

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2025**

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2025**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INTRODUCTORY SECTION</b>	
<b>OFFICIALS OF THE DISTRICT</b>	i
<b>FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITOR'S REPORT</b>	A-D
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	a-h
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes In Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Notes to the Basic Financial Statements	7
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	43
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenues Fund	44
Schedule of MCSD's Proportionate Share of the Net Pension Liability (Asset)	45
Schedule of MCSD's Contributions to the Oregon Public Employee Retirement System	45
Schedule of MCSD's Proportionate Share of the Net OPEB Liability (Asset) – OPERS Retirement Health Insurance Account	46
Schedule of MCSD's Contributions to the Oregon Retirement Health Insurance Account	46
Schedule of Changes in the District's OPEB Liability and Related Ratios	47
Notes to Required Supplementary Information	48

	<b><u>Page</u></b>
<b>SUPPLEMENTAL INFORMATION</b>	
Combining Balance Sheet – General Fund (GAAP)	51
Combining Schedule of Revenues, Expenditures, and Changes In Fund Balances – General Fund (GAAP)	52
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Governmental Funds:	
PERS Reserve Fund	53
Debt Service Fund	54
Capital Projects Fund	55
Continuing Disclosure Requirements for Bonded Debt	56

## **REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

<b>INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS</b>	58
<b>GOVERNMENT AUDITING STANDARDS COMPLIANCE REPORTS</b>	
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	60
Independent Auditor's Report on Compliance for Each Major program and on Internal Control Over Compliance Required by the Uniform Guidance	62
Notes to Schedule of Expenditures of Federal Awards	65
Schedule of Expenditures of Federal Awards	66
Summary Schedule of Prior Audit Findings	67
Schedule of Findings and Questioned Costs	68

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON**

**BOARD OF DIRECTORS AND OFFICIALS  
For the Fiscal Year Ended June 30, 2025**

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Position</u>	<u>Position</u>
Brian Kollman	1	Vice Chair
Erin Anderson	2	Director
Richard Cole	3	Chair
Becky Kindle	4	Director
Mary Killion	5	Director
Ashley Lindsay	6	Director
Rosa Delgado	7	Director

Administrative Staff

Matt Combe	District Office	Superintendent
Gabriel Hansen	District Office	CFO/Business Manager/Deputy Clerk
Erin Stocker	District Office	Executive Director of Human Resources
Marie Shimer	District Office	Director of Educational Services
Marissa Turner	District Office	Director of Special Education
Jill Ledbetter	A.C. Houghton Elementary School	Principal
Kaira Rysdam	Irrigon Elementary School	Principal
Rose Palmer	Irrigon Junior/Senior High School	Principal
Dieter Waite	Heppner Elementary	Principal
Ryan Gerry	Heppner Junior/Senior High School	Principal
John Christy	Riverside Junior/Senior High School	Principal
Jami Carbray	Sam Boardman Elementary School	Principal
Steven Sheller	Windy River Elementary School	Principal
Jason Dunten	Irrigon Junior/Senior High School	Vice Principal
Dirk Dirksen	Riverside Junior/Senior High School	Vice Principal
Laura Winters	Sam Boardman Elementary School	Vice Principal

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Morrow County School District  
Morrow County, Oregon

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and each major fund of the Morrow County School District (the District), as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2025, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Change in Accounting Principle*

As described in Note III.G to the financial statements, in the fiscal year ending June 30, 2025, the District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters 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 schedules, schedules of the District's Proportionate Share of the Net Pension Liability (Asset) and the District's Contributions to the Oregon Public Employees Retirement System, Schedule of Proportionate Share of Net OPEB Liability (Asset), Schedule of Contributions OPERS Retirement Health Insurance Account, Schedule of Changes in the District's OPEB Liability and Related Ratios, and Notes to 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 management's discussion and analysis and the schedule of the District's Proportionate Share of the Net Pension Liability (Asset) and the District's Contributions to the Oregon Public Employees Retirement System, Schedule of Proportionate Share of Net OPEB Liability (Asset), Schedule of Contributions OPERS Retirement Health Insurance Account, Schedule of Changes in the District's OPEB Liability and Related Ratios, and Notes to 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 management's discussion and analysis and the schedule of the District's Proportionate Share of the Net Pension Liability (Asset) and the District's Contributions to the Oregon Public Employees Retirement System, Schedule of Proportionate Share of Net OPEB Liability (Asset), Schedule of Contributions OPERS Retirement Health Insurance Account, Schedule of Changes in the District's OPEB Liability and Related Ratios, and Notes to Required Supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budget and actual schedules for the General Fund and Special Revenue Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



### **Supplementary Information**


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental information, as listed in the Table of Contents, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 31, 2025, on our consideration of the District's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. 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.

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**Dickey and Tremper, LLP**  
**Certified Public Accountants**  
**Pendleton, Oregon**

December 31, 2025

## MANAGEMENT'S DISCUSSION AND ANALYSIS

MORROW COUNTY SCHOOL DISTRICT  
Heppner, Morrow County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2025

As management of Morrow County School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements.

**FINANCIAL HIGHLIGHTS**

- Reported in the government-wide financial statement at June 30, 2025, the District's assets plus deferred outflows of resources outstripped liabilities plus deferred inflows of resources, causing an overarching *surplus* totaling \$7,092,239. The payroll costs of the district in recent years have risen sharply with attempts to pace with inflation. Notably, the District continues to carry significant liabilities due to its portion of the state's unfunded pension liability (PERS, \$18,278,540) and OPEB liability (health insurance, \$2,141,935). The District, like other government agencies across the State have a growing PERS liability due to the contractual defined benefit plan for more tenured State employees. The District's investment in capital assets net of related debt totaled \$23,236,197.
- The 2024-2025 general fund was supported by 51% of the State's \$10.2 B Basic School Support in the second year of the 2023-2025 biennium. For the fiscal year ended June 30, 2025, the District received Basic School Support revenue of \$17,7470,442 which was \$406,571 more than the prior year. Total general fund revenue of \$33,493,349 was \$373,916 more than the prior year. This relatively small increase of just 1% was caused by a decline in enrollment that equated to about 100 ADMW. The General Fund pays for the majority of teaching staff, administration, building maintenance, and student transportation. 80% of total payroll costs are paid by the general fund.
- The 2024-2025 Special Revenues fund was supported by a large Student Improvement Act grant funded by the State's new Corporate Activity Tax. Other resources included Federal grants, state grants for summer school and targeted learning, and local grants. Total revenues was \$11,895,462 an increase of \$725,298. A large amount of that increase was donation from the Morrow County Unified Recreation District for projects throughout the district. The special revenues fund pays for wrap-around services, which provide mental health counselors, CARE coordinators, nurses, and Safety Resource Officers in our schools, the federal food service program, athletics, and grant funded teaching positions. 20% of total payroll costs are paid by the special revenues fund.
- Total governmental funds expenditures were \$47,942,099 a decrease of \$2,183,419 from the prior year. Total payroll was \$34,621,944 an increase of \$765,776. Important to know is that during the budgeting for fiscal year 2025-2026 plans for staffing levels were adjusted to account for the decline in enrollment. As well as budgets for materials and supplies and repairs and maintenance.
- The District property continues to be maintained for a safe and healthy learning environment. Major projects included boiler upgrades and replacing the gym floor at Riverside. The gym floor was done with grant money from the Morrow County Unified Recreation District. Total capital asset additions was \$881,444, a nearly \$3 million dollar decrease from the prior year. Most of the prior years additions were grant funded.
- At June 30, 2025, the unassigned fund balance for the General Fund was \$4,971,760 or 14.4% of total General Fund expenditures (including transfers) for the fiscal year. In addition, the District continued to maintain a PERS Reserve Fund (\$1,448,889) to offset the rising costs of PERS over the next two Biennium. None of the reserve fund was utilized in 2024-2025.

MORROW COUNTY SCHOOL DISTRICT  
Heppner, Morrow County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2025

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements that will enhance the reader's understanding of the financial condition of the District.

***Government-wide Financial Statements*** - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar in format to financial statements of a private-sector business. These statements include:

*Statement of Net Position.* The Statement of Net Position presents information on all of the assets and liabilities of the District at year end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

*Statement of Activities.* The Statement of Activities presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District's activities are recorded in one category as Governmental activities. Most of the District's basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, and facilities acquisition and construction. These activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues.

***Fund Financial Statements*** - The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Morrow County School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are within the governmental fund category.

*Governmental funds.* The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 government's near-term financing decisions. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances

MORROW COUNTY SCHOOL DISTRICT  
Heppner, Morrow County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2025

for all funds. They are the General Fund, Special Revenues Fund, Capital Projects Fund, and Debt Service Fund, which are considered to be major funds.

**Notes to Basic Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information and other financial schedules reflect combining schedules for non-major governmental funds and detail budget to actual analysis for the fiscal year ending June 30, 2025.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Current and Other Assets on the tables below primarily consist of cash, accounts receivable from grants and property taxes. At June 30, 2025, cash totaled \$13,080,671. Receivables total \$1,349,985, primarily owing from state and federal Grants, \$1,285,523.

Capital assets consist of the District's land, buildings, building improvements, vehicles, and equipment; which represent approximately 57.05% of total assets.

Deferred outflows of resources related to pensions totaled \$17,946,725 and primarily comprise of investment earnings and changes in assumptions (discount rate), combined with contributions subsequent to the measurement date and differences between expected and actual experience. The District also carried a smaller deferred outflow from OPEB and the refunding of pension bonds.

The District's largest debt obligation consists of two PERS Bonds issued in 2002 and 2021. The bonds were sold to fund or partially fund the Agencies PERS unfunded actuarial liability (UAL). The amount of bonds sold in 2021 totaled \$18,300,000. At June 30, 2025, the bonds balance totaled \$17,973,888. As mentioned earlier, the District has a net pension liability totaling \$18,278,540. The pension liability reflects the District's proportionate share of the State of Oregon's Unfunded Actuarial Liability.

The District reported Deferred Inflows of Resources resulting primarily from the net difference between projected and actual earnings on pension investments totaling \$5,794,704. The accrual is also driven by the changes in proportion and differences between employer contributions and proportionate share of contributions. The Deferred Inflow of Resources related to OPEB totaled \$570,598.

The majority of the District's surplus net position \$7,092,239, is cash due to the improved support from federal, state and local grants.

MORROW COUNTY SCHOOL DISTRICT  
Heppner, Morrow County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2025

**Net Position at June 30, 2025**

	Governmental Activities		
	2025	(As Restated) 2024	Increase/ (Decrease)
Current and Other Assets	\$ 16,608,863	\$ 18,853,436	\$ (2,244,573)
Capital Assets, net accum. depreciation	22,058,319	22,058,319	0
Total Assets	<u>38,667,182</u>	<u>40,911,755</u>	<u>(2,244,573)</u>
Deferred outflows related to pensions	17,946,725	14,818,468	3,128,257
Deferred outflows related to OPEB	102,295	132,568	(30,273)
Total Deferred Outflows of Resources	<u>18,049,020</u>	<u>14,951,036</u>	<u>3,097,984</u>
Current Liabilities	4,338,393	5,625,043	(1,286,650)
Net OPEB Liability	2,141,935	2,213,306	(71,371)
Net Pension Liability	18,278,540	9,956,813	8,321,727
Long-Term Liabilities	18,499,793	20,536,732	(2,036,939)
Total Liabilities	<u>43,258,661</u>	<u>38,331,894</u>	<u>4,926,767</u>
Deferred Inflows of Resources	<u>6,365,302</u>	<u>8,379,277</u>	<u>(2,013,975)</u>
Net Position:			
Investment in Capital Assets	23,236,197	23,046,264	189,933
Restricted For:			
Debt Service	419,575	944,556	(524,981)
Special Programs	4,897,460	4,193,552	703,908
Capital projects	-	-	-
Unrestricted	<u>(21,460,993)</u>	<u>(16,527,592)</u>	<u>(4,933,401)</u>
Total Net Position	<u>\$ 7,092,239</u>	<u>\$ 9,151,620</u>	<u>\$ (2,059,381)</u>

**Governmental Activities** - During the current fiscal year, the District's net position decreased by \$2,059,381. Key elements of the change in the District's net position for the year ended June 30, 2025 are as follows:

- A decrease of about 100 ADMw impacted the districts state school fund.
- GASB 101 was implemented and an additional liability of about \$2.5 million dollars is recorded. The change is also shown in the 2024 column displayed above.

