	-	103.6
2014	0.000	-	9,800,106	-	92.0

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show infonnation for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2022	$ 2,246,616	$ 2,246,616	$ -	$ 16,464,225	13.6 %
2021	1,523,375	1,523,375	-	14,645,749	10.4
2020	1,402,301	1,402,301	-	13,294,951	10.5
2019	1,334,283	1,334,283	-	12,803,053	10.4
2018	1,348,379	1,348,379	-	12,221,311	11.0
2017	1,213,830	1,213,830	-	11,968,086	10.1
2016	-	-	-	11,243,524	-
2015	-	-	-	10,258,313	-
2014	-	-	-	10,069,616	-

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, infonnation is presented only for the years for which the required supplementary infonnation is available.

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS
June 30, 2022

PLAN I (STIPENDS):
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS

Year Ended June 30,	Total OPEB Liability - Beginning	Service Cost	Interest	Changes of Benefit Terms	Differences Between Expect and Actual Experience	Changes of Assumptions	Benefit Payments	Total OPEB Liability - End of Year	Estimated Covered Payroll	Total OPEB Liability as a % of Covered Payroll
2022	$ 133,578	$ 2,830	$ 2,729	$ -	$ -	$ (4,008)	$ (30,215)	$ 104,914	$ 1,192,387	8.80%
2021	146,455	3,483	4,702	-	5,470	4,668	(31,200)	133,578	1,157,657	11.54%
2020	160,189	3,365	5,706	-	-	-	(22,805)	146,455	1,521,607	9.63%
2019	142,741	3,487	4,000	-	-	35,758	(25,797)	160,189	1,470,152	10.90%
2018	154,507	3,385	4,393	-	-	-	(19,544)	142,741	1,886,329	7.57%
2017	169,214	3,385	4,784	-	-	-	(22,876)	154,507	1,831,387	8.44%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	(a) Actuarially Determined Contribution	(b) Contributions During Year	(b)-(a) Difference	(c) Covered Payroll	(b/c) Contributions as a Percentage of Payroll
2022	$ 30,215	$ 21,021	$ (9,194)	$ 1,192,387	2%
2021	31,200	31,032	(168)	1,157,657	3%
2020	22,805	32,000	9,195	1,521,607	2%
2019	25,797	29,370	3,573	1,470,152	2%
2018	19,544	23,800	4,256	1,886,329	1%
2017	22,876	35,852	12,976	1,831,387	2%
2016	19,544	78,330	58,766	-	N/A

The above table presents the most recent actuarial valuations for the District's post-retirement pension stipend and it provides information that approximates the funding progress of the plan.

In implementing GASB Statement No. 73 and No. 75, the following changes since the prior valuation were implemented; (i) the actuarial cost method was changed from Projected Unit Credit to Entry Age Normal, (ii) the interest rate for discounting future liabilities was lowered to match municipal bond rates, (iii) premium increase rates were modified to reflect anticipated experience, (iv) the percentage of future retirees covering a spouse on the plan was decreased to reflect the anticipated experience, (v) demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for Oregon PERS, and (vi) an implicit rate subsidy is now being valued for participants in the health plans. In prior valuations, the District's participating in the health plans determined to be a community rated arrangement.

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS
June 30, 2022

PLAN II (HEALTH INSURANCE)
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Year Ended June 30,	Total OPEB Liability - Beginning	Service Cost	Interest	Changes of Benefit Terms	Differences Between Expect and Actual Experience	Changes of Assumptions	Benefit Payments	Total OPEB Liability - End of Year	Estimated Covered Payroll	Total OPEB Liability as a % of Covered Payroll
2022	$ 2,253,283	$ 189,474	$ 54,014	$ -	$ -	$ (233,759)	$ (84,237)	$ 2,178,775	$ 15,717,447	13.86%
2021	2,435,982	164,851	90,044	-	(595,535)	214,250	(56,309)	2,253,283	15,259,657	14.77%
2020	2,253,602	159,276	112,489	-	-	-	(89,385)	2,435,982	13,325,625	18.28%
2019	3,180,506	198,525	100,088	-	-	(1,140,011)	(85,506)	2,253,602	12,875,000	17.50%
2018	3,077,328	192,743	92,480	-	-	-	(182,045)	3,180,506	12,348,326	25.76%
2017	2,960,685	192,743	89,232	-	-	-	(165,332)	3,077,328	11,988,666	25.67%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	(a) Actuarially Determined Contribution	(b) Contributions During Year	(b)-(a) Difference	(c) Covered Payroll	(b/c) Contributions as a Percentage of Payroll
2022	$ 84,237	N/A	$ (84,237)	$ 15,717,447	$ N/A
2021	56,309	N/A	(56,309)	15,259,657	N/A
2020	89,385	N/A	(89,385)	13,325,625	N/A
2019	85,506	N/A	(85,506)	12,875,000	N/A
2018	182,045	N/A	(182,045)	12,348,326	N/A
2017	165,332	N/A	(165,332)	11,988,666	N/A

The above table presents the most recent actuarial valuations for the District's post-retirement health insurance and it provides information that approximates the funding progress of the plan.

