

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

FINANCIAL REPORT

For the Year Ended June 30, 2022



12700 SW 72nd Ave.
Tigard, OR 97223

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

BOARD OF DIRECTORS 2021-22

Dave Brown, Chair	June 30, 2023
Brian Shannon, Vice Chair	June 30, 2023
Trevor DeHart	June 30, 2025
Shelley Kolb	June 30, 2023
Ron Rilee	June 30, 2023
Raquel Peregrino de Brito	June 30, 2023
Renee Powell	June 30, 2025

ADMINISTRATION

Stephen Phillips, Superintendent
Heather Bixby, Director of Fiscal Services

Board members receive mail at the District address listed below.

Newberg School District
714 E Sixth Street
Newberg, Oregon 97132

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

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**NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON**

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December 14, 2022

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Newberg School District
Yamhill County, Oregon

Opinions

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Newberg School District, (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with the auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 14, 2022, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

NEWBERG SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

STATEMENT OF NET POSITION
June 30, 2022

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current:	
Cash and Investments	\$ 159,582,252
Cash with Fiscal Agent	102,831
Receivables - Taxes	1,026,444
Accounts Receivable	2,573,143
Total Current	163,284,670
Non-current:	
Net OPEB Asset - RHIA	816,438
Capital Assets, Non-Depreciable	26,338,236
Capital Assets, Depreciable, Net	63,184,392
Right-to-Use Asset, Net	231,651
Total Non-current	90,570,717
Total Assets	253,855,387
DEFERRED OUTFLOW OF RESOURCES	
Full Faith and Credit Escrow Account	3,450,000
OPEB Related Deferrals - RHIA	300,924
OPEB Related Deferrals - Implicit Health Subsidy	432,599
Pension Related Deferrals - PERS	14,827,317
TOTAL ASSETS AND PENSION RELATED DEFERRALS	272,866,227
LIABILITIES	
Current:	
Accounts Payable	\$ 4,402,950
Payroll Liabilities	2,682,993
Current Lease Liability	72,310
Due within one year	3,310,024
Total Current	10,468,277
Non-current:	
Accrued Compensated Absences	144,891
Interest Payable	422,761
Long-Term Liabilities:	
Due in more than one year (including Premium and Accreted Interest)	182,771,153
Long-Term Lease Liability	160,020
Net OPEB Liability - Implicit Health Subsidy	2,580,021
Net Pension Liability - PERS	21,443,499
Total Non-current	207,522,345
Total Liabilities	217,990,622
DEFERRED INFLOW OF RESOURCES	
Deferred Inflow related to refunding	23,887
OPEB Related Deferrals - RHIA	336,086
OPEB Related Deferrals - Implicit Health Subsidy	401,885
Pension Related Deferrals - PERS	24,138,793
TOTAL LIABILITIES AND PENSION RELATED DEFERRALS	242,891,273
NET POSITION	
Net Investment in Capital Assets	70,577,177
Restricted for:	
Future Debt Payments	6,120,611
Capital Projects	147,428,342
Student Body	95,696
Food Service	30,553
OPEB - RHIA Asset	816,438
Unrestricted	(195,093,863)
Total Net Position	\$ 29,974,954

See accompanying notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 35,821,704	\$ 992,864	\$ 4,483,344	\$ (30,345,496)
Supporting Services	22,762,583	-	1,558,871	(21,203,712)
Community Services	1,993,918	46,867	1,228,103	(718,948)
Interest on Long-Term Debt	<u>8,187,282</u>	<u>-</u>	<u>-</u>	<u>(8,187,282)</u>
Total Governmental Activities	<u>\$ 68,765,487</u>	<u>\$ 1,039,731</u>	<u>\$ 7,270,318</u>	<u>(60,455,438)</u>
General Revenues				
Property Taxes for General Purposes				18,779,537
Property Taxes for Debt Service				6,316,827
Earnings on Investment				24,446
Other Local				83,080
State Support				36,082,686
Unrestricted Intermediate				401,641
Other Sources Revenue				<u>92,982</u>
Total General Revenues				<u>62,965,550</u>
Changes in Net Position				2,510,112
Net Position - Beginning				<u>27,464,842</u>
Net Position - Ending				<u>\$ 29,974,954</u>

See accompanying notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	GENERAL	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTALS
ASSETS					
Cash and Investments	\$ 5,173,256	\$ 1,206,656	\$ 5,880,352	\$ 147,321,988	\$ 159,582,252
Cash With Fiscal Agents	101,087	-	1,744	-	102,831
Accounts Receivable	725,443	1,757,111	-	90,589	2,573,143
Property Taxes Receivables	787,929	-	238,515	-	1,026,444
Due From Other Funds	4,142,646	48,506	-	15,765	4,206,917
Total Assets	\$ 10,930,361	\$ 3,012,273	\$ 6,120,611	\$ 147,428,342	\$ 167,491,587
LIABILITIES					
Accounts Payable	\$ 88,342	\$ 108,807	\$ -	\$ 4,205,801	\$ 4,402,950
Payroll Liabilities	2,682,993	-	-	-	2,682,993
Due to Other Funds	-	-	4,206,917	-	4,206,917
Total Liabilities	2,771,335	108,807	4,206,917	4,205,801	11,292,860
DEFERRED INFLOW OF RESOURCES					
Unavailable Property Tax Revenue	678,055	-	237,554	-	915,609
Total Deferred Inflow of Resources	678,055	-	237,554	-	915,609
FUND BALANCES					
Restricted for:					
Future Debt Payments	-	-	6,120,611	-	6,120,611
Capital Projects	-	-	-	147,428,342	147,428,342
Student Body	-	95,696	-	-	95,696
Food Service	-	30,553	-	-	30,553
Unassigned	7,480,971	2,777,217	(4,444,471)	(4,205,801)	1,607,916
Total Fund Balances	7,480,971	2,903,466	1,676,140	143,222,541	155,283,118
Total Liabilities, Deferred Inflow, and Fund Balances	\$ 10,930,361	\$ 3,012,273	\$ 6,120,611	\$ 147,428,342	\$ 167,491,587

See accompanying notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2022

Total Fund Balances - Governmental Funds	\$	155,283,118
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The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in government accounting. The Statement of Net Position includes those capital assets among the assets of the District as a whole.