MORROW COUNTY SCHOOL DISTRICT  
Heppner, Morrow County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2025

**Changes in Net Position for the Year Ended June 30, 2025**

	Governmental Activities		
	2025	(As Restated) 2024	Increase/ (Decrease)
<b>Revenues:</b>			
Program Revenues			
Charges for Services	\$ 724,215	\$ 670,727	\$ 53,488
Operating Grants & Contributions	10,554,845	10,509,797	45,048
Capital Grants & Contributions	798,157	527,467	270,690
<b>General Revenues:</b>			
Property Taxes	14,083,679	14,174,989	(91,310)
State School Sources	17,470,442	17,063,871	406,571
Other Federal, State and Local Sources	643,873	643,439	434
Interest on Investments	910,843	956,006	(45,163)
Other	2,269,702	2,400,296	(130,594)
<b>Total Revenues</b>	<u>47,455,756</u>	<u>46,946,592</u>	<u>509,164</u>
Sale of Capital Assets	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenses:</b>			
Instruction	30,442,357	29,266,825	1,175,532
Support Services	16,660,111	17,404,635	(744,524)
Enterprise & Community Services	1,826,004	1,586,640	239,364
Facilities Construction and Improvement	16,052	17,075	(1,023)
Interest on long-term debt	570,613	614,724	(44,111)
<b>Total Expenses</b>	<u>49,515,137</u>	<u>48,889,899</u>	<u>625,238</u>
Change in Net Position	(2,059,381)	(1,943,307)	(116,074)
Net Position, Beginning	<u>9,151,620</u>	<u>11,094,927</u>	<u>(1,943,307)</u>
Net Position, Ending	<u>\$ 7,092,239</u>	<u>\$ 9,151,620</u>	<u>\$ (2,059,381)</u>

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with various regulatory requirements.

**Governmental Funds** - The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a District's net resources available for spending at the end of a fiscal year.

At June 30, 2025, the District's governmental funds reported combined ending fund balances of \$12,262,687, a decrease of \$522,148 in comparison with the prior year. The General Fund carried an unassigned ending fund balance totaling

MORROW COUNTY SCHOOL DISTRICT  
Heppner, Morrow County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2025

\$4,971,760, which is available for spending at the District's discretion. The remaining fund balance included \$419,575 restricted for debt service, \$4,897,460 restricted by state grants or contributions, with \$321,051 restricted to capital improvements and \$1,448,889 assigned for future increases to PERS rates.

*General Fund.* The General Fund is the primary operating fund of the District. As of June 30, 2025, the fund balance was \$6,493,273, including the \$1,448,889 balance in the PERS Reserve Fund. Notably, GASB 54 does not allow Special Revenue funds without a restricted or committed revenue source, the PERS Reserve fund is carried on the Financial Statements as an assigned balance in the General Fund. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The fund balance represents approximately 19% of total General Fund expenditures (including transfers). The fund balance decreased by \$1,144,889 during the current fiscal year and remains well within the prescribed resources to maintain a quality education for its students.

Overall, General Fund revenues increased from \$33,119,433 in the 2024 fiscal year to \$33,493,349 in the current year. This change was largely impacted by a decline in student enrollment.

General Fund expenditures decreased slightly with a conscious effort to reduce deficit spending.

*Special Revenues Fund.* The Special Revenues Fund is a combination of 25 funds and has an aggregate ending fund balance totaling \$5,028,788. The fund balance increased, in contrast to the prior year an amount was received from the Morrow Education Foundation and it was not all spent.

*Debt Service Fund.* The Debt Service Fund has a fund balance of \$419,575, all of which is restricted for the payment of debt. This fund was created to account for the payment of the District's general obligation bond and PERS UAL bonds.

*Capital Projects Fund.* The Capital Projects Fund has a fund balance of \$321,051. The fund balance decreased through the purchase of new boilers for Irrigon Elementary.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund Budget is primarily driven by the State School Support, which includes property taxes and the State School Fund. For the year ended June 30, 2025, the State School Fund – General Support provided 53% of the District's program resources for the General Fund. The percentage climbs to 96% when taxes and other state formula sources are included. The District continued to invest in additional staff, improve wages and benefits, and maintain operations. With strong state support, the District was not required to utilize the PERS reserve.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets* - As shown in the table below, at June 30, 2025, the District had \$22,058,319 invested in a broad range of capital assets, including land, buildings and improvements, vehicles and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$425,488 from the previous year.



MORROW COUNTY SCHOOL DISTRICT  
Heppner, Morrow County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2025

**Capital Assets (net of depreciation)**

**June 30, 2025**

	Governmental Activities
Land	\$ 813,833
Construction in Progress	458,547
Buildings & Improvements	19,553,968
Equipment & Vehicles	1,231,971
	<u>\$ 22,058,319</u>

**Long-term Debt** - At the end of the current fiscal year, the District bonded debt outstanding totaled \$17,973,888 consisting of pension bonds.

	<b>Outstanding Debt Obligations</b>		
	<u>2025</u>	<u>2024</u>	<u>Difference</u>
General Obligation Bonds			
2010A Bond Issue	0	590,000	(590,000)
Limited Tax Pension Bond			
PERS Bond Issue	2,330,000	3,125,000	(795,000)
2021 PERS Bond refunding	15,645,000	16,330,000	(685,000)
Less: deferred discount	(1,112)	(1,483)	371
Total	<u>\$ 17,973,888</u>	<u>\$ 20,043,517</u>	<u>\$ (2,069,629)</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The 2025-2026 budget is supported by 49% of the State's \$11.3B Basic School Support for the first year in the biennium. The District's estimated stable enrollment from the previous year totaling 2,264 ADMr. Morrow County's robust economy continues to drive higher property tax collections as the private industry moves from enterprise zones to the tax rolls. The District also benefits from continued support from the community via the Morrow Education Foundation, Morrow County Unified Recreation District, and a grant through the County .

Significant funding grants through the State continue with the Student Investment Act (SIA), High School Success, Summer Learning, and Early Literacy.

On the expenditure side, with the changes to PERS rates for the 2025-2027 and the decline in enrollment the district adjusted staffing levels going into the 2025-2026 fiscal year. Positions were eliminated depending on resignations and any back filling that could be done. On average the district has about a 10% turnover rate each year and the district filled about half of those positions. The District is also closely monitoring the spending on materials and supplies to have balanced spending in the 2025-2026 fiscal year.

MORROW COUNTY SCHOOL DISTRICT  
Heppner, Morrow County, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2025

**REQUESTS FOR INFORMATION**

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information can be obtained by calling the District's business manager (541) 922-4016 or by sending a written request to: Morrow County School District, Business Office; PO Box 100; Heppner, OR 97836.

# **BASIC FINANCIAL STATEMENTS**

**MORROW COUNTY SCHOOL DISTRICT**  
**MORROW COUNTY, OREGON**  
**STATEMENT OF NET POSITION**  
**June 30, 2025**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 12,990,437
Receivables:	
Property taxes	373,145
Accounts	1,349,985
Prepaid items	72,624
Restricted assets:	
Cash and cash equivalents	90,234
Net OPEB Asset	496,505
Lease assets, net	53,853
SBITA assets, net	1,182,080
Capital assets:	
Land	813,833
Construction in progress	458,547
Depreciable assets, net of depreciation	20,785,939
	<hr/>
Total Assets	38,667,182
	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	17,946,725
Deferred outflows related to OPEB	102,295
	<hr/>
Total deferred outflows of resources	18,049,020
	<hr/>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	2,256,509
Retainage payable	4,624
Net OPEB liability	2,141,935
Net pension liability	18,278,540
Long-term liabilities	
Due within one year	2,077,260
Due in more than one year	18,499,793
	<hr/>
Total Liabilities	43,258,661
	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	5,794,704
Deferred inflows related to OPEB	570,598
	<hr/>
Total deferred inflows of resources	6,365,302
	<hr/>
<b>NET POSITION</b>	
Net investment in capital assets	23,236,197
Restricted for:	
Debt service	419,575
Special programs	4,897,460
Unrestricted	(21,460,993)
	<hr/>
Total Net Position	\$ 7,092,239
	<hr/>

**MORROW COUNTY SCHOOL DISTRICT**  
**MORROW COUNTY, OREGON**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2025**

Functions / Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and Changes
		Services	Grants and	Grants and	in Net Position
			Contributions	Contributions	Governmental
					Activities
Governmental activities:					
Instruction	\$ 30,442,357	\$ 684,832	\$ 8,633,109	\$ 798,157	\$ (20,326,259)
Support services	16,660,111	25,359	338,284	-	(16,296,468)
Enterprise and community services	1,826,004	14,024	1,583,452	-	(228,528)
Facility acquisition and construction	16,052	-	-	-	(16,052)
Interest on long-term obligations	570,613	-	-	-	(570,613)
Total governmental activities	<u>\$ 49,515,137</u>	<u>\$ 724,215</u>	<u>\$ 10,554,845</u>	<u>\$ 798,157</u>	<u>(37,437,920)</u>
General revenues:					
Taxes:					
Property taxes levied for general purposes					14,071,037
Property taxes levied for debt service					12,642
State School Fund - general support					17,470,442
Common School Fund - general support					288,279
Other unrestricted funds					355,594
Interest and investment earnings					910,843
Sale of property					12,300
Miscellaneous					<u>2,257,402</u>
Total general revenues and transfers					<u>35,378,539</u>
Change in net position					(2,059,381)
Net position, beginning, as restated (See note IV.F)					<u>9,151,620</u>
Net position, ending					<u>\$ 7,092,239</u>

## **FUND FINANCIAL STATEMENTS**

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### **Major Governmental Funds**

#### **General Fund**

The General Fund accounts for the financial operations of the District not accounted for in any other fund. Principal sources of revenue are property taxes and state shared revenues. Expenditures are primarily for general operating expenditures and capital improvement costs.

#### **Special Revenues Fund**

The Special Revenues Fund accounts for revenue from specific sources that are legally restricted to expenditures for specified purposes.

#### **Debt Services Fund**

The Debt Services Fund accounts for expenditure for payment made for principal and interest on long-term debt for governmental funds

#### **Capital Projects Fund**

The Capital Projects Fund accounts for all resources for the acquisition of capital facilities or major renovations to existing facilities.

**MORROW COUNTY SCHOOL DISTRICT**  
**MORROW COUNTY, OREGON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2025**

	General Fund (GAAP)	Special Revenues Fund	Debt Service Fund	Capital Projects Fund	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,983,689	\$ 4,204,261	\$ 419,465	\$ 473,256	\$ 13,080,671
Receivables:					
Property taxes	361,714	-	11,431	-	373,145
Accounts	317,711	1,032,274	-	-	1,349,985
Prepaid items	72,624	-	-	-	72,624
Total assets	<u>\$ 8,735,738</u>	<u>\$ 5,236,535</u>	<u>\$ 430,896</u>	<u>\$ 473,256</u>	<u>\$ 14,876,425</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	1,901,181	203,123	-	152,205	2,256,509
Retainage payable	-	4,624	-	-	4,624
Total liabilities	<u>1,901,181</u>	<u>207,747</u>	<u>-</u>	<u>152,205</u>	<u>2,261,133</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	<u>341,284</u>	<u>-</u>	<u>11,321</u>	<u>-</u>	<u>352,605</u>
<b>FUND BALANCES</b>					
Nonspendable	72,624	-	-	-	72,624
Restricted	-	4,897,460	419,575	-	5,317,035
Committed	-	131,328	-	-	131,328
Assigned	1,448,889	-	-	321,051	1,769,940
Unassigned	<u>4,971,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,971,760</u>
Total fund balances	<u>6,493,273</u>	<u>5,028,788</u>	<u>419,575</u>	<u>321,051</u>	<u>12,262,687</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,735,738</u>	<u>\$ 5,236,535</u>	<u>\$ 430,896</u>	<u>\$ 473,256</u>	<u>\$ 14,876,425</u>

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2025**

<b>Fund balances - total governmental funds</b>	<b>\$ 12,262,687</b>
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	22,058,319
Lease assets and the related leases payable are not financial resources or payable in the current period and are not reported in the funds	(4,202)
SBITA assets are not financial resources in the current period and are not reported in the funds	1,182,080
Net pension liabilities and related deferred outflows and deferred inflows are not due and payable in the current period and therefore are not reported in the funds	(6,126,519)
Net OPEB assets/liabilities and related deferred outflows and deferred inflows are not due and payable in the current period and therefore are not reported in the funds	(2,113,733)
Property tax revenue is deferred in the governmental fund statements until collected. However, the revenue is earned when levied, therefore no deferral is necessary.	352,605
Accrued compensated absences are not due and payable in the current period, and therefore, are not reported in the funds	(2,545,110)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the fund statements.	<u>(17,973,888)</u>

<b>Net position of governmental activities</b>	<b><u>\$ 7,092,239</u></b>
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**MORROW COUNTY SCHOOL DISTRICT**  
**MORROW COUNTY, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2025**