In implementing GASB Statement No. 73 and No. 75, the following changes since the prior valuation were implemented; (i) the actuarial cost method was changed from Projected Unit Credit to Entry Age Normal, (ii) the interest rate for discounting future liabilities was lowered to match municipal bond rates, (iii) premium increase rates were modified to reflect anticipated experience, (iv) the percentage of future retirees covering a spouse on the plan was decreased to reflect the anticipated experience, (v) demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for Oregon PERS, and (vi) an implicit rate subsidy is now being valued for participants in the health plans. In prior valuations, the District's participating in the health plans determined to be a community rated arrangement.

OPEB - RHIA

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB - RHIA ASSET/LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net OPEB asset/ (liability) (NOA/(L))	(b) Employer's proportionate share of the net OPEB asset/ (liability) (NOA/(L))	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.111 %	$ 382,064	$ 14,645,749	2.6 %	183.9 %
2021	0.273	557,012	13,294,951	4.2	150.1
2020	0.129	249,478	12,803,053	1.9	144.4
2019	0.102	113,421	12,221,311	0.9	124.0
2018	0.118	49,188	11,968,086	0.4	108.9
2017	(0.119)	(32,232)	11,243,524	(0.3)	90.0

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Amounts for covered payroll (c) use the prior years's data to match the measurement date used by the OPEB plan for each year.

SCHEDULE OF CONTRIBUTIONS

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2022	$ N/A	$ N/A	$ N/A	$ 16,464,225	N/A %
2021	N/A	N/A	N/A	14,645,749	N/A
2020	N/A	N/A	N/A	13,294,951	N/A
2019	N/A	N/A	N/A	12,803,053	N/A
2018	N/A	N/A	N/A	12,221,311	N/A
2017	N/A	N/A	N/A	11,968,086	N/A

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

All statutorily required contributions were made and are included with PERS contributions (See p. 39)

MOLALLA RIVER SCHOOL DISTRICT 35

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget				
	Adopted	Final		Actual	Variance with Final Budget
REVENUES					
Local sources	$ 9,974,980	$ 9,974,980		$ 9,923,388	$ (51,592)
Intermediate sources	275,000	275,000		375,925	100,925
State sources	19,535,356	19,535,356		18,588,572	(946,784)
Federal sources	92,588	92,588		51,058	(41,530)
Total revenues	29,877,924	29,877,924		28,938,943	(938,981)
EXPENDITURES					
Instruction	17,787,737	17,787,737	(1)	16,318,164	1,469,573
Support services	13,494,098	13,494,098	(1)	12,754,553	739,545
Total expenditures	31,281,835	31,281,835		29,072,717	2,209,118
Excess of revenues over (under) expenditures	(1,403,911)	(1,403,911)		(133,774)	1,270,137
OTHER FINANCING SOURCES (USES)					
Lease Financing	-	-		117,565	
Transfer out	(706,223)	(706,223)	(1)	(643,850)	62,373
Total other financing sources (uses)	(706,223)	(706,223)		(526,285)	179,938
Net change in fund balance	(2,110,134)	(2,110,134)		(660,059)	1,450,075
FUND BALANCE, beginning of the year	6,984,594	6,984,594		7,029,956	45,362
FUND BALANCE, end of the year	$ 4,874,460	$ 4,874,460		$ 6,369,897	$ 1,495,437

(1) Appropriation level

Reconciliation to governmental fund balance as required by GASB #54	
Ending fund balance	
MHS land lab	63,447
	$ 6,433,344

STATE FUNDED GRANTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget				Variance with
	Adopted	Final		Actual	Final Budget
REVENUES					
State sources	$ 3,181,054	$ 3,181,054		$ 1,895,363	$ (1,285,691)
EXPENDITURES					
Instruction	1,917,808	1,902,808	(1)	1,509,935	392,873
Support services	1,187,798	1,187,798	(1)	532,850	654,948
Community Service & Enterprise	40,448	45,448	(1)	34,494	10,954
Facilities Acquisition and Construction	35,000	45,000	(1)	42,220	2,780
Total expenditures	3,181,054	3,181,054		2,119,499	1,061,555
Net change in fund balance	-	-		(224,136)	(224,136)
FUND BALANCE, beginning of year	-	-		229,700	229,700
FUND BALANCE, end of year	$ -	$ -		$ 5,564	$ 5,564

