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December 31, 2022

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, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted audit 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 August 11, 2022. 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.F to the financial statements, The District implemented GASB Statement No. 87, *Leases*, for the fiscal year ended June 30, 2022. The application of existing policies was not changed during the fiscal year ended June 30, 2022. 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.

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, 2022.

#### *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.

We would like to commend your staff for their efforts of being well prepared for the audit for the current fiscal year. Staff was very responsive to our requests and there were several improvements from the prior year, particularly with ASB and other school activity accounting. Management made a concerted effort to implement our recommendations from the prior year, and major improvement was noted.

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 the schedule of expenditures for federal awards, there were minor changes to amounts as well as the movement of one item out of the Child Nutrition cluster because it was related to nutrition, but not part of the cluster. These changes were well under materiality amounts and not considered a finding, but additional review should be performed in the future.

The District is implementing lease reporting standards this year under GASB 87, *Leases*, and management prepared workpapers summarizing the lease activity and valuation. The overall calculations appear reasonable, but there were several adjustments needed to the final schedules for amortization and tying out the balances. We recommend a secondary review of this area in future years.

We also reported on the District's internal control in our report dated December 31, 2022, which is included in the Schedule of Findings and Questioned Costs in the District's financial statements. The schedule reported two significant deficiencies in internal control over financial reporting and over major programs.

### 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 District's 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 is 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,

*Dickey and Tremper, LLP*

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