	General Fund	Special Revenues Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$14,046,614	\$ -	\$ 13,560	\$ -	\$ 14,060,174
Other local sources:					
Revenues from other local governments	-	1,054,500	-	-	1,054,500
Charges for services	-	684,815	-	-	684,815
Rentals	-	-	-	-	-
Donations	5,108	1,845,558	-	-	1,850,666
Miscellaneous	230,276	204,679	1,980,817	-	2,415,772
Intermediate sources:					
County school funds	90,432	-	-	-	90,432
Payment in lieu of taxes	347,887	-	-	-	347,887
Restricted revenue	-	875,951	-	-	875,951
State sources	17,845,341	4,995,283	-	-	22,840,624
Federal sources	53,685	2,234,602	-	-	2,288,287
Interest on investments	874,006	74	36,763	-	910,843
<b>TOTAL REVENUES</b>	<b>33,493,349</b>	<b>11,895,462</b>	<b>2,031,140</b>	<b>-</b>	<b>47,419,951</b>
<b>EXPENDITURES</b>					
Current:					
Instruction	20,310,994	7,292,129	-	-	27,603,123
Support services	13,437,572	1,939,234	-	-	15,376,806
Enterprise and community services	-	1,735,610	-	-	1,735,610
Capital outlay	-	434,113	-	152,205	586,318
Debt service	622,450	-	2,017,792	-	2,640,242
<b>TOTAL EXPENDITURES</b>	<b>34,371,016</b>	<b>11,401,086</b>	<b>2,017,792</b>	<b>152,205</b>	<b>47,942,099</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(877,667)</b>	<b>494,376</b>	<b>13,348</b>	<b>(152,205)</b>	<b>(522,148)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	267,222	-	-	267,222
Transfers Out	(267,222)	-	-	-	(267,222)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(267,222)</b>	<b>267,222</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,144,889)</b>	<b>761,598</b>	<b>13,348</b>	<b>(152,205)</b>	<b>(522,148)</b>
<b>FUND BALANCE, Beginning</b>	<b>7,638,162</b>	<b>4,267,190</b>	<b>406,227</b>	<b>473,256</b>	<b>12,784,835</b>
<b>FUND BALANCE, Ending</b>	<b>\$ 6,493,273</b>	<b>\$ 5,028,788</b>	<b>\$ 419,575</b>	<b>\$ 321,051</b>	<b>\$ 12,262,687</b>

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2025**

**Net change in fund balances - governmental funds** \$ (522,148)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities, property taxes are recognized as revenue when levied. 23,505

Repayment of long-term obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. 2,070,000

Governmental funds report lease financing as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which amortization exceeded lease financing. 725

Governmental funds report SBITA costs as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as amortization expense. 24,696

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Amortization of bond premiums and discounts (371)

Net pension liabilities and the related deferred outflows and deferred inflows are not due and payable in the current period and therefore are not reported in the funds. The change in these balances affect expenses in the Statement of Activities. (3,146,702)

Net OPEB liabilities and the related deferred outflows and deferred inflows are not due and payable in the current period and therefore are not reported in the funds. The change in these balances affect expenses in the Statement of Activities. (43,648)

Compensated absences are not due and payable in the current period and therefore are not reported in the funds. The change in this balance affects expenses in the Statement of Activities. (39,950)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense.

Capital asset additions	\$ 893,744	
Depreciation expense	(1,319,232)	
	(425,488)	

**Change in net position - governmental activities** \$ (2,059,381)

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

School districts in the state of Oregon are created by legislative action. Morrow County School District (the District) consists of a unified school district for Morrow County, with the exception of the City of Ione, with financial information from the eight different sites consolidated into this financial report. The administration of the District is vested in a seven-member board of directors, principals at each school location, a superintendent at the District office in Irrigon, and a CFO and business manager/deputy clerk also located at the District office in Irrigon.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of significant accounting policies used by the District in the preparation of the accompanying financial statements.

**A. Financial Reporting Entity**

A seven-member board of directors exercises governance responsibilities over all entities related to public elementary and secondary school education within the jurisdiction of the District as set by the State of Oregon. The board receives funding from local, state, and federal sources. However, the District is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the primary government's financial accountability. The criteria used to determine financial accountability include whether the primary government appoints a voting majority, the primary government can impose its will on the component unit, whether there is financial benefit or burden on the primary government, and if the component unit has a fiscal dependency on the primary government. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is financially accountable. Based upon the application criteria established by the Governmental Accounting Standards Board (GASB), there are no component units of the District.

**B. Government – Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or others for tuition, fees, rentals, material, supplies or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Net position is reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors, or laws) or through constitutional provisions or enabling resolutions.

### **C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting include property taxes. Other revenue items are included when earned. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The *General Fund* is the primary operating fund of the District. It accounts for all financial resources of the District, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. Included in the General Fund is the budgeted Fund 299, PERS Reserve.

*Special Revenues Fund* accounts for revenues and expenditures legally restricted for use in accordance with various grant requirements, which are legally restricted, or assigned to finance particular functions or activities.

*Debt Service Fund* accounts for the financial resources that are restricted, committed, or assigned to expenditure for payment made for principal and interest on long-term debt for governmental funds.

*Capital Projects Fund* accounts for all resources for the acquisition of capital facilities or major renovations to existing facilities.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this rule are actual charges for services between functions of the government. Elimination of these charges would distort the direct costs of program revenues reporting in the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

## **D. Assets, Liabilities and Net Position or Equity**

### **1. Cash, Cash Equivalents, and Investments**

The District's 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.

Oregon Revised Statutes authorize school districts to invest in obligations of the U.S. Treasury, agencies and instrumentalities of the United States, commercial paper, banker's acceptances guaranteed by a qualified financial institution, repurchase agreements, interest bearing bonds of any city, county, port, or school district in Oregon (subject to specific standards), and the state local government investment pool, among others.

The District maintains merged bank accounts and investments for its funds in a central pool of cash and investments. The investment policy of the District is to invest in the Local Government Investment Pool (LGIP) and interest-bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments authorized for municipal corporations. The District records general earnings on investments within the general fund as this fund is the main operating fund of the District and is the primary fund maintaining invested balances throughout the year. Interest from the Debt service investments are recorded in the debt service fund as they are restricted for debt service purposes.

Investments in the LGIP are stated at amortized cost, which approximates fair value. All other investments are stated at fair value.

### **2. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources. Other receivables including accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph C above.

### 3. Inventories and Prepaid Items

Inventory of supplies are charged to expenditures when purchased. The items in inventory remain at a relatively constant level and the amount is not material. No physical inventory of supplies was taken during the year.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### 4. Capital Assets

Capital assets, which include land and improvements, buildings, equipment, and vehicles, are reported in the government-wide financial statements. The District defines capital assets as assets with an individual cost of \$5,000, or more, and having an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10 to 20
Buildings and improvements	10 to 50
Equipment	5 to 15

### 5. Lease Assets

Lease assets are assets which the District 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 District's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

### 6. Subscription-Based Information Technology Arrangement (SBITA) Assets

Subscription-based information technology arrangements (SBITAs) are contracts that convey control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a term of more than one year. The value of the intangible right-to-use subscription asset is determined by the net present value of future subscription payments at the District's incremental borrowing rate at the time of commencement of the arrangement, amortized over the term of the arrangement.

### 7. Restricted Assets

Certain resources are set aside for repayment of debt and are classified as restricted assets on the Statement of Net Position because their use is restricted.

## **8. Long-Term Obligations**

In the government-wide financial statements, long-term debt obligations are reported as liabilities in the applicable governmental. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

## **9. 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.

## **10. SBITAs Payable**

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

## **11. Compensated Absences**

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on these criteria, two types of leave qualify for liability recognition for compensated absences – sick leave and personal time off. The liability for compensated absences is reported as incurred in government-wide financial statements and includes salary-related payments.

## **12. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. 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.

## **13. Estimates**

The preparation of 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 certain assets, liabilities, revenues,



expenditures, expenses and other disclosures. Accordingly, actual results could differ from those estimates.

#### **14. Governmental Fund Balances**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that met the definition of GASB 54: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash and include inventories and prepaid amounts.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the school board passes a resolution that places specific constraints on how the resources may be used. The school board can modify or rescind the resolution at any time through passage of an additional resolution.

Fund balance is reported as assigned when resources are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the school board approves which resources should be assigned to expenditures of particular purposes during the adoption of the annual budget. The school board or business manager uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the fund financial statements.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned, for specific purposes beyond the normal scope of the District.

#### **15. Use of Restricted Resources**

When the option is available to use restricted or unrestricted resources for any purpose, the District expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the District expends committed resources before assigned resources, and assigned resources before unassigned resources.

## II. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

**Deposits.** The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the District at June 30, 2025. If bank deposits at year end are not entirely insured or collateralized by the District or by its agent in the District's name, the District must disclose the custodial credit risk that exists.

The District's deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. For deposits in excess of federal depository insurance, Oregon Revised Statutes require that Public officials report to the Office of the State Treasurer (OST) all bank depositories in which they deposit public funds and bank depositories will then report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged by the bank based on this information and the depository's FDIC assigned capitalization category. Bank depositories will then have a shared liability in the event of a bank loss. For the fiscal year ended June 30, 2025, the carrying amount of the District's deposits was \$1,657,766 and the bank balance was \$1,893,498. All deposits are held in the name of the District. Of the bank balance, \$969,467 was covered by federal depository insurance. The remaining \$924,031 was collateralized under ORS 295.

Custodial credit risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk.

**Restricted Cash in Escrow -** The District is responsible for Limited Tax Pension Obligations issued for financing of payment of the District's Oregon Public Employee Retirement System (PERS) unfunded liability and QSCB bonds. The State of Oregon withholds a portion of the District's State School Funding payment and transfers this portion to a trustee escrow account administered by the State of Oregon for the purpose of repayment of scheduled bond principal and interest, as required since the bonds were issued by the Oregon School Board Association. The amount held in the escrow account for payment of future scheduled payments at June 30, 2025 was \$90,234.

**Investments.** The District has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry as defined by GASB Statement No. 40.

In addition, The Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the District's cash position.

Credit Risk - State statutes authorize the District to invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The District has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk - The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The District has no such investments.

Interest Rate Risk - The District has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Investments held by the District at June 30, 2025 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	100%	\$ 11,008,862
Wells Fargo investments in federal obligations			29,995
BNY Mellon QSCB bond account			60,239
Investments in LGIP held by Morrow County			323,809
Less amounts classified as cash equivalents			<u>(11,422,905)</u>
Total Investments			<u>\$ -</u>

A reconciliation of cash and cash equivalents as shown on the combined balance sheet is as follows:

Deposits with financial institutions	\$ 1,657,766
Local government investment pool	11,008,862
Wells Fargo investments in federal obligations	29,995
BNY Mellon QSCB bond account	60,239
Investments in LGIP held by Morrow County	<u>323,809</u>
Total cash and cash equivalents	<u>\$ 13,080,671</u>
Funds:	
General	\$ 7,983,689
Special Revenues	4,204,261
Debt Service	419,465
Capital Projects	<u>473,256</u>
Total cash and cash equivalents	<u>\$ 13,080,671</u>

## B. Receivables

Uncollected property taxes are shown on the Statement of Net Position as receivables. Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes unpaid as of May 16 are considered delinquent. Taxes are billed and collected by Morrow County and remittance to the District is made at periodic intervals.

For the fiscal year 2024-2025, the District levied property taxes for a general levy and bonds in the amount of \$14,453,465 for Morrow County and \$0 for Gilliam County. The tax rate for the fiscal year was \$4.0342 per \$1,000 of assessed value for Morrow County. The assessed valuation for the District as of January 1, 2025 was \$3,721,307,463.

Receivables as of fiscal year-end for the governmental activities individual major funds are as follows:

	General Fund	Special Revenue Funds	Debt Service Fund	Total Governmental Activities
Property taxes	\$ 361,714	\$ -	\$ 11,431	\$ 373,145
Intergovernmental	317,711	1,032,274	-	1,349,985
Total receivables	<u>\$ 679,425</u>	<u>\$ 1,032,274</u>	<u>\$ 11,431</u>	<u>\$ 1,723,130</u>

Other accounts and intergovernmental receivables are considered to be fully collectible. Accordingly, no provision for estimated uncollectibles has been established.