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

FEDERAL GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget				Variance with
	Adopted	Final		Actual	Final Budget
REVENUES					
Federal sources	$ 2,899,400	$ 3,060,689		$ 2,754,165	$ (306,524)
EXPENDITURES					
Instruction	1,792,487	1,810,992	(1)	1,692,679	118,313
Support services	1,003,851	1,144,628	(1)	1,047,866	96,762
Community Service	28,061	30,068	(1)	8,619	21,449
Capital Outlay	75,000	75,000	(1)	-	75,000
Total expenditures	2,899,399	3,060,688		2,749,164	311,524
Net change in fund balance	1	1		5,001	5,000
FUND BALANCE, beginning of year	-	-		-	-
FUND BALANCE, end of year	$ 1	$ 1		$ 5,001	$ 5,000

(1) Appropriation level

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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MOLALLA RIVER SCHOOL DISTRICT 35

DEBT SERVICE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget				Variance with
	Adopted	Final		Actual	Final Budget
REVENUES					
Local sources	$ 2,357,000	$ 2,357,000		$ 2,249,981	$ (107,019)
EXPENDITURES					
Debt service	2,410,626	2,410,626	(1)	2,410,626	-
Contigency	1,276,374	1,276,374	(1)	-	1,276,374
Total expenditures	3,687,000	3,687,000		2,410,626	1,276,374
Excess of revenues over (under) expenditures	(1,330,000)	(1,330,000)		(160,645)	1,169,355
FUND BALANCE, beginning of year	1,330,000	1,330,000		1,352,015	22,015
FUND BALANCE, end of year	$ -	$ -		$ 1,191,370	$ 1,191,370

(1) Appropriation Level

MOLALLA RIVER SCHOOL DISTRICT 35

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

	FOOD SERVICE	PUBLIC PURPOSE	E-RATE	MHS ATHLETIC	CAPITAL RESERVE
ASSETS					
Cash and investments	$ -	$ -	$ -	$ 700	$ -
Accounts receivable	202,871	-	23,637	150	-
Due from other governmental funds	440,240	26,268	17,469	75,072	594,130
Total assets	$ 643,111	$ 26,268	$ 41,106	$ 75,922	$ 594,130
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 51,924	$ -	$ -	$ 238	$ 154,357
Other short term liabilities	380	-	-	-	-
Unearned revenues	-	-	-	1,170	-
Total liabilities	52,304	-	-	1,408	154,357
Fund Balances:					
Restricted	590,807	26,268	-	-	-
Committed	-	-	41,106	-	439,773
Assigned	-	-	-	74,514	-
Total fund balances	590,807	26,268	41,106	74,514	439,773
Total liabilities and fund balances	$ 643,111	$ 26,268	$ 41,106	$ 75,922	$ 594,130

(Continued on Page 47B)

MOLALLA RIVER SCHOOL DISTRICT 35

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

CAPITAL CONSTRUCTION	MISC. COMMUNITY GRANTS	SCHOLARSHIP TRUST FUND	STUDENT ACTIVITY FUND	TOTAL
$ -	$ -	$ -	$ 146,674	$ 147,374
46,721	-	-	-	273,379
110,418	49,750	381,219	-	1,694,566
$ 157,139	$ 49,750	$ 381,219	$ 146,674	$ 2,115,319
$ -	$ -	$ -	$ -	$ 206,519
-	-	-	-	380
-	-	-	-	1,170
-	-	-	-	208,069
157,139	49,750	-	146,674	970,638
-	-	381,219	-	862,098
-	-	-	-	74,514
157,139	49,750	381,219	146,674	1,907,250
$ 157,139	$ 49,750	$ 381,219	$ 146,674	$ 2,115,319

(Continued from Page 47A)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2022

	FOOD SERVICE	PUBLIC PURPOSE	E-RATE	MHS ATHLETIC	CAPITAL RESERVE
REVENUES					
Local sources	$ 19,337	$ 58,468	$ 111,758	$ 193,984	$ 55,301
State sources	10,897	-	-	-	-
Federal sources	1,130,224	-	-	-	-
Total revenues	1,160,458	58,468	111,758	193,984	55,301
EXPENDITURES					
Instruction	-	-	-	549,861	-
Support services	-	-	208,517	55,241	44,752
Enterprise and community services	877,627	-	-	-	-
Facilities acquisition and construction	-	62,024	-	-	463,181
Total expenditures	877,627	62,024	208,517	605,102	507,933
Excess of revenues over (under) expenditures	282,831	(3,556)	(96,759)	(411,118)	(452,632)
OTHER FINANCING SOURCES (USES)					
Transfer in	-	-	-	379,761	-
Total other financing sources (uses)	-	-	-	379,761	-
Net change in fund balance	282,831	(3,556)	(96,759)	(31,357)	(452,632)
FUND BALANCE, beginning of year	307,976	29,824	137,865	105,871	892,405
FUND BALANCE, end of year	$ 590,807	$ 26,268	$ 41,106	$ 74,514	$ 439,773