Net Capital Assets		89,522,628
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The Net Pension and OPEB Asset (Liability) is the difference between the total liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.

Net Pension Liability - PERS	(21,443,499)	
Net OPEB Liability - Implicit Health Subsidy	(2,580,021)	
Net OPEB Asset - RHIA	<u>816,438</u>	(23,207,082)

Deferred Inflows and Outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.

Full Faith and Credit Escrow Account	3,450,000	
Deferred Outflows - PERS	14,827,317	
Deferred Inflows - PERS	(24,138,793)	
Deferred Inflow Related to Refunding	(23,887)	
Deferred Outflows - OPEB Implicit Health Subsidy	432,599	
Deferred Inflows - OPEB Implicit Health Subsidy	(401,885)	
Deferred Outflows - OPEB RHIA	300,924	
Deferred Inflows - OPEB RHIA	<u>(336,086)</u>	(5,889,811)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Long-Term Liabilities		
Accrued Compensated Absences	(144,891)	
Accrued Interest	(422,761)	
Bonds Payable	(158,955,788)	
Loans Payable	(3,856,607)	
Premium	(21,342,329)	
Accreted Interest	<u>(1,926,453)</u>	(186,648,829)

Unearned revenue related to property taxes		915,609
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Right-to-use assets are not financial resources and therefore are not reported in the governmental funds.

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Right-to-use asset, Net		231,651
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Long-term liabilities applicable to the right to use assets are not due and payable in the current period and accordingly are not reported as fund liabilities, both current and long-term, are reported in the statements of Net Position

Lease Payable		(232,330)
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Ending Net Position	\$	<u>29,974,954</u>
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See accompanying notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

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

	GENERAL	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTALS
REVENUES					
Local Sources	\$ 20,262,777	\$ 1,071,451	\$ 10,692,405	\$ (5,578,673)	\$ 26,447,960
Intermediate Sources	1,352,834	401,641	-	-	1,754,475
State Sources	31,221,970	5,197,517	-	-	36,419,487
Federal Sources	-	6,426,016	-	-	6,426,016
Other Sources	-	-	92,982	-	92,982
Total Revenues	52,837,581	13,096,625	10,785,387	(5,578,673)	71,140,920
EXPENDITURES					
Instruction	33,529,567	6,520,467	-	-	40,050,034
Support Services	21,162,629	4,111,820	-	93,826	25,368,275
Enterprise and Community Services	-	2,229,277	-	-	2,229,277
Facilities Acquisition	-	-	-	18,106,017	18,106,017
Debt Service	-	-	10,611,698	-	10,611,698
Total Expenditures	54,692,196	12,861,564	10,611,698	18,199,843	96,365,301
Excess of Revenues Over (Under) Expenditures	(1,854,615)	235,061	173,689	(23,778,516)	(25,224,381)
Net Change in Fund Balance	(1,854,615)	235,061	173,689	(23,778,516)	(25,224,381)
Beginning Fund Balance	9,335,586	2,668,405	1,502,451	167,001,057	180,507,499
Ending Fund Balance	<u>\$ 7,480,971</u>	<u>\$ 2,903,466</u>	<u>\$ 1,676,140</u>	<u>\$ 143,222,541</u>	<u>\$ 155,283,118</u>

See accompanying notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2022

Total Net Changes in Fund Balances - Total Governmental Funds		\$ (25,224,381)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation.</p>		
Capital Asset Additions	21,355,119	
Depreciation Expense	(2,422,675)	18,932,444
<p>The PERS pension expense represents the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits.</p>		
		5,772,141
<p>The OPEB expense represents the changes in Net OPEB Asset (Liability) from year to year due to changes in total OPEB liability and the fair value of OPEB plan net position available to pay OPEB benefits.</p>		
		(100,258)
<p>The OPEB RHIA Income represents the changes in Net OPEB - RHIA Asset(Liability) from year to year due to changes in total OPEB - RHIA assets and the fair value of RHIA plan net position available to pay OPEB - RHIA benefits.</p>		
		78,507
<p>Repayment of long term & short term obligations is an expenditure in the governmental funds, but the repayment reduces debt obligations in the government-wide statements.</p>		
Amortization of Bond Premium	1,067,117	
Change in Accreted Interest	(1,444,840)	
Change in Interest Payable	832,580	
Long term obligations	2,447,817	
Vacation Liability	14,985	2,917,659
<p>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.</p>		
		134,679
<p>Payment on Lease Liability for right to use assets decreases liabilities in the Statement of Net Position.</p>		
Payment on Lease Liability		71,917
<p>Amortization Expense for right to use assets increases the expenses on the Statement of Activities.</p>		
Amortization Expense		(72,596)
Change in Net Position of Governmental Activities		\$ 2,510,112

See accompanying notes to the basic financial statements.

NEWBERG SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of American (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

A. The Financial Reporting Entity

Newberg School District (the District) is a municipal corporation governed by an elected Board of Directors. Administration officials are approved by the Board. The daily functioning is under the supervision of the Superintendent-Clerk. As required by generally accepted accounting principles, all activities have been included in these basic financial statements.