### C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2025 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 813,833	\$ -	\$ -	\$ 813,833
Construction in progress	122,690	458,547	(122,690)	458,547
Total non-depreciable	936,523	458,547	(122,690)	1,272,380
Land improvements	4,886,635	32,964	-	4,919,599
Buildings	33,909,896	315,508	-	34,225,404
Vehicles and equipment	3,674,235	209,415	(46,878)	3,836,772
Total depreciable	42,470,766	557,887	(46,878)	42,981,775
Accumulated depreciation				
Land improvements	(2,944,408)	(122,300)	-	(3,066,708)
Buildings	(15,610,170)	(914,157)	-	(16,524,327)
Vehicles and equipment	(2,368,904)	(282,775)	46,878	(2,604,801)
Total accumulated depreciation	(20,923,482)	(1,319,232)	46,878	(22,195,836)
Total depreciable capital assets, net	21,547,284	(761,345)	-	20,785,939
Governmental activities capital assets, net	<u>\$ 22,483,807</u>	<u>\$ (302,798)</u>	<u>\$ (122,690)</u>	<u>\$ 22,058,319</u>

Depreciation expense has been allocated to the following functions on the Statement of Activities:

Instruction	\$ 878,313
Supporting services	404,402
Enterprise and community services	20,465
Facilities	16,052
Total	<u>\$ 1,319,232</u>

### D. Lease Assets

Lease activities for the year ended June 30, 2025 was as follows:

Description	Beginning Balance	Additions	Disposals	Ending Balance
Equipment Leased Asset	\$ 173,680	\$ -	\$ -	\$ 173,680
Leased Equipment Amortization	(85,092)	(34,735)	-	(119,827)
Equipment Leased Asset, Net	<u>\$ 88,588</u>	<u>\$ (34,735)</u>	<u>\$ -</u>	<u>\$ 53,853</u>

## E. SBITA Assets

SBITA asset activity for governmental activities for the year ended June 30, 2025 was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Software Licenses and Curriculum	\$ 1,443,497	\$ 294,907	\$ -	\$ 1,738,404
Accumulated Amortization	(286,113)	(270,211)	-	(556,324)
Net Amortizable Assets	<u>\$ 1,157,384</u>	<u>\$ 24,696</u>	<u>\$ -</u>	<u>\$ 1,182,080</u>

## F. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The District has deferred amounts relating to pensions and other post-employment benefits. This amount is deferred and recognized as an outflow of resources in the period when the District recognizes pension and other post-employment expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position.

In addition to liabilities, the statement of financial position 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 items that qualify for reporting in this category. Unavailable revenues from property taxes are reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that amount becomes available. The District also reports deferred amounts related to pensions and other post-employment benefits. This amount is deferred and recognized as an inflow of resources in the period when the District recognizes pension and other post-employment benefit income. Deferred inflows are included in the government-wide Statement of Net Position.

The governmental funds report unavailable revenues of \$341,284 in the General Fund and \$11,321 in the Debt Service Fund.

## G. Long-Term Liabilities from Direct Borrowings and Direct Placements

### 1. Limited Tax Pension Bonds

On October 9, 2002, the District issued \$7,434,060 in limited tax pension bonds to finance the unfunded pension liability to the Oregon Public Employees Retirement System. These bonds have interest rates that range from 2.06% to 6.10%. Interest payments are to be made semiannually on June 30 and December 31. Principal payments are to be made on June 30 of each year. Debt service is financed by a self-imposed pension expense based on a percentage of payroll costs.

The debt service requirements to maturity on June 30, 2025 are as follows:

Fiscal Year Ended	Principal	Interest
2026	\$ 885,000	\$ 129,315
2027	985,000	80,197
2028	460,000	25,530
	-	-
	<u>\$ 2,330,000</u>	<u>\$ 235,042</u>

On August 19, 2022, the District issued \$18,300,000 in limited tax pension bonds to finance the unfunded pension liability to the Oregon Public Employees Retirement System. These bonds have interest rates that range from 0.18% to 2.90%. Interest payments are to be made semiannually on June 30 and December 31. Principal payments are to be made on June 30 of each year. Debt service is financed by a self-imposed pension expense based on a percentage of payroll costs. Final maturity of these bonds is June 30, 2040.

The debt service requirements to maturity are as follows:

Fiscal Year Ended	Principal	Interest
2026	\$ 685,000	\$ 358,367
2027	730,000	350,805
2028	775,000	340,876
2029	825,000	329,019
2030	880,000	314,936
2031-2035	5,315,000	1,290,491
2036-2040	6,435,000	532,458
	<u>\$ 15,645,000</u>	<u>\$ 3,516,952</u>

## 2. General Obligation Bonds

On July 1, 2010, Qualified School Construction Bonds (QSCB) were issued in the amount of \$1,750,000. The QSCB receive subsidy payments from the United States Treasury, which are used to offset the interest component of financing. Interest is payable in semi-annual installments of varying principal and interest amounts each December 30 and June 30. Final maturity of these bonds is June 30, 2025.

The District has entered into an Intercept Agreement with the Oregon Department of Education and the QSCB trustee to make periodic intercept payments, which when combined with direct payments to be made by the United States Treasury are expected to be sufficient to make semi-annual installments.

These bonds were paid in full as of June 30, 2025; therefore, no future maturities remain outstanding.

### 3. Changes in Long-Term Liabilities from Direct Borrowings and Direct Placements

Long-term liability activity for the year ending June 30, 2025 is as follows:

	(As Restated) Beginning Balance	Additions	Redemptions	Ending Balance	Due Within One Year
General obligation bonds					
2010A Bond issue	\$ 590,000	\$ -	\$ (590,000)	\$ -	\$ -
Limited tax pension bonds					
PERS Bond issue	3,125,000	-	(795,000)	2,330,000	885,000
2021 PERS Bond Issue	16,330,000	-	(685,000)	15,645,000	685,000
Less: deferred discount	(1,483)	-	371	(1,112)	-
Total Governmental Bonds	20,043,517	-	(2,069,629)	17,973,888	1,570,000
Governmental compensated absences	2,505,160	39,950	-	2,545,110	469,986
Total Governmental Activities	\$ 22,548,677	\$ 39,950	\$ (2,069,629)	\$ 20,518,998	\$ 2,039,986

The change in compensated absences are shown as a net amount.

### H. Leases Payable

Leases payable transactions for the year ended June 30, 2025 are as follows:

Description	Outstanding July 1, 2023	Additions	Decreases	Outstanding June 30, 2024	Due Within One Year
Copier Leases	\$ 65,093	\$ -	\$ (29,170)	\$ 35,923	\$ 29,170
Postal Equipment Leases	28,422	-	(6,290)	22,132	8,104
Total	\$ 93,515	\$ -	\$ (35,460)	\$ 58,055	\$ 37,274

Future maturities are as follows:

Year ending June 30,	Principal	Interest	Total
2026	\$ 37,274	\$ 2,056	\$ 39,330
2027	12,211	651	12,862
2028	7,306	263	7,569
2029	1,264	14	1,278
2030-2034	-	-	-
	\$ 58,055	\$ 2,984	\$ 61,039

### I. SBITAs Payable

SBITAs were paid at inception of the agreement and there were no amounts payable at year end.



## J. Fund Balance Classifications

Fund balances by classification for the year ended June 30, 2025 were as follows:

	General Fund	Special Revenues Fund	Capital Project Fund	Debt Services Fund	Total Governmental Funds
<b>Fund Balance</b>					
<b>Non-spendable:</b>					
Prepays	\$ 72,624	\$ -	\$ -	\$ -	\$ 72,624
<b>Restricted for:</b>					
Debt service	-	-	-	419,575	419,575
Grant programs	-	4,897,460	-	-	4,897,460
Capital Projects	-	-	-	-	-
<b>Committed for:</b>					
Techology improvement	-	131,328	-	-	131,328
<b>Assigned for:</b>					
PERS reserve	1,448,889	-	-	-	1,448,889
Capital projects	-	-	321,051	-	321,051
<b>Unassigned:</b>					
Unassigned	4,971,760	-	-	-	4,971,760
<b>Total Fund Balance</b>	<u>\$ 6,493,273</u>	<u>\$ 5,028,788</u>	<u>\$ 321,051</u>	<u>\$ 419,575</u>	<u>\$12,262,687</u>

## K. Operating Transfers

Interfund transfers in the fund financial statements are as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 267,222
Special Revenues Fund	267,222	-
Total all funds	<u>\$ 267,222</u>	<u>\$ 267,222</u>

The transfers out of the General Fund are transfers to the Special Revenue Funds to provide for the operation of the food service program and early retirement insurance benefits. Transfers to the Capital Projects Fund are for future improvements.

## III. Other Information

### A. Risk Management

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Workers compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the District has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

The District makes unemployment payments as the expense is incurred and is charged to the general fund. No liability has been recorded for any future projected claims.

## **B. Defined Benefit Pension Plan – Public Employees Retirement System**

### **Plan Description**

Employees of the Morrow County School District are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost sharing, multiple employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at:

<http://www.oregon.gov/pers/emp/Pages/actuarial-financial-information.aspx>.

### **Benefits Provided**

#### **1. Tier One/Tier Two Retirement Benefit ORS Chapter 238**

##### **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 (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2020. The limit will be equal to \$232,976 in 2024 and will be indexed with inflation in later years.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

##### **Death Benefits**

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,

- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS covered job, or the member was on an official leave of absence from a PERS-covered job at the time of death.

### **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 when determining the monthly benefit.

### **Benefit Changes After Retirement**

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The COLA is capped at 2%.

## **2. OPSRP Defined Benefit Pension Program (OPSRP DB)**

### **Pension Benefits**

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. 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:

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.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2020. The limit will be equal to \$232,976 in 2024 and will be indexed with inflation in later years.

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

### **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.

### **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.

## **Benefit Changes After Retirement**

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and \$750 plus 0.15 percent on annual benefits above \$60,000.

### **3. OPSRP Individual Account Program (OPSRP IAP)**

#### **Pension Benefits**

The IAP is an individual account-based program under the PERS tax-qualified governmental plan as defined under ORS 238A.400. 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. The accounts fall under Internal Revenue Code Section 401(a).

Upon retirement, a member of the OPSRP Individual Account Program (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. Installment amounts vary with market returns, as the account remains invested while in distribution. Each distribution option has a \$200 minimum distribution limit.

#### **Death Benefits**

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

#### **Recordkeeping**

OPERS contracts with VOYA Financial to maintain IAP participant records.

### **Contributions**

#### **1. Employer 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. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2021 actuarial valuation, which became effective July 1, 2023. Effective January 1, 2020, Senate Bill 1049 required employers to pay contributions on re-employed PERS retirees' salary as if they were an active member, excluding IAP (6 percent) contributions. Re-employed retirees do not accrue additional benefits while they work after retirement. Employer contributions for the year ended June 30, 2025 were \$2,036,874 excluding amounts to fund employer specific liabilities and \$0 to fund the retirement health insurance account (RHIA). The rates in effect at the beginning of the fiscal year ended June 30, 2025 excluding the RHIA rate of .05% Tier One/Tier Two and .00% OPSRP, were 11.67 percent for Tier One/Tier Two General Service Members, and 8.88 percent for OPSRP Pension Program General Service Members.

## **2. Employee Contributions**

Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 or 7.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the member's behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements. As permitted, the District has opted to pick-up the contributions on behalf of employees; contributions were \$1,208,474 for the year ended June 30, 2025, which is not included in employer contributions above.

Starting July 1, 2020, Senate Bill 1049 required a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit fund. If the member earns more than \$2,500 per month (increased to \$3,688 per month on January 1, 2024) 0.75 percent (if OPSRP member) or 2.5 percent (if Tier One/Tier Two member) of the member's contributions that were previously contributed to the member's IAP now fund the new Employee Pension Stability Accounts (EPSA). The EPSA accounts will be used to fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected.

### **Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2025, the District reported a liability of \$18,278,540 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022 rolled forward to June 30, 2024. 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 entities, actuarially determined. At June 30, 2024, the District's proportionate share was 0.08223485 percent, which was increased from its proportionate share of 0.05315776 percent measured as of June 30, 2023.

For the year ended June 30, 2025, the District's recognized pension expense (income) of \$8,338,987. Pension expense includes the District's proportionate share of the collective system pension expense, adjusted for amortization of deferred amounts of \$5,149,696, employee contributions picked up by the District of \$1,208,474 and self-imposed expense for PERS bond retirement of \$1,980,817.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,082,834	\$ 43,625
Changes of assumptions	1,837,730	2,354
Net difference between projected and actual earnings on investments	1,161,198	-
Changes in proportionate share	3,971,302	5,538,120
Differences between employer contributions and employer's proportionate share of system contributions	7,857,377	210,605
Total (prior to post-MD contributions)	15,910,441	5,794,704
Contributions subsequent to the measurement date	2,036,284	-
Total	<u>\$ 17,946,725</u>	<u>\$ 5,794,704</u>

\$2,036,284 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense/(income) as follows:

Year ended June 30:	
2026	\$ 2,232,519
2027	4,139,714
2028	2,207,193
2029	1,176,094
2030	360,218
Total	<u>\$ 10,115,738</u>

### Actuarial assumptions

The employer contribution rates effective July 1, 2023, through June 30, 2025, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution 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.

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2022
Measurement Date	June 30, 2024
Experience Study Report	2022, published July 24, 2023
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.4 percent
Long-Term Expected Rate of Return	6.9 percent
Discount Rate	6.9 percent
Projected salary increases	3.4 percent
Cost of Living Adjustments (COLA)	Blend of 2.00 % COLA and graded COLA (1.25/0.15%) in accordance with Moro decision; blend based on service
Mortality	<p><b>Healthy retirees and beneficiaries:</b> 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.</p> <p><b>Active Members:</b> Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> 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.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2022 Experience Study, which reviewed experience for the four-year period ending on December 31, 2022.