(Continued on Page 48B)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2022

CAPITAL CONSTRUCTION	MISC. COMMUNITY GRANTS	SCHOLARSHIP TRUST FUND	STUDENT ACTIVITY FUND	TOTAL
$ 121,154	$ 23,550	$ 5,522	$ 297,395	$ 886,469
-	-	-	-	10,897
-	-	-	-	1,130,224
121,154	23,550	5,522	297,395	2,027,590
-	19,273	-	315,596	884,730
30,462	6,900	-	-	345,872
-	-	10,000	-	887,627
59,892	-	-	-	585,097
90,354	26,173	10,000	315,596	2,703,326
30,800	(2,623)	(4,478)	(18,201)	(675,736)
-	-		-	379,761
-	-	-	-	379,761
30,800	(2,623)	(4,478)	(18,201)	(295,975)
126,339	52,373	385,697	164,875	2,203,225
$ 157,139	$ 49,750	$ 381,219	$ 146,674	$ 1,907,250

(Continued from Page 48A)

MOLALLA RIVER SCHOOL DISTRICT 35

FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget			Variance with
	Adopted	Final	Actual	Final Budget
REVENUES				
Local sources	$ 8,000	$ 8,000	$ 19,337	$ 11,337
State sources	17,000	17,000	10,897 (2)	(6,103)
Federal sources	535,000	940,000	1,130,224	190,224
Total revenues	560,000	965,000	1,160,458	195,458
EXPENDITURES				
Enterprise and community services	715,000	965,000 (1)	877,627	87,373
Excess of revenues over (under) expenditures	(155,000)	-	282,831	282,831
FUND BALANCE, beginning of year	155,000	155,000	307,976	152,976
FUND BALANCE, end of year	$ -	$ 155,000	$ 590,807	$ 435,807

(1) Appropriation level

(2) Included in this is the required state revenue match of $7,991 the District must recognize in the Food Service Fund for National School Lunch Support in order to meet the general cash assistance match.

MOLALLA RIVER SCHOOL DISTRICT 35

PUBLIC PURPOSE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget				Variance with
	Adopted	Final		Actual	Final Budget
REVENUES					
Local sources	$ 45,000	$ 45,000		$ 58,468	$ 13,468
EXPENDITURES					
Facilities acquisition and construction	105,000	105,000	(1)	62,024	42,976
Net change in fund balance	(60,000)	(60,000)		(3,556)	56,444
FUND BALANCE, beginning of year	60,000	60,000		29,824	(30,176)
FUND BALANCE, end of year	$ -	$ -		$ 26,268	$ 26,268

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

E-RATE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget			Variance with
	Adopted	Final	Actual	Final Budget
REVENUES				
Local sources	$ 85,000	$ 85,000	$ 111,758	$ 26,758
EXPENDITURES				
Support services	210,000	210,000 (1)	208,517	1,483
Excess of revenues over (under) expenditures	(125,000)	(125,000)	(96,759)	28,241
FUND BALANCE, beginning of year	125,000	125,000	137,865	12,865
FUND BALANCE, end of year	$ -	$ -	$ 41,106	$ 41,106

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

MHS ATHLETIC
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget			Variance with
	Adopted	Final	Actual	Final Budget
REVENUES				
Local sources	$ 190,500	$ 190,500	$ 193,984	$ 3,484
EXPENDITURES				
Instruction	662,455	640,455 (1)	549,861	90,594
Support services	35,000	57,000 (1)	55,241	1,759
Total expenditures	697,455	697,455	605,102	92,353
Excess of revenues over (under) expenditures	(506,955)	(506,955)	(411,118)	95,837
OTHER FINANCING SOURCES (USES)				
Transfer in	431,955	431,955	379,761	(52,194)
Net change in fund balance	(75,000)	(75,000)	(31,357)	43,643
FUND BALANCE, beginning of year	75,000	75,000	105,871	30,871
FUND BALANCE, end of year	$ -	$ -	$ 74,514	$ 74,514

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget			
	Adopted	Final	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 42,000	$ 42,000	$ 55,301	$ 13,301
EXPENDITURES				
Support services	150,000	150,000 (1)	44,752	105,248
Facilities acquisition and construction	592,000	592,000 (1)	463,181	128,819
Total expenditures	742,000	742,000	507,933	234,067
Net change in fund balance	(700,000)	(700,000)	(452,632)	247,368
FUND BALANCE, beginning of year	700,000	700,000	892,405	192,405
FUND BALANCE, end of year	$ -	$ -	$ 439,773	$ 439,773