The District was organized for the purpose of educating children residing within the boundaries of the District in assuring excellent and equitable educational opportunities and outcomes for all students. In carrying out this mission, the District provides programs and services that reflect documented educational needs and that are most cost-effectively delivered on a regional basis.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts which provide services. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements, in accordance with GASB 61.

B. Government-wide and Fund Financial Statements

The Statement of Net Position and Statement of Activities display information as a whole.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program Revenues included in the Statement of Activities derive directly from the program itself or from parties outside taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the general revenues.

All direct expenses are reported by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities. The accounts are organized and operated on the basis of funds. A fund is an independent self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPES

Governmental funds are used to account for general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period which is 60 days. Property tax revenue and proceeds from sale of property are not considered available and, therefore, are not recognized until received. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, interfund transactions, and compensated absences, claims and judgments, and pension and OPEB expenses, which are not recognized as expenditures because they will be liquidated with future expendable financial resources.

Revenues susceptible to accrual are interest, state, county and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Financial operations are accounted for in the following major funds:

1. General Fund

This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. The principal revenue sources are property taxes and an apportionment from the State of Oregon School Support Fund. Expenditures in this fund are made for instruction, supporting services, community services and interest.

Basic financial statements must report as Special Revenue funds only those which have a substantial portion of revenue inflows from restricted or committed revenue sources. The following fund is combined into the General Fund because the primary revenue source is transfers from the General Fund or there is no revenue to report.

2. Special Grants and Revenues Fund

This fund accounts for revenue and expenditures restricted for specific education projects or programs. The principal revenue source is federal grants and other local sources.

3. Debt Service Fund

This fund accounts for the repayment of the Districts long-term debt. The primary source of revenue is property taxes. The primary use of revenue is payment of principal and interest due on long-term debt.

4. Capital Projects Fund

This fund provides the capital construction expenditures related to the bond. The principal revenue source is bond proceeds.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental funds are accounted for on a spending measurement focus. Only current assets and current liabilities are generally included in their balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position.

The government-wide basic 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 basic 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, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pensions are recorded only when payment is due.

Property taxes associated with the current fiscal period, are considered to be susceptible to accrual, if received in cash by the District or a County collecting such taxes within 60 days after year-end. All other revenue items are recognized in the accounting period when they become both measurable and available.

D. Assets, Liabilities, and Net Position

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of ninety days or less from the date of acquisition. At June 30, 2022, short-term investments consist of the local government investment pool. Investments are stated at cost, which approximates market. The local government investment pool operates in accordance with appropriate state laws and regulations.

Property Taxes

Property taxes are levied on all taxable property as of July 1, the beginning of the fiscal year, and become a lien on that date. Property taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 15 are considered delinquent and interest is assessed.

Uncollected property taxes are shown in the balance sheet. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established by management. The balance of taxes receivable is recorded as unavailable revenue because it is not deemed available to finance operations of the current period.

Grants

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability in the balance sheet and statement of net position.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide basic financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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. Capital outlays that significantly extend the useful life of capital assets are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land is not depreciated. Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	100
Building Improvements	15-50
Vehicle Equipment	4-10
Film, Equipment and Video	5-10
Office Equipment	5
Computer Equipment	5

Compensated Absences

It is policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is not a policy to pay any amounts when an employee separates from service. All vacation pay is accrued when incurred in the government-wide basic financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Policy permits employees who work a twelve-month schedule and at least one-half time on either a weekly or monthly basis, and employees that work 9 months to earn vacation.

Long Term Obligations

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

In the fund basic financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the basic financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2022, there were deferred outflows representing PERS pension related deferrals, OPEB-Health Care related deferrals and OPEB-RHIA related deferrals in the Statement of Net Position.

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

Retirement Plans

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

Net Position

Net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – consists of all other amounts that are not included in the other categories previously mentioned.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

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

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

There are no assigned fund balances at June 30, 2022.

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

Use of Estimates

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

Fair Value Inputs and Methodologies and Hierarchy

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

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund’s own assumptions used in determining the fair value of investments)

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A budget is prepared and legally adopted for all funds on the modified accrual basis of accounting in the main program categories required by the Oregon Local Budget Law.

Expenditure budgets are appropriated at the following levels for each fund:

LEVEL OF CONTROL

Instruction
Support Services
Community Services
Facilities Acquisition and Construction
Interfund Transactions
Debt Service
Operating Contingency

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

For the year ended June 30, 2022, expenditures of the various funds were within authorized appropriation levels except for the General Fund where Support Services exceeded appropriations by \$3,404.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary (modified accrual) basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis of accounting is substantially the same as generally accepted accounting principles in the United States of America with the exceptions that capital outlay expenditures are expensed when purchased, depreciation is not calculated, property taxes are recorded as revenue when received instead of when levied, OPEB and compensated absences expenses are recorded when paid instead of when incurred, inventories of supplies are expensed when purchased, pension costs are not recorded until paid, and principal payments and proceeds on long term debt are recorded as revenues when received and expenditures when paid.

4. CASH AND INVESTMENTS

Cash management policies are governed by state statutes. Statutes authorize investing in banker's acceptances, time certificates of deposit, commercial paper, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

A cash pool is maintained that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments or amounts Due to Other Funds.

In addition, cash is separately held by some of the funds.

Cash and Investments (recorded at cost) consisted of:

Deposit with Financial Institutions:	
Investments	\$ 145,734,182
Demand Deposits	13,848,039
Petty Cash	<u>31</u>
Total Cash and Investments	<u>\$ 159,582,252</u>

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the treasury. The total bank balance per the bank statements as of June 30, 2022 was \$17,727,189 of which \$449,108 is covered by federal depository insurance and the remainder was collateralized by the Oregon Public Funds Collateralization Program (PFCP).

Credit Risk – Deposits

In the case of deposits, there is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. All deposits were either FDIC insured or collateralized.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments.