### 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 2023 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/Strategy	OIC Assumed Asset Allocation		
	Low Range	High Range	Target
Debt Securities	20.0%	30.0%	25.0%
Public Equity	22.5%	32.5%	27.5%
Real Estate	7.5%	17.5%	12.5%
Private Equity	15.0%	27.5%	20.0%
Real Assets	2.5%	10.0%	7.5%
Diversifying Strategies	2.5%	10.0%	7.5%
Opportunity Portfolio	0.0%	5.0%	0.0%
Total			100.0%

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Global Equity	27.50%	7.07%
Private Equity	25.50%	8.83%
Core Fixed Income	25.00%	4.50%
Real Estate	12.25%	5.83%
Master Limited Partnerships	0.75%	6.02%
Infrastructure	1.50%	6.51%
Hedge Fund of Funds - Multistrategy	1.25%	6.27%
Hedge Fund Equity - Hedge	0.63%	6.48%
Hedge Fund - Macro	5.62%	4.83%
Total	100.00%	

Assumed Inflation - Mean 2.35%

### Discount rate

The discount rate used to measure the total pension liability was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the 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.

### Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and



administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are not future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

#### **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 6.9 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 1-percentage-point lower (5.9 percent) or 1-percentage-point higher (7.9 percent) than the current rate:

	<u>1% Decrease (5.9%)</u>	<u>Discount Rate (6.9%)</u>	<u>1% Increase (7.9%)</u>
Proportionate share of the net pension liability (asset)	\$28,833,654	\$ 18,278,540	\$ 9,438,116

#### **Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

#### **Payables to the pension plan**

The District reports payables in the amount of \$677,780 to the pension plan.

#### **Changes in Plan Provisions During the Measurement Period**

There were no changes during the June 30, 2024 measurement period that require disclosure.

#### **Changes in Plan Provisions Subsequent to Measurement Date**

There were no changes subsequent to the June 30, 2024 measurement period that require disclosure.

### C. Other Post-Employment Benefits

The OPEB for the District combines two separate plans. The District provides an Explicit Medical Benefit, as well as an Implicit Medical Benefit for retiree Health Insurance (HIC) premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple employer defined benefit plan Retirement Health Insurance Account (RHIA).

#### Morrow County School District Retiree Health Plan

Plan Description. The District provides Other (than Pension) Post—Employment Benefits (OPEBs) with two main components, as follows:

- Explicit Medical Benefits – The District pays a portion of the medical premium for eligible retirees until Medicare eligibility. This explicit benefit is required to be valued under GASB Statement 75.
- Implicit Medical Benefits – In addition to the explicit medical benefits for certain retirees, continued medical coverage is offered to the District's eligible retirees and their spouses and dependents until Medicare eligibility. The active premium rate (whether paid by the District or by the retiree) still applies. However, in some cases the premium itself does not represent the full cost of covering these retirees (since they are older than the active population, retirees can be expected to generate higher medical claims and therefore higher premiums for the active population). This additional cost is called the "implicit rate subsidy" and is required to be valued under GASB 75.

Retirement Eligibility. The retiree must be eligible to receive benefits from Oregon PERS. Eligibility requirements for earliest retirement under Oregon PERS are as follows:

- Tier 1/Tier 2 members: Earlier of age 55, or any age with 30 years of service.
- OPSRP members: Age 55 with 5 years of service.

#### **Explicit Medical Benefits**

Eligible Class of Employees.

*Administrators:* 10 years of continuous service with the District immediately preceding retirement;

*Classified:* Age 58 with 15 years of service with the District;

*Confidential:* 15 years of continuous service with the District immediately preceding retirement;

*Licensed:*

- Option 1: As of July 1, 2003, completed 20 years of service teaching (10 of which must have been with the District).
- Option 2: Completed 10 years of service with the District by July 1, 2002, and not eligible for Option 1.

Benefit Amount.

- *Administrators:* The District will pay for medical, dental, and vision insurance for the employee and spouse under the District's current administrative plan, capped at the amount the District is paying at the time of retirement.
- *Classified:* The District will pay for existing medical insurance for the employee and family, capped at the amount the District is paying at the time of retirement.

- *Confidential:* The District will pay for existing medical insurance for the employee and spouse, capped at the amount the District is paying at the time of retirement
- *Licensed:* For Option 1, the District will pay for existing medical insurance for the employee and spouse, capped at the amount the District is paying at the time of retirement. For Option 2, the District will pay 1/35<sup>th</sup> of the cap amount for each year of service before July 1, 2002.

The cap amount for 2024-25 is \$1,825 for all employee groups.

#### Benefit Durations

- *Administrators:* Payments continue until the earlier of Medicare eligibility or 10 years from retirement.
- *Classified:* Payments continue until the earlier of age 62 or 4 years from retirement.
- *Confidential:* Payment continue until the earlier of Medicare eligibility or 7 years from retirement.
- *Licensed:* Payments continue until the earlier of Medicare eligibility or 7 years from retirement.

#### Survivor Eligibility

- *All Groups:* Coverage will continue to the deceased retiree's surviving spouse until earlier of retiree's or survivor's eligibility for Medicare, or the original duration of coverage has elapsed.

#### Implicit Medical Benefits

##### Eligible Class of Employees

All classes of employees are eligible to continue coverage upon retirement.

##### Dependent Eligibility

Qualified spouses, domestic partners, and children may qualify for coverage.

##### Benefit Duration

Coverage for retirees and eligible dependents continues until Medicare eligibility for everyone (or until dependent children become ineligible).

##### Benefit Amount

There is an implicit subsidy with respect to retired employees because the medical premium rates charged for coverage typically are less than actual expected retiree claims costs. This is due to medical premium rates being determined by blending both active employee and retiree experience.

##### Current premiums:

The District offers a variety of options to their participants so premiums vary as to the plan selected by each participant. Monthly premiums blended to align with the fiscal year ending June 30, 2024 are as follows:

- *Health Plans:* Cost of health plans range from a low of \$569 per month coverage for employee only coverage to a high of \$2,439 per month for family coverage.
- *Dental Plans:* Cost of dental plans range from a low of \$39 per month for employee only coverage to a high of \$226 per month for family coverage.
- *Vision Plans:* Cost of vision plans range from a low of \$7 per month for employee only coverage to \$68 per month for family coverage.

Membership in the plan consisted of the following at June 30, 2024, the date of the latest actuarial valuation:

	Admin	Classified	Confidential	Licensed	Total
<b>Participant Counts</b>					
Number of Active Participants	17	139	7	163	326
Number of Inactive Participants	1	3	1	1	6
Total Number of Participants	18	142	8	164	332
<b>Participant Statistics</b>					
<b>Active Participants</b>					
Average Age	46.0	46.4	47.2	43.6	45.0
Average Service	10.4	8.7	10.9	8.7	8.8
<b>Inactive Participants</b>					
Average Age	64.3	61.2	62.3	64.2	62.4

#### Contribution

The obligation of the District to contribute to the plan is established and may be amended by the board of directors. For the fiscal year ended June 30, 2025, the District's average contribution rate was 10.49% of total covered payroll of \$20,419,324. District employees are not required to contribute to the plan.

#### Total OPEB Liability

The District's total OPEB liability of \$2,141,935 was measured as of June 30, 2025 and was determined by an actuarial valuation as of June 30, 2024.

#### Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Valuation Date	June 30, 2024	
Measurement Date	June 30, 2024 and June 30, 2025	
Fiscal Year Ends	June 30, 2024 and June 30, 2025	
Actuarial Cost Method	Entry Age Normal, level percent of salary	
Assumptions		
Interest Rate for Discounting Future Liabilities	5.25% per year, based on all years discounted at municipal bond rate (based Bond Buyer 20-Bond General Obligation Index as of June 30, 2024)	
General Inflation	2.0 percent per year	
Payroll Growth	3.0 percent per year	
Salary Merit Scale	Total payroll increase is overall payroll growth plus merit table below. Sample rates are as follows:	
	Duration	School District
	0	5.54%
	5	4.02%
	10	2.66%
	15	1.53%
	20	0.68%
	25	0.17%
	30+	0.06%

Annual Premium Increase Rate				
	Year	Rate	Year	Rate
	2024-25	4.00%	2033-34	5.30%
	2025-26	4.50%	2034-35	5.20%
	2026-27	5.00%	2035-36	5.10%
	2027-28	5.50%	2036-37	5.00%
	2028-29	5.80%	2037-38	4.90%
	2029-30	5.70%	2038-39	4.80%
	2030-31	5.60%	2039-40	4.70%
	2031-32	5.50%	2040-41	4.60%
	2032-33	5.40%	2041+	4.50%
	The initial rates above are based in part on the 2024 Segal Health Plan Cost Trend Survey, tempered by our expectation of the impact of ORS 243.866, as amended in 2017. Rates are trended down in subsequent years in accordance with prevalent actuarial practice, based in part of the Society of Actuaries - Getzen Long Term Healthcare Trends Resource Model, as updated November 2021.			
Mortality Rates	Basic table: Pub-2010 Employee Tables for Teachers, sex distinct, projected generationally.			
	Mortality rates for active male participants are 125% of a blend of 80% of published rates and 20% of PUB 2010 Retiree Tables for General Employees for males, and for active female participants are 100% of published rates.			
	Beneficiaries: Pub-2010 General Employees table, Healthy Annuitant, sex distinct, generational, set back 12 months for males, no set back for females.			
	Improvement Scale: Unisex Social Security Data Scale (60 year average), with data through 2019			
Turnover Rates	As developed for the valuation of benefits under Oregon PERS.			
	Years of Service	Males	Females	
	0	16.63%	13.50%	
	5	6.86%	7.91%	
	10	3.31%	4.43%	
	15	2.30%	3.17%	
	20	1.62%	2.43%	
	25	1.20%	1.75%	
	30+	1.20%	1.75%	
Disability Rates	As developed for the valuation of benefits under Oregon PERS.			
		School District		
		Age	Rate	
		30	0.0132%	
		35	0.0202%	
		40	0.0325%	
		45	0.0534%	
		50	0.0923%	

Retirement Rates	As developed for the valuation of benefits under Oregon PERS. However, Administrators were assumed not to retire prior to eligibility for Explicit Medical Benefits. Further, Licensed employees within two years of eligibility for Explicit Medical Benefits were assumed to defer retirement until first eligible. It is also assumed employees will retire by the time both employee and dependent have reached age 65, the age at which they can no longer receive subsidized health benefits.						
	Tier 1 / Tier 2			OPSRP			
	Years of Service			Years of Service			
	Age	<15	15-29	30+	<15	15-29	30+
	<55	0.00%	0.00%	25.00%	0.00%	0.00%	0.00%
	55	1.50%	3.50%	25.00%	0.50%	2.50%	5.00%
	56	1.50%	3.50%	25.00%	0.50%	2.50%	5.00%
	57	1.50%	3.50%	25.00%	1.00%	2.50%	7.50%
	58	1.50%	11.00%	27.50%	1.50%	3.00%	30.00%
	59	4.50%	11.00%	27.50%	1.50%	3.00%	25.00%
	60	6.50%	14.50%	27.50%	2.50%	3.75%	20.00%
	61	6.50%	14.50%	27.50%	2.50%	5.00%	20.00%
	62	15.00%	21.00%	34.00%	6.00%	12.00%	30.00%
	63	13.00%	19.50%	29.00%	6.00%	10.00%	20.00%
	64	13.00%	19.50%	29.00%	6.00%	10.00%	20.00%
	65	25.50%	34.50%	45.00%	12.50%	35.00%	20.00%
	66	23.00%	36.50%	45.00%	12.50%	33.00%	20.00%
	67	21.00%	34.50%	38.00%	11.00%	22.00%	30.00%
	68	21.00%	30.00%	28.50%	9.00%	20.00%	25.00%
	69	21.00%	30.00%	28.50%	9.00%	20.00%	25.00%
	70	21.00%	30.00%	28.50%	9.00%	20.00%	25.00%
	71	21.00%	30.00%	28.50%	9.00%	20.00%	25.00%
	72	21.00%	30.00%	28.50%	9.00%	20.00%	25.00%
	73	21.00%	30.00%	28.50%	9.00%	20.00%	25.00%
	74	21.00%	30.00%	28.50%	9.00%	20.00%	25.00%
	75	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Participation	100% of actives eligible for District-paid medical benefits and currently enrolled in a medical plan. 70% of actives not eligible for District-paid medical benefits and currently enrolled in a medical plan.						
Plan Enrollment	Current and future retirees are assumed to remain enrolled in the plans in which they're currently enrolled, if any.						
Marital Status	70% of future retirees electing coverage are assumed to cover a spouse as well. Males are assumed to be three years older than their female spouses. Actual marital status and ages as of the valuation date are used for current retirees.						
Coverage of Eligible Children	We have assumed no impact of dependent children on the implicit subsidy.						
Health Care Claims Costs	2024-25 claims costs for an age 64 retiree or spouse are assumed to be:						
	Moda Medical Plans			Moda Medical Plans			
		Male	Female		Male	Female	
	Plan 1	\$ 18,243	\$ 17,667	Plan 5	\$ 13,849	\$ 13,411	
	Plan 2	16,924	16,389	Plan 6	14,126	13,680	
	Plan 3	15,877	15,376	Plan 7	13,184	12,768	
	Plan 4	14,992	14,519				

Aging Factors	Sex-distinct morbidity factors are used to adjust the age 64 per capita claims cost. The percentages below show the claims cost reduction per year of age.		
	Attained Age	Reduction Factor	
		Male	Female
	21-39	3.23%	3.88%
	40-44	4.39%	1.15%
	45-49	5.48%	3.10%
	50-54	5.58%	3.10%
	55-59	5.20%	3.13%
	60-64	5.12%	4.02%
Dental and Vision Costs	We have assumed no implicit subsidy due to dental or vision costs.		
Changes since Prior Valuation	The interest rate for discounting future liabilities was changed to reflect current municipal bond rates.		
	Assumed premium increase rates were modified to better reflect anticipated experience and current Oregon law.		
	Aging Factors were revised to better align with prevalent actuarial practice.		
	Health care claims costs were revised to reflect current OEGB demographics and total premiums.		

