



110 SE First Street
P.O. Box 1533
Pendleton, OR 97801
Phone: (541) 276-6862
Toll Free: 1-800-332-6862
Fax: (541) 276-9040
Web: www.dickeyandtremper.com

December 31, 2025

To the Governing Body
Morrow County School District No. 1
Heppner, Morrow County, Oregon

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of the Morrow County School District; hereafter referred to as the District, for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 28, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note I to the financial statements. As described in Note III.G to the financial statements, The District implemented GASB Statement No. 101, *Compensated Absences*, for the fiscal year ended June 30, 2025. The application of existing policies was not changed during the fiscal year ended June 30, 2025. We have noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statement were:

Management's estimate of the net pension liability and the related deferred inflows and outflows is based on the actuarial valuation performed by Milliman and key assumptions agreed to by management and Oregon PERS. We evaluated the key factors and assumptions used to develop the net pension asset and related deferred inflows and outflows in determining that it is reasonable in relation to the financial statement taken as a whole. The actuarial valuation was based on the currently known facts and does not take into account changes subsequent to the measurement date.

Management's estimate of the other post-employment benefit liability (asset) and the related deferred inflows and outflows is based on the actuarial valuation performed by Independent Actuaries, Inc. and key assumptions agreed to by management. We evaluated the key factors and assumptions used to develop the other post-employment benefits in determining that it is reasonable in relation to the financial statement taken as a whole. The actuarial valuation was based on the currently known facts and does not take into account changes subsequent to the measurement date.

Management's estimate of depreciation expense is based on the useful lives of acquired assets. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of lease assets is based on the net present value of the leased assets at the District's incremental borrowing rate and lease amortization expense is based on the term of the lease. Lease liabilities are based on the present value of lease payments and are reported as other financing sources in the governmental fund financial statements. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of compensated absences is based on leave balances management determines to be more likely than not to be either paid, used, or settled, calculated using employees' pay rates at the measurement date. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 31, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit, we became aware of some areas other than significant deficiencies or material weaknesses, matters that are opportunities for strengthening internal controls and operating efficiency, and other observations. The comments below summarize our suggestions regarding those matters:

In our review of bank reconciliations, we noted some individual schools that had long outstanding checks that are subject to being reported and turned over to the Oregon State Treasury as unclaimed property. We also noted some cash and checks being held in a safe at a school for several months before being deposited to the bank. We recommend the District more closely monitor cash at each school to ensure timely deposits and resolution of long outstanding items.

In our review of the budgeting process, we noted some errors in the final adopted published budget document for fiscal year 2025-2026. Some headings were incorrectly labeled as “2024-2025” and in some instances, the “Actual” columns for previous years did not agree to audited financial statements for those years. Management indicated that the budget process included several iterations of the budget document and that the wrong version was used for publication. We recommend a detailed review of the final budget document to ensure that the published information is accurate.

Other Matters

We applied certain limited procedures to the Management’s Discussion and Analysis, schedules of the District’s Proportionate Share of the Net Pension Liability (Asset), the District’s Contribution to the Oregon Public Employees Retirement System, the District’s Proportionate Share of the Net OPEB Liability (Asset) – OPERS Retirement Health Insurance Account, the Districts Contributions to the Oregon Retirement Health Insurance Account, the District’s changes in OPEB Liability and related ratios, and Notes to Required Supplementary Information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

The budgetary comparison schedules presented as Required Supplementary Information for the General Fund and Special Revenues Fund have been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and the information is appropriate and complete in relation to our audit of the financial statements.

We were engaged to report on the combining schedules, budgetary comparison schedules and other financial schedules, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of the Morrow County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Dickey and Tremper, LLP". The signature is written in a cursive, flowing style.

DICKEY AND TREMPER, LLP