The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2022. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it *materially approximates fair value.*

The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2022, the fair value of the position in the *LGIP is 98.98%* of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The District booked a fair market value loss of \$178,629 for the difference between the pool fair market value and the book value.

The audited financial reports of the Oregon Short Term Fund can be found here:
[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)
If the link has expired please contact the Oregon Short Term Fund directly.

At year-end, investment balances were as follows:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-18	18-59
U.S. Treasury Notes & Bonds	\$104,827,788	\$11,786,807	\$76,183,326	\$16,857,655
U.S. Obligations	\$ 10,588,928	9,791,477	797,451	-
Government Agency Securities	\$ 12,983,407	12,983,407	-	-
State Treasurer's Investment Pool	\$ 17,334,059	17,334,059	-	-
Total	<u>\$145,734,182</u>	<u>\$51,895,750</u>	<u>\$76,980,777</u>	<u>\$16,857,655</u>

Interest Rate Risk- Investments

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

Credit Risk – Investments

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

At June 30, 2022, 12% of total investments were in the State Treasurer's Investment Pool, 72% of total investments were in U.S. Treasury Notes & Bonds, 7% of total investments were in U.S. Obligations, and 9% of total investments were in Government Agency Securities. State statutes do not limit the percentage of investments in this instrument.

5. RECEIVABLES

Special revenue fund grants receivable are comprised of claims for reimbursement of costs under various federal and state grant programs. Property taxes are levied and become a lien on all taxable property as of July 1. Taxes unpaid and outstanding on May 16 are considered delinquent. No allowance for uncollectible accounts has been recorded because all receivables are considered by management to be collectible at year end.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Adjustments	Additions	(Deletions)	Balance June 30, 2022
Non-depreciable:					
Land	\$ 3,862,820	-	\$ 5,000,000	-	\$ 8,862,820
Construction in Progress	1,476,036	-	15,999,380	-	17,475,416
Total	<u>5,338,856</u>	<u>-</u>	<u>20,999,380</u>	<u>-</u>	<u>26,338,236</u>
Depreciable:					
Land Improvements	1,223,562	-	-	-	1,223,562
Buildings and Improvements	120,624,521	-	175,595	-	120,800,116
Machinery and Equipment	2,524,675	75,450	104,694	(7,595)	2,697,224
Total	<u>124,372,758</u>	<u>75,450</u>	<u>280,289</u>	<u>(7,595)</u>	<u>124,720,902</u>
Accumulated Depreciation:					
Land Improvements	1,161,703	(842)	20,717	-	1,181,578
Buildings and Improvements	55,918,649	(869)	2,304,069	-	58,221,849
Machinery and Equipment	2,041,078	12,594	87,006	(7,595)	2,133,083
Total	<u>\$ 59,121,430</u>	<u>10,883</u>	<u>\$ 2,411,792</u>	<u>\$ (7,595)</u>	<u>\$ 61,536,510</u>
Government Activities:					
Capital Assets, Net	<u>\$ 70,590,184</u>				<u>\$ 89,522,628</u>

The Capital Asset deletion is related to the disposal of a fully depreciated commercial dishwasher. Asset was not sold. No gain or loss was recorded.

Adjustments are due to adjustments in the District's current Capital Asset register. Depreciation expense was charged to functions/programs of the primary government for governmental activities as follows:

Governmental Activities	
Instruction	\$ 1,427,876
Support Services	904,437
Community Services	<u>79,479</u>
Total Depreciation Expense	
Governmental Activities	<u>\$ 2,411,792</u>

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DUE TO/DUE FROM OTHER FUNDS

Interfund receivables/payables are used as a pooling of cash between various funds

	Due From Other Funds	Due To Other Funds
General Fund	4,142,646	-
Special Revenue Fund	48,506	-
Debt Service Fund	-	4,206,917
Capital Projects Fund	15,765	-
Totals	\$ 4,206,917	\$ 4,206,917

8. LONG-TERM OBLIGATIONS

The following are changes in long-term obligations during the year ended June 30, 2022:

	Outstanding July 1, 2021	Adjustments	Additions	Reductions	Outstanding June 30, 2022	Due Within One Year
GO Bonds	\$ 140,997,978	-	-	(1,450,000)	139,547,978	2,315,000
PERS Bond	20,331,485	-	-	(923,675)	19,407,810	922,810
Full Faith & Credit	-	-	3,450,000	-	3,450,000	-
Other Loans	480,749	(4,223)	-	(69,919)	406,607	72,214
Subtotal	161,810,212	(4,223)	3,450,000	(2,443,594)	162,812,395	3,310,024
Premium	22,409,446	-	-	(1,067,117)	21,342,329	-
Bond Interest Accretion	481,613	-	1,444,840	-	1,926,453	-
Total	\$ 184,701,271	(4,223)	4,894,840	(3,510,711)	186,081,177	3,310,024

Adjustment is a result of ensuring the long term debt disclosure ties to the District's amortization schedules.

General Obligation Bonds

General obligation bonds were issued to provide funds for the acquisition and construction of major capital facilities. The General obligation bonds pledge the full faith and credit of the District. The bonds were issued in 2021 with interest plus principal payments due each year.