### Changes in the Total OPEB Liability

Total OPEB Liability at June 30, 2024	<u>\$ 2,213,306</u>
Changes for the year:	
Service cost	163,732
Interest	92,708
Differences between expected and actual experience	-
Changes of assumptions or other input	(209,111)
Benefit Payments	<u>(118,700)</u>
Net changes	<u>(71,371)</u>
Total OPEB Liability at June 30, 2025	<u><u>\$ 2,141,935</u></u>

*Sensitivity of the total OPEB liability to changes in the discount and trend rates.* The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Total OPEB liability	\$ 2,307,970	\$ 2,141,935	\$ 1,986,433

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,900,664	\$ 2,141,935	\$ 2,426,584

### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2025, the District recognized OPEB expense (income) of \$218,888. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 28,159	\$ 84,329
Changes of assumptions or other input	10,304	459,350
Total	<u>\$ 38,463</u>	<u>\$ 543,679</u>

Amounts reported as deferred outflows and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:	
2026	\$ (111,901)
2027	(104,266)
2028	(104,266)
2029	(52,881)
2030	(52,881)
Thereafter	<u>(79,021)</u>
	<u>\$ (505,216)</u>

### **Retirement Health Insurance Account (RHIA)**

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 post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statue (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, P.O. Box 23700, Tigard, OR 97281-3700.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. The plan was closed to new entrants hired after August 29, 2003. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.05% of annual covered payroll for Tier I and Tier II employees and 0.00% for OPSRP employees. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2025, 2024, and 2023 were \$0, \$3,204 and \$2,952 respectively, which equaled the required contributions each year.

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

At June 30, 2025, the District reported an asset of \$496,505 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022 rolled forward to June 30, 2024. The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2024, the District's proportionate share was 0.12292505 percent, which was decreased from its proportionate share of 0.14978415 percent measured as of June 30, 2023.

For the year ended June 30, 2025, the District's recognized OPEB income of \$59,472. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 9,711
Changes of assumptions	-	6,280
Net difference between projected and actual earnings on investments	14,019	-
Changes in proportionate share	49,813	10,928
Differences between employer contributions and employer's proportionate share of system contributions	-	-
Total (prior to post-MD contributions)	63,832	26,919
Contributions subsequent to the MD	-	-
Net deferred Outflow/(Inflow) of Resources	<u>\$ 63,832</u>	<u>\$ 26,919</u>

\$0 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset/liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows:

Year ended June 30:

2026	\$ 6,213
2027	21,497
2028	7,584
2029	1,618
2030	-
	<u>\$ 36,912</u>

## Actuarial Assumptions

The RHIA plan is unaffected by health care cost trends since the benefit is limited to a \$60 monthly payment toward Medicare companion insurance premiums. Consequently, the disclosure of a healthcare cost trend is not applicable. Other significant actuarial assumptions are as follows:

Valuation Date	December 31, 2022
Measurement Date	June 30, 2024
Experience Study Report	2022, published July 24, 2023
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.4 percent
Long-Term Expected Rate of Return	6.9 percent
Discount Rate	6.9 percent
Projected salary increases	3.4 percent
Cost of Living Adjustments (COLA)	Blend of 2.00 % COLA and graded COLA (1.25/0.15%) in accordance with Moro decision; blend based on service
Mortality	<p><b>Healthy retirees and beneficiaries:</b> 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.</p> <p><b>Active Members:</b> Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> 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.</p>

## Discount rate

The discount rate used to measure the total OPEB asset at June 30, 2024 was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that contributions from 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 January 2023 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. 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. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

<http://www.oregon.gov/pers/documents/financials/ACFR/2024>

**Depletion date projection**

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB asset/liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan’s Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. The actuary’s opinion is that the plan’s Fiduciary Net Position is projected to be sufficient to cover benefit payments and administrative expenses.

**Sensitivity of the District’s Proportionate share of the net OPEB 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 6.9 percent, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9 percent) or 1-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
Total OPEB liability	\$ (459,612)	\$ (496,505)	\$ (528,270)

**Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

**Changes in Plan Provisions During the Measurement Period**

There were no changes during the June 30, 2024 measurement period that require disclosure.

**Changes in Plan Provisions Subsequent to Measurement Date**

We are not aware of any changes subsequent to the June 30, 2024 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

### **Aggregate Net OPEB Asset/Liability and Deferred Outflows/Inflows**

The aggregate Net OPEB Asset/Liability was reported as a net liability in the financial statements. A summary of the aggregate Net OPEB Asset/Liability and Deferred Outflows/Inflows for the two plans is as follows:

	Net OPEB (Asset) Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB (Income) Expense
Health Insurance Continuation	\$ 2,141,935	\$ 38,463	\$ 543,679	\$ 218,888
Retirement Health Insurance Account (RHIA)	(496,505)	63,832	26,919	59,472
Aggregate amounts related to OPEB	<u>\$ 1,645,430</u>	<u>\$ 102,295</u>	<u>\$ 570,598</u>	<u>\$ 278,360</u>

### **D. Commitments and Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government and the State of Oregon. Any disallowed claims, including amounts already collected, may constitute a liability to the District. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the District management expects such amounts, if any, to be immaterial.

The District is dependent on the State of Oregon for a substantial portion of its operating funds. Due to funding uncertainties at the state level, future funding for school districts may be reduced. The ultimate effect of this possible reduction in funding on the District's future operations is not yet determinable.

The District is also dependent on Federal grants for some of its operations. Due to changes in the current administration, the continued funding of some programs is uncertain. Federal Title 1C grants will likely be eliminated after September 30, 2026. The grant which serves migrant students and families, is not included in the President's budget nor in the US House of Representative's current funding package. The District's allocation totals approximately \$75,000 each year.

### **E. Construction in Progress**

The District is committed under three construction projects at June 30, 2025. Major projects in progress at June 30, 2025 are as follows:

A boiler replacement is underway at Irrigon Elementary School. The contract amount is \$388,000 and the District has expended \$152,205 as of June 30, 2025 which represents approximately 39% completion.

Tennis courts are being constructed at Irrigon Junior/Senior High School at a total cost of \$408,441. As of June 30, 2025, the District has expended \$87,847 and has retainage payable of \$4,624. The project is approximately 22% complete.

A new gym floor is being put in at Riverside High School. The full contract cost for the District is \$227,798 and the total paid as of June 30, 2025 is \$213,871, making the project approximately 94% complete.

## F. Tax Abatement Disclosures

The GASB issued Statement No. 77, Tax Abatement Disclosures in August, 2015. GASB 77 requires governments that enter into tax abatement agreements to disclose information about those agreements. GASB Statement No. 77 was effective for the District for fiscal year ending June 30, 2017. The District has no tax abatements that affect them directly at June 30, 2025. Tax abatements that affect the District indirectly are as follows:

Exemption Program	Project	Tax Abatement Amount
Morrow County School - Enterprise Zone	Lamb Weston Inc LTR	\$ 555,725
Morrow County School - Enterprise Zone	Amazon Web Serv. (Rippe Rd)	755,868
Morrow County School - Enterprise Zone	Amazon Web Serv. LTR	5,947,782
Morrow County School - Enterprise Zone	Amazon Web Serv. LTR Olson Rd	7,967,403
Morrow County School - Enterprise Zone	Amazon Web Serv. LTR Gar Swanson	7,864,552
Morrow County School - Enterprise Zone	MCGG	25,551
Morrow County School - Enterprise Zone	WOW PNW Threemile Project	170,387
Morrow County School - Strategic Investment Program	PGE Carty	1,376,007
Morrow County School - Strategic Investment Program	Orchard Wind Project	135,976
Morrow County School - Strategic Investment Program	Wheatridge Wind Project	1,546,269
		<u>\$26,345,520</u>

## G. GASB Pronouncements

GASB Statement No. 101, *Compensated Absences*, was increased in June 2022. This statement required that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been earned but not yet paid in cash or settled through noncash means. A liability is recognized for leave that is attributable to services already rendered, accumulates, and is more likely than not to be used, paid, or otherwise settled. This statement was implemented by the District for the ending June 30, 2025. As a result of implementation, an adjustment of (\$2,505,160) was made to restate net position at June 30, 2024.

Upcoming pronouncements which may have an effect on the District are listed below:

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued in April 2024. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement will be effective for the District for fiscal year ending June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued in September 2024. This statement requires certain types of capital assets to be disclosed separately in the capital assets notes disclosures, including lease assets, SBITA assets, and other intangible assets. The statement also requires additional disclosures of capital assets held for sale. This statement will be effective for the District for the fiscal year ending June 30, 2026.

## **H. Subsequent Events**

The District has evaluated all events after year end through the date of the release of the financial statements and noted the following:

In May 2025, Morrow County voters approved a \$204.4 million general obligation bond to be used for the improvement of schools within the District. Subsequent to the date of the financial statements, the District sold \$50 million face value bonds and will sell the remainder as construction projects proceed in the future.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 13,805,000	\$ 13,805,000	\$ 14,046,614	\$ 241,614
Other local sources	560,000	560,000	235,384	(324,616)
Intermediate sources	380,000	380,000	438,319	58,319
State sources	19,663,424	19,663,424	17,845,341	(1,818,083)
Federal sources	78,000	78,000	53,685	(24,315)
Interest on investments	625,000	625,000	874,006	249,006
<b>TOTAL REVENUES</b>	<u>35,111,424</u>	<u>35,111,424</u>	<u>33,493,349</u>	<u>(1,618,075)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	24,876,388	24,876,388	20,310,994	4,565,394
Support services	16,032,831	16,032,831	13,437,572	2,595,259
Debt service	622,450	622,450	622,450	-
<b>TOTAL EXPENDITURES</b>	<u>41,531,669</u>	<u>41,531,669</u>	<u>34,371,016</u>	<u>7,160,653</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(6,420,245)</u>	<u>(6,420,245)</u>	<u>(877,667)</u>	<u>5,542,578</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(620,000)</u>	<u>(620,000)</u>	<u>(267,222)</u>	<u>352,778</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(620,000)</u>	<u>(620,000)</u>	<u>(267,222)</u>	<u>352,778</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(7,040,245)</u>	<u>(7,040,245)</u>	<u>(1,144,889)</u>	<u>5,895,356</u>
<b>FUND BALANCE, Beginning</b>	<u>8,040,245</u>	<u>8,040,245</u>	<u>6,189,273</u>	<u>(1,850,972)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>5,044,384</u>	<u>\$ 4,044,384</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
PERS Reserve Fund			<u>1,448,889</u>	
GAAP Fund Balance			<u>\$ 6,493,273</u>	

**MORROW COUNTY SCHOOL DISTRICT**  
**MORROW COUNTY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUES FUND**  
**For the Fiscal Year Ended June 30, 2025**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive / (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Other local sources	\$ 3,263,816	\$ 3,263,816	\$ 3,789,552	\$ 525,736
Intermediate sources	868,000	868,000	875,951	7,951
State sources	4,600,978	4,600,978	4,995,283	394,305
Federal sources	2,568,988	2,568,988	2,234,602	(334,386)
Interest on investments	150	150	74	(76)
<b>TOTAL REVENUES</b>	<u>11,301,932</u>	<u>11,301,932</u>	<u>11,895,462</u>	<u>593,530</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	9,765,468	9,765,468	7,677,961	2,087,507
Support services	4,321,584	4,321,584	1,987,515	2,334,069
Enterprise and community services	1,988,374	1,988,374	1,735,610	252,764
Facilities acquisition and construction	711,498	711,498	-	711,498
Contingency	1,448,889	1,448,889	-	1,448,889
<b>TOTAL EXPENDITURES</b>	<u>18,235,813</u>	<u>18,235,813</u>	<u>11,401,086</u>	<u>6,834,727</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(6,933,881)</u>	<u>(6,933,881)</u>	<u>494,376</u>	<u>7,428,257</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	620,000	620,000	267,222	(352,778)
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>620,000</u>	<u>620,000</u>	<u>267,222</u>	<u>(352,778)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(6,313,881)</u>	<u>(6,313,881)</u>	<u>761,598</u>	<u>7,075,479</u>
<b>FUND BALANCE, Beginning</b>	<u>6,313,881</u>	<u>6,313,881</u>	<u>5,716,078</u>	<u>(597,803)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>6,477,676</u>	<u>\$ 6,477,676</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
PERS Reserve Fund			<u>(1,448,888)</u>	
GAAP Fund Balance			<u>\$ 5,028,788</u>	