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

CAPITAL CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget			Variance with
	Adopted	Final	Actual	Final Budget
REVENUES				
Local sources	$ 80,000	$ 80,000	$ 121,154	$ 41,154
EXPENDITURES				
Support services	30,000	30,000 (1)	30,462	(462)
Facilities acquisition and construction	150,000	150,000 (1)	59,892	90,108
Total expenditures	180,000	180,000	90,354	89,646
Excess of revenues over (under) expenditures	(100,000)	(100,000)	30,800	130,800
FUND BALANCE, beginning of year	100,000	100,000	126,339	26,339
FUND BALANCE, end of year	$ -	$ -	$ 157,139	$ 157,139

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

MISCELLANEOUS COMMUNITY GRANTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget				Variance with
	Adopted	Final		Actual	Final Budget
REVENUES					
Local sources	$ 35,000	$ 35,000		$ 23,550	$ (11,450)
EXPENDITURES					
Instruction	58,000	58,000	(1)	19,273	38,727
Support services	25,000	25,000	(1)	6,900	18,100
Enterprise and community services	2,000	2,000	(1)	-	2,000
Total expenditures	85,000	85,000		26,173	58,827
Excess of revenues over (under) expenditures	(50,000)	(50,000)		(2,623)	47,377
FUND BALANCE, beginning of year	50,000	50,000		52,373	2,373
FUND BALANCE, end of year	$ -	$ -		$ 49,750	$ 49,750

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

MHS LAND LAB
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget			Variance with
	Adopted	Final	Actual	Final Budget
REVENUES				
Local sources	$ 23,000	$ 23,000	$ 13,197	$ (9,803)
EXPENDITURES				
Instruction	297,036	287,036 (1)	216,718	70,318
Support services	61,231	71,231 (1)	60,083	11,148
Total expenditures	358,267	358,267	276,801	81,466
Excess of revenues over (under) expenditures	(335,267)	(335,267)	(263,604)	71,663
OTHER FINANCING SOURCES (USES)				
Transfer in	274,268	274,268	264,089	(10,179)
Net change in fund balance	(60,999)	(60,999)	485	61,484
FUND BALANCE, beginning of year	61,000	61,000	62,962	1,962
FUND BALANCE, end of year	$ 1	$ 1	$ 63,447	$ 63,446

(1) Appropriation level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB #54 due to its financial resources being derived primarily from General Fund Transfers.

MOLALLA RIVER SCHOOL DISTRICT 35

STUDENT ACTIVITY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget			Variance with
	Adopted	Final	Actual	Final Budget
REVENUES				
Local sources	$ -	$ 275,000	$ 297,395	$ 22,395
EXPENDITURES				
Instruction	-	439,875 (1)	315,596	124,279
Excess of revenues over (under) expenditures	-	(164,875)	(18,201)	146,674
FUND BALANCE, beginning of year	-	164,875	164,875	-
FUND BALANCE, end of year	$ -	$ -	$ 146,674	$ 146,674

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

SCHOLARSHIP TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget				Variance with
	Adopted	Final		Actual	Final Budget
REVENUES					
Local sources	$ 15,000	$ 15,000		$ 5,522	$ (9,478)
EXPENDITURES					
Enterprise and Community Services	123,416	123,416	(1)	10,000	113,416
Net change in fund balance	(108,416)	(108,416)		(4,478)	103,938
FUND BALANCE, beginning of year	400,000	400,000		385,697	(14,303)
FUND BALANCE, end of year	$ 291,584	$ 291,584		$ 381,219	$ 89,635

(1) Appropriation level

MOLALLA RIVER SCHOOL DISTRICT 35

RISK MANAGEMENT FUND (PROPRIETARY FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2022

	Budget			Variance with
	Adopted	Final	Actual	Final Budget
REVENUES				
Local sources	$ 15,000	$ 15,000	$ 43,418	$ 28,418
EXPENDITURES				
Support services	215,000	215,000 (1)	36,570	178,430
Net change in fund balance	(200,000)	(200,000)	6,848	206,848
FUND BALANCE, beginning of year	200,000	200,000	233,767	33,767
FUND BALANCE, end of year	$ -	$ -	$ 240,615	$ 240,615

(1) Appropriation level

GENERAL FUND
Year Ended June 30, 2022

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT July 1, 2021	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UN-SEGREGATED AT June 30, 2022
Current Year						
2021-22	$ 10,008,355	$ 45	$ (293,487)	$ 3,419	$ 9,519,216	$ 199,116
Prior Years						
2020-21	144,219	42	(8,322)	6,045	71,712	70,272
2019-20	64,423	43	(2,892)	5,156	29,113	37,617
2018-19	23,767	29	(2,137)	4,743	17,460	8,942
2017-18	9,644	30	(1,239)	2,418	7,397	3,456
Prior	18,018	-	(617)	723	3,492	14,632
Total prior	260,071	144	(15,207)	19,085	129,174	134,919
TOTALS	$ 10,268,426	$ 189	$ (308,694)	22,504	$ 9,648,390	$ 334,035