Pension Bonds & PERS Escrow Account

Certain Oregon school districts are issuing Full Faith and Credit Pension Bonds, the proceeds of which will be used to finance a portion of the estimated unfunded actuarial liability for the District with the Oregon Public Employees Retirement System (PERS). The bond was issued for \$20,331,485 in 2021 with interest plus principal payments due each year. Since bond proceeds were set aside in an escrow account for payment to PERS, a deferred outflow called PERS escrow account was recorded in the Statement of Net Position to reflect the future offsetting of the PERS liability. The offset will be reflected in future actuarial reports.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM OBLIGATIONS (CONTINUED)

Future maturities of bonds payable are as follows:

Fiscal Year Ending June 30	Bonds Principal	Interest
2023	3,237,810	7,174,755
2024	6,160,000	4,794,966
2025	6,855,000	4,493,576
2026	7,600,000	4,155,116
2027	8,395,000	3,779,464
2028-32	22,770,000	14,628,032
2033-37	24,765,000	10,249,000
2038-42	35,625,000	4,472,000
2043-47	24,443,580	-
2048-52	19,104,398	-
	<u>158,955,788</u>	<u>53,746,909</u>

Full Faith and Credit Obligation

Full Faith and Credit obligation was issued to finance the redevelopment of the Newberg High School track, including demolition of the existing track, development of a new track and related equipment and site improvements. The loan pledges the full faith and credit of the District. The loan was issued in December 2021 with interest plus principal payments due each year.

Future maturities of loans payable are as follows:

Fiscal Year Ending June 30	FF&C Principal	Interest
2023	-	50,026
2024	-	50,026
2025	-	50,026
2026	3,450,000	50,026
	<u>3,450,000</u>	<u>200,104</u>

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM OBLIGATIONS – (CONTINUED)

Small Scale Energy Loan

The District also took out a loan payable for energy conservation. The loan was issued in September 2012 with interest plus principal payments due each year.

Future maturities of the settlement payable are as follows:

Fiscal Year Ending June 30	Small Scale Energy Loan	
	Principal	Interest
2023	72,214	12,112
2024	74,574	9,751
2025	77,054	7,269
2026	79,587	4,736
2027	82,207	2,116
2028-32	20,971	109
	<u>406,607</u>	<u>36,093</u>

There are no significant default clauses noted in any of the long-term obligation agreements that would impact the financial statements or require disclosure under GASB 88.

9. DEFINED BENEFIT PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Annual Comprehensive Financial Report which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf>

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
 - i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary.
 - ii. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- iii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
- iv. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
- v. **Benefit Changes After Retirement.** Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations due to changes in the fair value of the underlying global equity investments of that account. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.
- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
- Police and fire:* 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
- General service:* 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
- A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
- ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.
- iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation, which became effective July 1, 2021. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2022 were \$6,708,083, excluding amounts to fund employer specific liabilities. In addition approximately \$1,964,799 in employee contributions were paid or picked up by the District in fiscal 2022.

Pension Asset or Liability – The District reported a net pension liability of \$21,443,499 at June 30, 2022 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2019. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2021 and 2020, the District’s proportion was .18 percent and .19 percent, respectively. Pension income for the year ended June 30, 2022 was \$5,772,141.

The rates in effect for the year ended June 30, 2022 were:

- (1) Tier 1/Tier 2 – 9.06%
- (2) OPSRP general services – 10.31%

	Deferred Outflow of Resources	Deferred Inflow of Resource
Difference between expected and actual experience	\$ 2,007,252	\$ -
Changes in assumptions	5,367,953	56,434
Net difference between projected and actual earnings on pension plan investments	-	15,874,456
Net changes in proportionate share	744,029	6,246,429
Differences between District contributions and proportionate share of contributions	-	1,961,474
Subtotal - Amortized Deferrals (below)	8,119,234	24,138,793
District contributions subsequent to measurement date	6,708,083	-
Deferred outflow (inflow) of resources	\$ 14,827,317	\$ 24,138,793

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

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Subtotal amounts related to pension as deferred outflows of resources \$8,119,234, or deferred inflows of resources, (\$24,138,793), net to (\$16,019,560) and will be recognized in pension income as follows:

Year Ending June 30,	Amount
2023	(3,688,900)
2024	(4,085,960)
2025	(3,973,617)
2026	(4,586,222)
2027	315,139
Thereafter	-
Total	<u>\$ (16,019,560)</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 1, 2022. Oregon PERS produces an independently audited ACFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf>

Actuarial Valuations – The employer contribution rates effective July 1, 2021 through June 30, 2023, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

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

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions:

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

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

Assumed Asset Allocation:

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

(Source: June 30, 2021 PERS CAFR; p. 102)

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	\$ 42,109,902	\$ 21,443,499	\$ 4,153,220

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes Subsequent to the Measurement Date

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

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

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

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

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

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.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions:

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

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO Box 23700 Tigard, OR 97281-3700.

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>

10. OTHER POST-EMPLOYMENT BENEFIT PLAN - RHIA

Plan Description:

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

Funding Policy:

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

A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST-EMPLOYMENT BENEFIT PLAN – RHIA – (CONTINUED)

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.06% of annual covered OPERF payroll and 0.00% of OPSRP payroll under a contractual requirement in effect until June 30, 2022. Consistent with GASB Statement 75, the OPERS Board of Trustees sets the employer contribution rates as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined. The basis for the employer's portion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the plan with the total actual contributions made in the fiscal year of all employers. The District's contributions to RHIA are included in PERS contributions for all reporting years and equaled the required contributions each year.

At June 30, 2022, the District reported a net OPEB liability/(asset) of (\$816,438) for its proportionate share of the net OPEB liability/(asset). The OPEB liability/(asset) was measured as of June 30, 2021, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2019. Consistent with GASB Statement No. 75, paragraph 59(a), the District's proportion of the net OPEB liability/(asset) is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. As of the measurement date of June 30, 2021 and 2020, the District's proportion was .24 percent and .47 percent, respectively. OPEB income for the year ended June 30, 2022 was \$77,824.