**MORROW COUNTY SCHOOL DISTRICT**  
**MORROW COUNTY, OREGON**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF MCSD's PROPORTIONATE SHARE OF NET PENSION**  
**LIABILITY (ASSET)**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
Last 10 Fiscal Years

Measurement date June 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.08223485%	0.05315776%	0.07059524%	0.12097183%	0.11602478%	0.12279383%	0.12268672%	0.11743264%	0.11978354%	0.12546154%
District's proportionate share of the net pension liability (asset) \$	18,278,540	\$ 9,956,813	\$ 10,809,548	\$ 14,476,070	\$ 25,320,598	\$ 21,240,392	\$ 18,585,422	\$ 15,829,964	\$ 17,982,291	\$ 7,203,326
District's covered payroll	\$ 19,446,975	\$ 17,318,708	\$ 15,506,686	\$ 15,160,918	\$ 13,885,041	\$ 12,539,148	\$ 11,866,748	\$ 11,403,861	\$ 10,699,010	\$ 9,935,155
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	93.99%	57.49%	69.71%	95.48%	182.36%	169.39%	156.62%	138.81%	168.07%	72.50%
Plan fiduciary net position as a percentage of the total pension liability	79.29%	81.68%	84.55%	87.57%	75.79%	80.23%	82.07%	83.12%	80.50%	91.88%

**MORROW COUNTY SCHOOL DISTRICT**  
**MORROW COUNTY, OREGON**  
**SCHEDULE OF MCSD's CONTRIBUTIONS TO THE**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
Last 10 Fiscal Years

Reporting date June 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions	\$ 2,036,284	\$ 1,985,730	\$ 1,377,727	\$ 1,381,120	\$ 3,101,989	\$ 2,803,124	\$ 1,839,439	\$ 1,797,599	\$ 1,244,150	\$ 1,199,335
Contributions in relation to the contractually required contributions	(2,036,284)	(1,985,730)	(1,377,727)	(1,381,120)	(3,101,989)	(2,803,124)	(1,839,439)	(1,797,599)	(1,244,150)	(1,199,335)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 20,419,324	\$ 19,446,975	\$ 17,318,708	\$ 15,506,686	\$ 15,160,918	\$ 13,885,041	\$ 12,539,148	\$ 11,886,748	\$ 11,403,861	\$ 10,699,010
Contributions as a percentage of covered payroll	9.97%	10.21%	7.96%	8.91%	20.46%	20.19%	14.67%	15.12%	10.91%	11.21%

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
SCHEDULE OF MCSD's PROPORTIONATE SHARE OF NET OPEB LIABILITY (ASSET)  
OPERS RETIREMENT HEALTH INSURANCE ACCOUNT  
Last 10 Fiscal Years\***

Measurement Date June 30,	(a) MCSD's proportion of the net OPEB pension liability (asset)	(b) MCSD's proportionate share of the net OPEB pension liability (asset)	(c) MCSD's covered payroll	(b/c) MCSD's proportionate share of the OPEB pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2024	0.12292505%	\$ (596,505)	\$ 19,446,975	-3.07%	220.60%
2023	0.14978415%	\$ (548,458)	\$ 17,318,708	-3.17%	201.60%
2022	0.12272033%	\$ (436,068)	\$ 15,506,686	-2.81%	194.66%
2021	0.10439650%	\$ (358,498)	\$ 15,160,918	-2.36%	183.86%
2020	0.20851125%	\$ (424,863)	\$ 13,885,041	-3.06%	150.07%
2019	0.11410343%	\$ (220,489)	\$ 12,539,148	-1.76%	144.00%
2018	0.11360462%	\$ (126,814)	\$ 11,886,748	-1.07%	124.00%
2017	0.11140699%	\$ (46,495)	\$ 11,403,861	-0.41%	108.88%
2016	0.11173408%	\$ 30,343	\$ 10,699,010	0.28%	94.15%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the

This schedule is 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.

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
SCHEDULE OF MCSD's CONTRIBUTIONS  
OPERS RETIREMENT HEALTH INSURANCE ACCOUNT  
Last 10 Fiscal Years\***

Reporting date June 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contributions	\$ -	\$ 3,204	\$ 2,952	\$ 3,025	\$ 2,793	\$ 14,890	\$ 56,552	\$ 55,008	\$ 55,213
Contributions in relation to the contractually required contributions	-	3,204	2,952	3,025	2,793	14,890	56,552	55,008	55,213
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 20,419,324	\$ 19,446,975	\$ 17,318,708	\$ 15,506,686	\$ 15,160,918	\$ 13,885,041	\$ 12,539,148	\$ 11,886,748	\$ 11,403,861
Contributions as a percentage of covered payroll	0.00%	0.02%	0.02%	0.02%	0.02%	0.11%	0.45%	0.46%	0.48%

**MORROW COUNTY SCHOOL DISTRICT**  
**MORROW COUNTY, OREGON**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND**  
**RELATED RATIOS**  
**Last 10 Fiscal Years \***

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability										
Service cost	\$ 163,732	\$ 162,238	\$ 157,513	\$ 187,212	\$ 180,881	\$ 147,075	\$ 142,101	\$ 187,395	\$ 187,395	\$ 187,395
Interest	92,708	84,570	81,732	60,584	61,261	106,500	108,514	127,744	129,808	131,920
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	37,545	-	(154,906)	-	(125,573)	-	(39,454)	-	-
Changes of assumptions or other inputs	(209,111)	(251,483)	-	(204,789)	-	72,146	520,428	(1,765,601)	-	-
Benefit payments	(118,700)	(147,251)	(178,516)	(253,128)	(303,996)	(398,476)	(362,205)	(382,366)	(389,688)	(389,688)
<b>Net change in total OPEB liability</b>	<b>(71,371)</b>	<b>(114,381)</b>	<b>60,729</b>	<b>(365,027)</b>	<b>(61,854)</b>	<b>(198,328)</b>	<b>408,838</b>	<b>(1,872,282)</b>	<b>(72,485)</b>	<b>(70,373)</b>
<b>Total OPEB liability - beginning</b>	<b>2,213,306</b>	<b>2,327,687</b>	<b>2,266,958</b>	<b>2,631,985</b>	<b>2,693,839</b>	<b>2,892,167</b>	<b>2,483,329</b>	<b>4,355,611</b>	<b>4,428,096</b>	<b>4,498,469</b>
<b>Total OPEB liability - ending</b>	<b>\$ 2,141,935</b>	<b>\$ 2,213,306</b>	<b>\$ 2,327,687</b>	<b>\$ 2,266,958</b>	<b>\$ 2,631,985</b>	<b>\$ 2,693,839</b>	<b>\$ 2,892,167</b>	<b>\$ 2,483,329</b>	<b>\$ 4,355,611</b>	<b>\$ 4,428,096</b>
<b>Estimated covered payroll</b>	<b>\$ 20,419,324</b>	<b>\$ 19,446,975</b>	<b>\$ 15,461,696</b>	<b>\$ 15,011,355</b>	<b>\$ 14,832,934</b>	<b>\$ 14,331,337</b>	<b>\$ 12,629,478</b>	<b>\$ 12,202,394</b>	<b>\$ 10,973,450</b>	<b>\$ 10,653,835</b>
<b>Total OPEB liability, as a percentage of covered payroll</b>	<b>10.49%</b>	<b>11.38%</b>	<b>15.05%</b>	<b>15.10%</b>	<b>17.74%</b>	<b>18.80%</b>	<b>22.90%</b>	<b>20.35%</b>	<b>39.69%</b>	<b>41.56%</b>

\* The amounts presented for the fiscal year were determined as of June 30. Additional years will be added to the schedule

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2025**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds, except the PERS Reserve Fund is combined with the Special Revenues Fund for budgetary reporting but included with the General Fund for GAAP reporting. All annual appropriations lapse at fiscal year-end.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget.

The District begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The Board of Education adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended, except in the case of specific purpose grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is established at the instruction, support services, enterprise and community services, facility acquisition and construction, and debt service. Unexpected additional resources may be added to the budget and appropriated for expenditure through the use of a supplemental budget. The supplemental budget process requires a hearing before the public, publication in the newspaper, and approval by the Board of Education. Oregon Local Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Management must obtain Board authorization for all appropriation transfers and supplementary budgetary appropriations.

During the year ended June 30, 2025, appropriation increases and transfers were approved. Appropriations are limited to a single fiscal year; therefore, all spending authority of the District lapses as of year-end.

**B. Net Pension Liability (Asset)**

**Changes in Benefit Terms**

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions of future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates schedules to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future

System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

A legislative change that occurred after the December 31, 2017 valuation date affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2021, annual salary in excess of \$210,582 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation and was reflected in the June 30, 2019 Total Pension Liability as a reduction in liability.

A legislative change that occurred after the December 31, 2019 actuarial valuation date affected the plan provisions reflected for June 30, 2021 financial reporting liability calculations. Senate Bill 111, enacted in June 2021, provides an increased pre-retirement death benefit for members who die on or after their early retirement age. For GASB 68, the benefits valued in the Total Pension Liability are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the plan. As a result, Senate Bill 111 was reflected in the June 30, 2021 Total Pension Liability. While Senate Bill 111 also made changes to certain aspects of the System's funding and administration, the change in the death benefit provision is the only change that affects the measured Total Pension Liability. As a result, the death benefit provision is the only difference between June 30, 2020 and June 30, 2021 in the plan provisions basis used to determine the Total Pension Liability as of those two respective measurement dates.

### **Changes of Assumptions**

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50% and lowering the assumed inflation to 2.50%. For June 30, 2018, the long-term expected rate of return was lowered to 7.20%. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay. The PERS Board selected a lower long-term expected rate of investment return assumption of 6.90% (reduced from 7.20%) on July 23, 2021 to be used in the December 31, 2020 and December 31, 2021 actuarial valuations for funding purposes. At the same time, the PERS Board reduced the inflation and payroll growth assumptions to 2.40% and 3.40% respectively. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

## **C. Other Post-Employment Benefits**

### **Changes in Benefit Terms**

There were no significant changes in benefit terms for Other Post-Employment Benefits.

### **Changes of Assumptions**

There were no significant changes in assumptions for the RHIA Other Post-Employment Benefits, except for the PERS changes described above. The RHIA OPEB valuation is tied to the PERS system, contributions, and assumptions.

The District's health insurance continuation OPEB liability calculation uses the Bond Buyer 20 Year General Obligation Bond Index for the discount rate. The discount rate in effect for the June 30, 2025 reporting date is 5.25%, which increased from 4.0% in 2024, which increased from 3.5% from 2022 to 2023.



## **SUPPLEMENTAL INFORMATION**

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**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
COMBINING BALANCE SHEET  
GENERAL FUND (GAAP)  
June 30, 2025**

	General Fund	PERS Reserve Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,534,800	\$ 1,448,889	\$ 7,983,689
Receivables:			
Property taxes	361,714	-	361,714
Accounts	317,711	-	317,711
Prepaid items	72,624	-	72,624
Total Assets	<u>\$ 7,286,849</u>	<u>\$ 1,448,889</u>	<u>\$ 8,735,738</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	<u>\$ 1,901,181</u>	<u>\$ -</u>	<u>\$ 1,901,181</u>
Total Liabilities	<u>1,901,181</u>	<u>-</u>	<u>1,901,181</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	<u>341,284</u>	<u>-</u>	<u>341,284</u>
<b>FUND BALANCES</b>			
Nonspendable	72,624	-	72,624
Restricted	-	-	-
Assigned	-	1,448,889	1,448,889
Unassigned	4,971,760	-	4,971,760
Total fund balances	<u>5,044,384</u>	<u>1,448,889</u>	<u>6,493,273</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,286,849</u>	<u>\$ 1,448,889</u>	<u>\$ 8,735,738</u>

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GENERAL FUND (GAAP)  
For the Fiscal Year Ended June 30, 2025**

	General Fund	PERS Reserve Fund	Total
<b>REVENUES</b>			
Property taxes	\$ 14,046,614	\$ -	\$ 14,046,614
Other local sources:			
Donations	5,108	-	5,108
Miscellaneous	230,276	-	230,276
Intermediate sources:			
County school funds	90,432	-	90,432
Payment in lieu of taxes	347,887	-	347,887
State sources	17,845,341	-	17,845,341
Federal sources	53,685	-	53,685
Interest on investments	874,006	-	874,006
<b>TOTAL REVENUES</b>	<u>33,493,349</u>	<u>-</u>	<u>33,493,349</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	20,310,994	-	20,310,994
Support services	13,437,572	-	13,437,572
Debt service	622,450	-	622,450
<b>TOTAL EXPENDITURES</b>	<u>34,371,016</u>	<u>-</u>	<u>34,371,016</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(877,667)</u>	<u>-</u>	<u>(877,667)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(267,222)</u>	<u>-</u>	<u>(267,222)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(267,222)</u>	<u>-</u>	<u>(267,222)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,144,889)	-	(1,144,889)
<b>FUND BALANCE, Beginning</b>	<u>6,189,273</u>	<u>1,448,889</u>	<u>7,638,162</u>
<b>FUND BALANCE, Ending</b>	<u><u>\$ 5,044,384</u></u>	<u><u>\$ 1,448,889</u></u>	<u><u>\$ 6,493,273</u></u>

## **BUDGETARY COMPARISON SCHEDULES**

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Pursuant to the provisions of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net assets, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with GASB Statement #34, the District's General Fund and Special Revenues Fund are presented in the Required Supplementary Information section. All other budgetary comparisons are displayed in the following pages as supplemental information.

**SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

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**Governmental Funds**

**PERS Reserve Fund**

**Capital Projects Fund**

**Debt Service Fund**

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
PERS RESERVE FUND  
For the Fiscal Year Ended June 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive / (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
Contingency	<u>\$ 1,448,889</u>	<u>\$ 1,448,889</u>	<u>\$ -</u>	<u>\$ (1,448,889)</u>
<b>TOTAL EXPENDITURES</b>	<u>1,448,889</u>	<u>1,448,889</u>	<u>-</u>	<u>(1,448,889)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,448,889)</u>	<u>(1,448,889)</u>	<u>-</u>	<u>1,448,889</u>
<b>FUND BALANCE, Beginning</b>	<u>1,448,889</u>	<u>1,448,889</u>	<u>1,448,889</u>	<u>-</u>
<b>FUND BALANCE, Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,448,889</u></u>	<u><u>\$ 1,448,889</u></u>

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
DEBT SERVICE FUND  
For the Fiscal Year Ended June 30, 2025**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive / (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 13,560	\$ 13,560
Other local sources	2,030,000	2,030,000	1,980,817	(49,183)
Interest on investments	-	-	36,763	36,763
<b>TOTAL REVENUES</b>	<u>2,030,000</u>	<u>2,030,000</u>	<u>2,031,140</u>	<u>1,140</u>
<b>EXPENDITURES</b>				
Debt service	<u>2,030,000</u>	<u>2,030,000</u>	<u>2,017,792</u>	<u>12,208</u>
<b>TOTAL EXPENDITURES</b>	<u>2,030,000</u>	<u>2,030,000</u>	<u>2,017,792</u>	<u>12,208</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>13,348</u>	<u>13,348</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>13,348</u>	<u>13,348</u>
<b>FUND BALANCE, Beginning</b>	<u>-</u>	<u>-</u>	<u>406,227</u>	<u>406,227</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 419,575</u>	<u>\$ 419,575</u>

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2025**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive / (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Other local sources	\$ 400,000	\$ 400,000	\$ -	\$ (400,000)
<b>TOTAL REVENUES</b>	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>
<b>EXPENDITURES</b>				
Support services	400,000	400,000	152,205	247,795
Facilities acquisition and construction	500,000	500,000	-	500,000
<b>TOTAL EXPENDITURES</b>	<u>900,000</u>	<u>900,000</u>	<u>152,205</u>	<u>747,795</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(500,000)</u>	<u>(500,000)</u>	<u>(152,205)</u>	<u>347,795</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	-	-	-	-
Transfers In	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(500,000)</u>	<u>(500,000)</u>	<u>(152,205)</u>	<u>347,795</u>
<b>FUND BALANCE, Beginning</b>	<u>500,000</u>	<u>500,000</u>	<u>473,256</u>	<u>(26,744)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321,051</u>	<u>\$ 321,051</u>



## **OTHER FINANCIAL SCHEDULES**

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**Morrow County School District**  
**Continuing Disclosure for Bonded Debt:**  
**June 30, 2025**

2024-25 Assessed Valuation of District taxable property:	\$	3,721,307,463
Tax Rate (Dollars per \$1,000 assessed value)	\$	4.0342

Ratio of annual debt service requirements for bonded debt to total General Fund Expenditures & Transfers:

	Principal	Interest	Total Bonded Debt Service	General Fund Expenditures & Transfers	Ratio of Debt Service to General Fund Expenditures & Transfers
2024-25	2,070,371	570,241	2,640,612	34,589,631.00	7.63%

Ratio of Net Bonded Debt to Assessed Value:

Assessed Valuation	Net Bonded Debt Debt (1)	Ratio of Net Bonded Debt to Assessed Value
\$ 3,721,307,463	\$ 17,557,704	0.472%

(1) Computed as gross bonded debt less amount available for retirement of debt in Debt Service Funds

Principal Tax Payers in Morrow County, Oregon

Private Enterprises:

Amazon Data Services, Inc.	\$ 1,478,230,130
Threemile Canyon Farms, LLC	270,083,285
Lamb Weston, Inc	238,137,790
Columbia River Technologies, LLC	73,636,310
Columbia River Processing, Inc.	59,475,610
PACIFICORP	36,334,430

Public Utilities

Avista Corporation	193,842,000
Portland General Electric Co.	113,202,860
Gas Transmission Northwest Corp	87,839,590
Port of Morrow	52,243,058

All Other Taxpayers	1,118,282,400
	<u>\$ 3,721,307,463</u>

**Morrow County School District**  
**Continuing Disclosure for Bonded Debt:**  
**June 30, 2025**

**Summary of General Fund Revenue:**

		State Sources As % of	
FY	State Sources	Total Revenues	Total Revenues
2024-25	17,337,755.00	52.35%	33,119,433.00

Updated 9/24

**Computation of Legal Debt Margin**

Real Market Value (RMV)	\$ 9,271,228,593.00	Amount received from Mike.
Allowable Portion	0.0795	
Debt Limit: 7.95% of RMV	\$ 737,062,673.14	

Amount of debt applicable to debt limit:	
Bonded Debt:	\$ 17,974,000.00
Less: Amount available in Debt Service Funds	(416,296.00)
Amount of debt applicable to debt limit:	\$ 17,557,704.00
Legal Debt Margin	\$ 719,504,969.14

(1) ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Aggregates are governed by RMV of all taxable properties within the district based on the following:

- A. For each grade from K-8 for which the District operates schools, fifty-five one hundreds of one percent of the RMV. (.0055\*9)
- B. For each grade from 9-12 for which the District operates schools, seventy-five one-hundredths of one percent of the RMV. (.0075\*4)

Allowable Percentage of RMV:	
A. Grades K-8	4.95%
B. Grades 9-12	3.00%
	7.95%

**REPORTS OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS**

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## **Independent Auditor's Report Required by Oregon State Regulations**

We have audited the basic financial statements of Morrow County School District (District) as of and for the year ended June 30, 2025 and have issued our report thereon dated December 31, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of 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:

The District hired a contractor to add a bay to a maintenance shed for an amount exceeding \$25,000 for which three competitive quotes were not received or solicited.

**OAR 162-10-0230 Internal Control**

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

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of the District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Dickey and Tremper, LLP

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

December 31, 2025

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

December 31, 2025

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Morrow County School District (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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



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**Dickey and Tremper, LLP**  
**Certified Public Accountants**  
**Pendleton, Oregon**

December 31, 2025



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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Morrow County School District's (District) 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 District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Morrow County 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, 2025.

***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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Morrow County 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 the District's compliance with the compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

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

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Morrow County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the District's 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.

## ***Report on Internal Control Over Compliance***

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

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

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

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



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**Dickey and Tremper, LLP**  
**Certified Public Accountants**  
**Pendleton, Oregon**

December 31, 2025

**MORROW COUNTY SCHOOL DISTRICT**  
**MORROW COUNTY, OREGON**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2025**

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Morrow County School District (District) under programs of the federal government for the year ended June 30, 2025. The information is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the 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 of the District, it is not intended to and does not present the net position and changes in net position of the District.

**Note B – Indirect Cost Rate**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note C – Non-Cash Assistance**

The District received and disbursed \$105,886 market value of commodities under the School Nutrition Commodities CFDA# 10.555.

**Note D – Loans or Loan Guarantees**

The District received \$46,308 in QSCB interest direct payment by the United States Treasury with an unknown CFDA number.

**Morrow County School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2025**

<b>Federal Grantor</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Grant Amount</b>	<b>Receipts</b>	<b>Estimated Expenditures</b>
<b>Pass through Grantor</b>					
<b>US Department of Agriculture:</b>					
<i>Passed through Oregon Department of Education</i>					
<u>Child Nutrition Cluster</u>					
National School Lunch Program - Breakfast	10.553	2513001	\$ -	\$ 218,452	\$ 218,452
Child Nutrition Programs Commodities	10.555	2513001	\$ -	\$ 105,886	\$ 105,886
National School Lunch Program Supply Chain Assistance	10.555	2513001	\$ -	\$ 56,549	\$ 56,549
National School Lunch Program - Lunch	10.555	2513001	\$ -	\$ 747,008	\$ 747,008
Total CFDA #10.555			\$	<b>909,443</b>	<b>\$ 909,443</b>
National School Lunch Program, Summer Food	10.559	2513001	\$ -	\$ 52,831	\$ 52,831
<b>Total Child Nutrition Cluster</b>			\$	<b>-</b>	<b>\$ 1,180,726</b>
<i>Passed through Morrow County, Oregon</i>					
Federal Forest Fees	10.666	n/a	\$	<b>-</b>	<b>\$ 7,377</b>
<b>Total US Department of Agriculture</b>			\$	<b>-</b>	<b>\$ 1,188,103</b>
<b>US Department of Education:</b>					
<i>Passed through Oregon Department of Education</i>					
Title I-A 23-24	84.010	76527	\$ 550,382	\$ 58,226	\$ 58,226
Title I-A 24-25	84.010	82211	\$ 658,170	\$ 518,367	\$ 518,367
<b>Total CFDA 84.010</b>			\$	<b>1,208,552</b>	<b>\$ 576,593</b>
English Language Acquisition 23-24 (Title III)	84.365	76995	\$ 67,985	\$ 21,672	\$ 21,672
English Language Acquisition 23-24 (Title III)	84.365	79725	\$ 4,080	\$ 4,080	\$ 4,080
English Language Acquisition 24-25 (Title III)	84.365	82335	\$ 58,658	\$ 34,762	\$ 34,762
English Language Acquisition 24-25 (Title III)	84.365	83962	\$ 3,360	\$ 3,360	\$ 3,360
<b>Total CFDA 84.365</b>			\$	<b>134,083</b>	<b>\$ 63,874</b>
Title II A Teacher Quality 24-25	84.367	82474	\$ 93,567	\$ 93,567	\$ 93,567
<b>Total CFDA 84.367</b>			\$	<b>93,567</b>	<b>\$ 93,567</b>
<u>Special Education Cluster</u>					
IDEA Part B, Section 611 2024-25	84.027		\$ -	\$ 167,622	\$ 167,622
<b>Total Special Education Cluster</b>			\$	<b>-</b>	<b>\$ 167,622</b>
Elementary and Secondary School Emergency Relief Fund Kinder Jumpstart - COVID	84.425D	74699	\$216,536	\$79,715	\$79,715
<b>Total CFDA 84.425D</b>			\$	<b>216,536</b>	<b>\$ 79,715</b>
<i>Total Passed through Oregon Department of Education</i>					
			\$	<b>1,652,738</b>	<b>\$ 981,371</b>
<i>Passed through Intermountain Education Service District</i>					
Title IC Migrant Education State Grant Program	84.011		\$	<b>72,506</b>	<b>\$ 72,506</b>
<b>Total US Department of Education</b>			\$	<b>1,652,738</b>	<b>\$ 1,053,877</b>
<b>Total Federal Financial Assistance</b>			\$	<b>1,652,738</b>	<b>\$ 2,241,980</b>

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2025**

**FINDINGS – FINANCIAL STATEMENT AUDIT – PRIOR YEAR**

**None**

**MORROW COUNTY SCHOOL DISTRICT  
MORROW COUNTY, OREGON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2025**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Morrow County School District.
2. No material weaknesses or significant deficiencies were discovered by the audit of the basic financial statements of Morrow County School District.
3. No instances of noncompliance material to the financial statements of the Morrow County School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

**Federal Awards**

4. No significant deficiencies or material weaknesses in internal control over major federal programs were disclosed by the audit.
5. The auditor's report on compliance for the major federal award programs for Morrow County School District expresses an unmodified opinion on all major programs.
6. No audit findings are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:

Child Nutrition Cluster:

National School Lunch Program (NSLP)	CFDA# 10.555
National School Lunch Program – Breakfast	CFDA# 10.553
National School Lunch Program – Summer Food	CFDA# 10.559

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Morrow County School District was not determined to be a low-risk auditee.

**SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None