Cash Collections by County Treasurer	$	9,648,390
Accrual of Receivables		
June 30, 2021		(122,165)
June 30, 2022		94,814
Recognition of prior year deferred tax revenue		101,315
Change in Tax Receivables		73,964
Total Property Tax Revenue	$	9,796,318

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

OTHER INFORMATION

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

	Program Title	Pass Through Organization	Federal Assistance Listing Number	Pass Through Entity Number	Period Covered	& Actual Expenditures	Passed Through to Subrecipients
	U.S. Department of Education						
F210	Title I Grants to Local Educational Agencies	Oregon Department of Education	84.010	58310	7/1/21-9/30/21	$ 108,905	
		Oregon Department of Education	84.010	67019	7/1/21-3/31/22	350,747	
	Target School	Oregon Department of Education	84.010	60404	7/1/21-3/30/22	22,582	
	Target School	Oregon Department of Education	84.010	65127	7/1/21-6/30/22	20,106	
F210	**Total Title I Grants to Local Education Agencies**					**502,340**	
F211	**CARES ACT**						
	LEA ESSER II (COVID-19)	Oregon Department of Education	84.425D	64627	7/1/21-6/30/22	28,198	
	LEA ESSER II (COVID-19)	Oregon Department of Education	84.425D	64627	7/1/21-6/30/22	390,988	
	ESSER III (COVID-19)	Oregon Department of Education	84.425D	64932	7/1/21-6/30/22	117,469	
	ESSER III (COVID-19)	Oregon Department of Education	84.425D	64932	7/1/21-6/30/22	975,851	
F211	**Total CARES ACT**					**1,512,506**	
F212	**McKinney-Vento**						
	ARP-HCY	Oregon Department of Education	84.425W	69300	7/1/21-6/30/22	7,634	
	Total McKinney-Vento					**7,634**	
	Total CARES Act + McKinney-Vento (i.e. Elementary and Secondary Education Programs 84.425D + 84.425W)					**1,520,140**	
F213	Title III - Language Instruction	Oregon Department of Education	84.365	58487	7/1/21-5/20/22	16,872	
		Oregon Department of Education	84.365	67148	7/1/21-6/30/22	2,659	
F213	**Total Title III - Language Instruction**					**19,531**	
F218	Title IVA - Student Support and Academic Enrichment	Oregon Department of Education	84.424	66808	7/1/21-6/30/22	6,300	
F218	**Total Title IVA - Student Support and Academic Enrichment**					**6,300**	
F220	Title IIA - Teacher Quality	Oregon Department of Education	84.367	58802	7/1/21-3/31/21	10,441	
		Oregon Department of Education	84.367	67452	7/1/21-6/30/22	47,856	
F220	**Total Title IIA - Teacher Quality**					**58,297**	
F222	Title 1C - Migrant Education	ODE>Clackamas ESD	84.011	**CESD**	7/1/21-6/30/22	1,547	
		ODE>Clackamas ESD	84.011	**CESD**	4/1/22-6/30/22	8,493	
F223	Title 1C - Migrant Summer Education	ODE>Clackamas ESD	84.011	**CESD**	7/1/21-8/31/21	5,313	
		ODE>Clackamas ESD	84.011	**CESD**	6/1/22-6/30/22	14,316	
F222-3	**Total Title 1C - Migrant Education**	**NOT ON MRSD A-133**		**CESD**		**29,669**	
F230	Perkins - Basic & Reserve	ODE>Clackamas ESD	84.048	**CESD**	7/1/21-6/30/22	11,144	
		ODE>Clackamas ESD	84.048	**CESD**	4/1/22-6/30/22	1,037	
F230	**Total Perkins Grants**	**NOT ON MRSD A-133**		**CESD**		**12,181**	
F235	Special Educ: Part B Sect 611 2021-23	Oregon Department of Education	84.027	68674	7/1/21-6/30/22	482,815	
	Cluster Part B Sect 611 2021-22 ARP	Oregon Department of Education	84.027	68425	7/1/21-3/31/22	94,979	
	Extended Assessment 19-20	Oregon Department of Education	84.027	54658	7/1/21-9/30/21	346	
	Pathways for Recovery & Return	Oregon Department of Education	84.027	61437	7/1/21-9/30/21	21,646	
	Part B Sect 619 Pre-K 2019-20	Oregon Department of Education	84.173	54029	7/1/21-9/30/21	2,538	
	Part B Sect 619 Pre-K 2020-21	Oregon Department of Education	84.173	60533	7/1/21-6/30/22	3,382	
F235	**Total IDEA Special Education Cluster**					**605,707**	
F100	YTP Grant Contract #160729 Yr 1 of 2	DHS Trust & Rcving	84.126A		7/1/21-6/30/22	44,713	
F100	**Total DHS**	**NOT ON MRSD A-133**				**44,713**	
	Total U.S. Department of Education					**2,798,878**	
	U.S. Department of Health & Human Services						
F100	Foster Care Transportation	Oregon Department of Education	93.658		01/01/22-6/30/22	1,626	
F100	**Total Foster Care Transportation**					**1,626**	
	Total U.S. Department of Health & Human Services					**1,626**	
	U.S. Department of Agriculture:	Non-Cash Assistance Should be Documented					
	Child Nutrition Cluster:						
	Donated Commodities (Non-Cash Assistance)	Oregon Department of Education	10.553/555		7/1/21-6/30/22	71,962	
	NSLP Breakfast Program	Oregon Department of Education	10.553		7/1/21-6/30/22	172,822	
	NSLP Lunch Program	Oregon Department of Education	10.555		7/1/21-6/30/22	795,612	
	SFSP Summer Breakfasts	Oregon Department of Education	10.559		7/1/21-8/31/21 & 6/30/22	13,912	
	SFSP Summer Lunches	Oregon Department of Education	10.559		7/1/21-8/31/21 & 6/30/22	24,651	
	NSLP Supply Chain Assistance	Oregon Department of Education	10.555		4/1-5/30/22	50,465	
	Total Child Nutrition Cluster					**1,129,424**	
	CNP SNAP State and Local P-EBT FF FY22	Oregon Department of Education	10.649		7/1/21-4/20/22	**614**	
	Refunded FDP FEES	Oregon Department of Education	10.560		7/1/21-4/20/22	**186**	
	Total U.S. Department of Agriculture					**1,130,224**	
	Total FEDERAL Grants/Monies Expended or Passed Through to Subrecipients					**$ 3,930,727**	