Components of OPEB Expense/(Income):

Employer's proportionate share of collective system OPEB Expense/(Income)	\$ (133,527)
Net amortization of employer-specific deferred amounts from:	
Changes in proportionate share (per paragraph 64 of GASB 75)	55,703
Differences between employer contributions and employer's proportionate share of system contributions (per paragraph 65 of GASB 75)	-
Employer's Total OPEB Expense/(Income)	\$ <u>(77,824)</u>

Components of Deferred Outflows/Inflows of Resources:

	Deferred Outflow of Resources	Deferred Inflow of Resource
Difference between expected and actual experience	\$ -	\$ 22,715
Changes in assumptions	16,064	12,146
Net difference between projected and actual earnings on pension plan investments	-	194,029
Net changes in proportionate share	284,860	107,196
Differences between District contributions and proportionate share of contributions	-	-
Subtotal - Amortized Deferrals (below)	300,924	336,086
District contributions subsequent to measurement date	-	-
Deferred outflow (inflow) of resources	\$ 300,924	\$ 336,086

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

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST-EMPLOYMENT BENEFIT PLAN – RHIA – (CONTINUED)

Subtotal amounts related to OPEB as deferred outflows of resources, \$300,924, and deferred inflows of resources, (\$336,086), net to (\$35,160) and will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2023	(7,417)
2024	77,844
2025	(44,297)
2026	(61,291)
2027	-
Thereafter	-
Total	<u>\$ (35,160)</u>

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

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

Actuarial Methods and Assumptions:

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

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

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST-EMPLOYMENT BENEFIT PLAN – RHIA – (CONTINUED)

Discount Rate:

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

Long-Term Expected Rate of Return:

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

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

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

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

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	\$ (722,020)	\$ (816,438)	\$ (897,094)

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST-EMPLOYMENT BENEFIT PLAN – RHIA – (CONTINUED)

Changes Subsequent to the Measurement Date

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

11. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The District administers a single-employer defined benefit healthcare plan per the requirements of collective bargaining agreements. The plan provides postretirement healthcare benefits for eligible retirees and their dependents through the District's group health insurance plans. The plan covers both active and retired participants. As of the actuarial valuation date, there were 543 active participants and 21 retirees in the ORS allowed plan 243.303 which states, in part, that for the purposes of establishing healthcare premiums, the calculated rate must be based on the cost of all plan members, including both active employees and retirees. Because claim costs are generally higher for retiree groups than for active employees, the premium amount does not represent the full cost of coverage for retirees. The resulting additional cost, or implicit subsidy, is required to be valued under GASB Statement 75 related to Other Post-Employment Benefits (OPEB). Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective.

Funding Policy

The District has not established a trust fund to finance the cost of Post-employment Health Care Benefits related to implicit rate subsidies. Premiums are paid by retirees based on the rates established for active employees. Additional costs related to an implicit subsidy are paid by the District on a pay-as-you go basis in all funds. There is no obligation on the part of the District to fund these benefits in advance.

Net Other Post-employment Benefit Liability

The net other post-employment benefit liability (NOL) was measured as of June 30, 2021, and the total other post-employment benefit liability was determined by an actuarial valuation as of July 1, 2019.

At July 1, 2021, the following employees were covered by the benefit terms:

Active participants	543
Inactive participants or beneficiaries receiving benefits	21
	<u>564</u>

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The District engaged an actuary to perform a valuation as of July 1, 2021 using the Entry age normal, level percent of salary Actuarial Cost Method.

The total other post-employment benefit liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	July 1, 2021
Actuarial Cost Method	Entry Age Normal, level percent of salary
Investment return assumption (Interest discount)	3.50% per year, based on all years discounted at municipal bond rate (based on Bond Buyer 20-Bond General Obligation Index as of the date of this report)
Plan participation	100% assumed will elect coverage at retirement if eligible for District paid insurance; 75% assumed if only eligible for self-pay insurance
Medical premium annual trend rate	3.5% in 2022 and fluctuating between 6.0% and 4.0% thereafter
Dental premiums annual trend rate	3% increase in all future years
Vision premiums annual trend rate	3% increase in all future years
Inflation rate	2.0% per year
Annual salary rate increase	3.0% per year
Health care premium	
Beginning in 2018 a 40% excise tax will be imposed under the affordable care act on employers if the aggregate value of medical coverage exceeds a threshold limit. This excise tax is not included in the calculations because it is believed to be immaterial in regard to the OPEB plan.	

Mortality rates were based on the Pub-2010 teachers table, separate Employee/Healthy Annuitant, sex distinct, generational. Improvement scale was Unisex Social Security Data Scale (60 year average), Active employee/retiree adjustments was set back 12 months for males, no setback for females.

Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service.

Disability rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by employee age.

Retirement rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by age and years of service. Of the active employees potentially eligible to receive District-paid health benefits, 100% of those currently enrolled and 75% of those currently waiving coverage are assumed to be enrolled at retirement and 70% of those retirees are assumed to cover a spouse, as well. Of the active employees not eligible to receive District-paid health benefits, 75% of those currently enrolled are assumed to remain enrolled in retirement. Current and future retirees are assumed to remain enrolled in the plans in which they are currently enrolled. There was an assumption of no impact of dependent children on the implicit subsidy.

The discount rate used to measure the total pension and total other post-employment benefit liabilities was 2.50%, based on all years discounted at the municipal bond rate.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net Other Post-employment Benefit Liability

Changes of assumptions: Interest Discount, the investment return assumption was decreased from 2.25% to 3.25%. Demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for Oregon PERS.

	<u>Total OPEB Liability</u>
Total OPEB Liability Balance 6/30/2021	\$ 2,811,072
Changes for the Year	
Service Cost	258,458
Interest	65,038
Changes of benefit terms	-
Differences between expected and actual experience	(188,815)
Changes of Assumptions or other input	(111,085)
Benefit payments	(254,647)
Net Change in total OPEB liability	(231,051)
Total OPEB Liability Balance 6/30/2022	\$ 2,580,021

Sensitivity of the Net Other Post-employment Benefit Liability to changes in the discount and trend rates

The following presents the net other post-employment benefit liability (NOL) of the District, calculated using the discount rate of 2.25 percent, as well as what the District's NOL would be if it was calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Lower 1.25%	Current Discount Rate 2.25%	1% Higher 3.25%
Total OPEB Liability	\$ 2,750,479	\$ 2,580,021	\$ 2,417,597

The following presents the net other post-employment benefit liability (NOL) of the District, calculated using the trend rate of 5.0 percent graded up to 6 percent, as well as what the District's NOL would be if it was calculated using a trend rate that is 1-percentage-point lower (2.5 percent graded up to 3.5%) or 1- percentage-point higher (4.5 percent graded up to 7.0%) than the current rate:

	1% Lower	Current Healthcare Trend Rates	1% Higher
Total OPEB Liability	\$ 2,324,782	\$ 2,580,021	\$ 2,880,763

Other Post-employment benefits Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-employment Benefits

For the year ended June 30, 2022, the District recognized Other Post-employment Benefit income of \$20,812.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

At June 30, 2022, the District reported deferred outflows and deferred inflows of resources, related to Other Postemployment benefits from the following sources:

<u>Deferral Source</u>	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected & actual experience	\$ (247,451)	\$ -
Changes of assumptions or other inputs	(154,434)	239,816
Contribution subsequent to the measure date	-	192,783
Totals	<u>\$ (401,885)</u>	<u>\$ 432,599</u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability in the fiscal year ending June 30, 2023. Subtotal amounts reported as deferred outflows \$(401,885), and deferred inflows of resources \$239,816, related to Other Post-employment benefits net to \$(162,069), and will be recognized in Other Post-employment benefit income as follows:

Year ended June 30:	
2023	(30,455)
2024	(30,455)
2025	(17,275)
2026	(8,642)
2027	(12,959)
Thereafter	(62,283)
Total	<u>\$ (162,069)</u>

12. LEASE LIABILITY

On 07/01/2021, the District entered into a 60 month lease as Lessee for the use of Kubota Tractor Lease. An initial lease liability was recorded in the amount of \$69,319. As of 06/30/2022, the value of the lease liability is \$55,612. The District is required to make monthly fixed payments of \$1,171. The lease has an interest rate of 0.5950%. The value of the right to use asset as of 06/30/2022 of \$69,319 with accumulated amortization of \$13,864 is included with Equipment on the Lease Class activities table found below. The District has the option to purchase the Equipment for \$101.

On 07/01/2021, the District entered into a 48 month lease as Lessee for the use of Pacific Automation - Copier Lease. An initial lease liability was recorded in the amount of \$234,928. As of 06/30/2022, the value of the lease liability is \$176,718. The District is required to make semi-annual fixed payments of \$29,760. The lease has an interest rate of 0.5950%. The value of the right to use asset as of 06/30/2022 of \$234,928 with accumulated amortization of \$58,732 is included with Equipment on the Lease Class activities table found below.

Total lease liability for the year ended June 30, 2022 was as follows:

	<u>Outstanding 7/1/2021</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding 6/30/2022</u>	<u>Due Within One Year</u>
Equipment					
Kubota Tractor	-	69,319	13,707	41,858	13,754
Pacific Automation	-	234,928	58,210	118,162	58,556
Total	<u>\$ -</u>	<u>\$ 304,247</u>	<u>\$ 71,917</u>	<u>\$ 160,020</u>	<u>\$ 72,310</u>

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

12. LEASE LIABILITY (CONTINUED)

Future lease liability payments are as follows:

Year Ended June 30.	Principal	Interest
2023	72,310	1,258
2024	72,741	827
2025	73,176	394
2026	14,103	46
Total	\$ 232,330	\$ 2,525

13. RIGHT-TO-USE ASSET

Right-to-use assets are for leases in Note 12.

Total right-to-use asset activity for the year ended June 30, 2022 was as follows:

	Balance 7/1/2021	Additions	(Deletions)	Balance 6/30/2022
Right-to-Use Asset				
Equipment				
Kubota Tractor	\$ -	\$ 69,319	\$ -	\$ 69,319
Pacific Automation	-	234,928	-	234,928
Total	-	304,247	-	304,247
Accumulated Amortization				
Equipment				
Kubota Tractor	-	13,864	-	13,864
Pacific Automation	-	58,732	-	58,732
Total	-	72,596	-	72,596
Net Right-to-Use Assets	\$ -			\$ 231,651

14. PROPERTY TAX LIMITATION

The voters of the State of Oregon approved ballot measure 5, a constitutional limit on property taxes for schools and non-school government operations, in November, 1990. School operations include community colleges, local school districts, and education service districts.

The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this initiative has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue. The State voters passed ballot measure 50 in May, 1997 to further reduce property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

14. PROPERTY TAX LIMITATION (CONTINUED)

Measure 50 reduced the amount of operating property tax revenues available for the 1998-99 fiscal year and thereafter. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the property tax limitations. The measure also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State of Oregon to minimize the impact of the tax cuts to the school districts. The ultimate impact to the District as a result of the measure has been greater reliance on state funding and less reliance on local funding.

15. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which commercial insurance is purchased. There were no significant reductions in insurance coverage from coverage in prior years in any of the major categories of risk. Also, the amounts of any settlements have not exceeded insurance coverage for any of the past three fiscal years.

16. COMMITMENTS AND CONTINGENCIES

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

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

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

The District in the course of normal operations is involved in litigation. As of the financial statement issuance date there are pending litigation cases. Any potential financial responsibility of the District is not determinable.