Reconciliation to Federal Revenue

Federal Revenue Expended	$ 3,930,727
Federal Forest Fees	4,719
Accruals/Deferrals	(1)
Federal Revenue Recognized	$ 3,935,447

MOLALLA RIVER SCHOOL DISTRICT 35

SCHEDULE OF BOND AND BOND INTEREST TRANSACTIONS
Year Ended June 30, 2022

		LIMITED TAX PENSION OBLIGATION BONDS					
ISSUE DATE	ORIGINAL ISSUE	OUTSTANDING AT JUNE 30, 2021	MATURED	REDEEMED	ISSUED	OUTSTANDING AT JUNE 30, 2022	INTEREST COUPON RATES
October 31, 2002, Series 2002	$ 8,635,318	$ 5,850,000	$ -	$ 655,000	$ -	$ 5,195,000	2.06-6.10
April 21, 2003, Series 2003	12,181,530	7,154,592	-	324,742	-	6,829,850	1.50-6.27
TOTALS	$ 20,816,848	$ 13,004,592	$ -	$ 979,742	$ -	$ 12,024,850	

	INTEREST				
ISSUE DATE	OUTSTANDING AT JUNE 30, 2021	MATURED	REDEEMED	ISSUED	OUTSTANDING AT JUNE 30, 2022
October 31, 2002, Series 2002	$	$ 323,776	323,776	$ -	$ -
April 21, 2003, Series 2003	-	1,103,908	1,103,908	-	-
TOTALS	$ -	$ 1,427,684	$ 1,427,684	$ -	$ -

MOLALLA RIVER SCHOOL DISTRICT 35

SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS
Year Ended June 30, 2022

	LIMITED TAX PENSION OBLIGATION BONDS				TOTAL REQUIREMENTS ALL ISSUES	
	OCTOBER 31, 2002 ISSUE		APRIL 21, 2003 ISSUE			
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2022-2023	735,000	287,882	324,850	1,173,798	1,059,850	1,461,680
2023-2024	825,000	247,530	1,200,000	368,650	2,025,000	616,180
2024-2025	925,000	201,743	1,345,000	301,324	2,270,000	503,067
2025-2026	1,030,000	150,400	1,500,000	224,928	2,530,000	375,328
2026-2027	1,145,000	93,240	1,670,000	139,728	2,815,000	232,968
2027-2028	535,000	29,693	790,000	44,869	1,325,000	74,562
TOTALS	$ 5,195,000	$ 1,010,488	$ 6,829,850	$ 2,253,297	12,024,850	3,263,785

MOLALLA RIVER SCHOOL DISTRICT 35

SUPPLEMENTAL INFORMATION, 2021-22

School District Business Managers and Auditors:

This page is a reqiured 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 bills for heating - all funds:			Objects 325 and 326 & *327
	Function 2540	$	607,864
	Function 2550		-

B. Replacement of equipment - General Fund:
Include all General Fund expenditures in Object 542, except for the following exclusion — Amount
Exclude these functions:

$ 29,505

1113, 1122 & 1132	Co-curricular activities	4150	Construction
1140	Pre-kindergarten	2550	Pupil transportation
1300	Continuing education	3100	Food service
1400	Summer school	3300	Community services

* (water and sewage) has been added to Part A to be included in the Function 3540 and 2550 totals

MOLALLA RIVER SCHOOL DISTRICT NO. 35
CLACKAMAS COUNTY, OREGON

FINANCIAL AND OPERATING DATA

LEVY RATES (per $1,000)		**ASSESSED PROPERTY VALUES**	**General Obligation Debt Capacity**	
Fiscal Year	Permanent Rate*		M5 Real Market Value	7.95% M5 RMV
2013-14	4.7001	1,485,770,682	1,696,157,599	134,844,529 *
2014-15	4.7001	1,554,928,159	1,823,766,155	144,989,409 *
2015-16	4.7001	1,627,255,937	2,018,571,774	160,476,456 *
2016-17	4.7001	1,696,509,923	2,256,466,510	179,389,088 *
2017-18	4.7001	1,764,687,522	2,509,874,799	199,535,047 *
2018-19	4.7001	1,852,749,146	2,812,346,791	223,581,570 *
2019-20	4.7001	2,088,847,464	3,281,657,628	260,891,781
2020-21	4.7001	2,148,126,072	3,707,840,955	294,773,356
2021-22	4.7001	2,305,543,038	4,407,313,093	350,381,391
* No other levies			* No General Obligation Debt Outstanding	

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MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

November 11, 2022

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Molalla River School District 35 as of and for the year ended June 30, 2022, and have issued our report thereon dated November 11, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

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

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

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

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

- During testing of teacher experience, we noted that a new hire on the report submitted to the Oregon Department of Education showed three years of experience in the District whereas the District's Human Resources Verification of Service Form showed no previous experience at the District. Further review determined that all prior years of service were with other Districts.
- Expenditures were within authorized appropriations, except as noted on page 19 of the financial statements.

OAR 162-10-0230 Internal Control

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

We noted a matter involving the internal control structure and its operation that we consider to be a significant deficiency under standards established by the American Institute of Certified Public Accountants, which is noted in the schedule of findings and questioned costs on page 74.

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

Roy R Rogers

Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

MOLALLA RIVER SCHOOL DISTRICT 35
CLACKAMAS COUNTY, OREGON

GRANT COMPLIANCE REVIEW

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(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

November 11, 2022

To the Board of Directors
Molalla River School District 35
Clackamas County, Oregon

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Molalla River School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 11, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Roy R Rogers

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

PAULY, ROGERS, AND CO., P.C.
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November 11, 2022

To the Board of Directors
Molalla River School District 35
Clackamas County, Oregon

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Molalla River School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2022. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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 of 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Molalla River School District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the entity's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

Roy R Rogers

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

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

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	☐ yes ☒ no
Significant deficiency(s) identified that are not considered to be material weaknesses?	☐ yes ☒ none reported
Noncompliance material to financial statements noted?	☐ yes ☒ no
Any GAGAS audit findings disclosed that are required to be reported in accordance with section 515(d)(2) of the Uniform Guidance?	☐ yes ☒ no

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	☐ yes ☒ no
Significant deficiency(s) identified that are not considered to be material weaknesses?	☒ yes ☐ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance?	☐ yes ☒ no

IDENTIFICATION OF MAJOR PROGRAMS

AL NUMBER	NAME OF FEDERAL PROGRAM CLUSTER
84.425 D	ESSER
84.425 C	GEER
10.553, 10.555, 10.559	CNC

Dollar threshold used to distinguish between type A and B programs	$750,000
Auditee qualified as low-risk auditee?	☒ yes ☐ no

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-001

Condition: Processes were not in place to ensure that all reimbursement requests were reviewed and approved prior to submitting claims to request reimbursement.

Criteria: Reimbursement request should be reviewed by someone other than the preparer.

Effect: Without a process of review and approval in place to ensure claims to request reimbursements were accurate there exists a likelihood that requests were not complete or accurate.

Cause: The District did not allocate adequate time for a proper secondary review and approval of claims for requesting reimbursements.

Recommendations: We recommend that the District implement a process where a review and approval of reimbursement requests be completed prior to submitting claims.

Management's Response: Management has indicated they will implement a process with a review and approval documenting the process.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL EXPENDITURES

1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes federal grant activity under programs of the federal government. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the net position, changes in net position, or cash flows of the entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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