17. TAX ABATEMENTS

As of June 30, 2022, the District had tax abatements through various state allowed programs that impacted levied taxes. Based on the information available from the county as of the date of issuance of these basic financial statements, the amount of abatements for the year ended June 30, 2022 is \$48,239.

18. LITIGATION

Management of the District believes that the total amount of liability, if any, which may arise from claims and lawsuits pending against Newberg School District beyond that which is covered by insurance would not have a material effect on the District's financial statements.

NEWBERG SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

PERS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.18 %	\$ 21,443,499	\$ 31,764,334	67.5 %	87.6 %
2021	0.19	41,899,289	29,981,030	139.8	75.8
2020	0.22	38,643,277	27,363,476	141.2	80.2
2019	0.26	38,774,786	29,387,985	131.9	82.1
2018	0.23	31,179,701	28,611,077	109.0	83.1
2017	0.20	29,584,266	28,122,605	105.2	80.5
2016	0.17	10,004,093	25,226,359	39.7	91.9
2015	0.16	(3,580,180)	24,424,906	(14.7)	103.6
2014	0.16	8,060,204	24,424,906	33.0	92.0

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

These schedules are presented to illustrate the requirements to show 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.

SCHEDULE OF CONTRIBUTIONS

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2022	\$ 6,708,083	\$ 6,708,083	\$ -	\$ 34,794,206	19.3 %
2021	3,778,493	3,778,493	-	31,764,334	11.9
2020	3,547,512	3,547,512	-	29,981,030	29.3
2019	2,288,536	2,288,536	-	27,363,476	8.4
2018	2,506,331	2,506,331	-	29,387,985	8.5
2017	784,807	784,807	-	28,611,077	2.7
2016	904,981	904,981	-	28,122,605	3.2
2015	1,869,367	1,869,367	-	25,226,359	7.4
2014	1,838,786	1,838,786	-	24,424,906	7.5

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

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

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

OPEB - RHIA

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB ASSET/(LIABILITY) FOR RHIA

Year Ended June 30,	(a) Employer's proportion of the net OPEB asset/(liability) (NOA/(L))	(b) Employer's proportionate share of the net OPEB asset/(liability) (NOA/(L))	(c) Employer's covered payroll	(b/c) NOA/(L) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.2378 %	\$ (816,438)	\$ 31,764,334	(2.57) %	183.9 %
2021	0.4694	(956,514)	29,981,030	(3.19)	150.1
2020	0.2474	(478,229)	27,363,476	(1.75)	144.4
2019	0.2766	(308,739)	29,387,985	(1.05)	124.0
2018	0.2765	(114,464)	28,611,077	(0.40)	108.9

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

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

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

SCHEDULE OF CONTRIBUTIONS FOR RHIA

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2022	\$ N/A	\$ N/A	\$ N/A	\$ 34,794,206	N/A %
2021	N/A	N/A	N/A	31,764,334	N/A
2020	N/A	N/A	N/A	29,981,030	N/A
2019	N/A	N/A	N/A	27,363,476	N/A
2018	N/A	N/A	N/A	29,387,985	N/A

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

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

All statutorily required contributions were made and are included within PERS contributions (see p. 36).

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
June 30, 2022

Annual OPEB Cost and Net OPEB Obligation relating to Early Retirement Plan: Healthcare

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Year Ended June 30,	Total OPEB Liability - Beginning	Service Cost	Interest	Changes of Benefit Terms	Changes of Assumptions	Differences Between Expected and Actual	Benefit Payments	Total OPEB Liability - End of Year	Estimated Covered Payroll	Total OPEB Liability as a % of Covered Payroll
2022	\$ 2,811,072	\$ 258,458	\$ 65,038	\$ -	\$ (188,815)	\$ (111,085)	\$ (254,647)	\$ 2,580,021	\$ 34,794,206	7%
2021	2,621,125	221,152	94,379	-	168,406	-	(293,990)	2,811,072	31,764,334	9%

The above table presents the most recent actuarial valuations for the District's post-retirement benefit.

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

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2022

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FROM FINAL BUDGET
REVENUES				
Local Sources	\$ 18,361,000	\$ 18,361,000	\$ 20,262,777	\$ 1,901,777
Intermediate Sources	1,338,970	1,338,970	1,352,834	13,864
State Sources	31,550,120	31,550,120	31,221,970	(328,150)
Total Revenue	51,250,090	51,250,090	52,837,581	1,587,491
EXPENDITURES				
Instruction	36,038,740	36,038,740 (1)	33,529,567	2,509,173
Support Services	21,159,225	21,159,225 (1)	21,162,629	(3,404)
Community Services	2,500	2,500 (1)	-	2,500
Debt Service	113,500	113,500 (1)	-	113,500
Operating Contingency	1,075,000	1,075,000 (1)	-	1,075,000
Total Expenditures	58,388,965	58,388,965	54,692,196	3,696,769
Excess of Revenues Over (Under) Expenditures	(7,138,875)	(7,138,875)	(1,854,615)	5,284,260
Net Change in Fund Balance	(7,138,875)	(7,138,875)	(1,854,615)	5,284,260
Beginning Fund Balance	9,900,000	9,900,000	9,335,586	(564,414)
Ending Fund Balance	<u>\$ 2,761,125</u>	<u>\$ 2,761,125</u>	<u>\$ 7,480,971</u>	<u>\$ 4,719,846</u>

(1) Appropriation level

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2022

SPECIAL REVENUE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FROM FINAL BUDGET
REVENUES				
Local Sources	\$ 2,967,750	\$ 2,967,750	\$ 1,071,451	\$ (1,896,299)
Intermediate Sources	215,618	215,618	401,641	186,023
State Sources	6,349,076	6,349,076	5,197,517	(1,151,559)
Federal Sources	11,534,927	11,534,927	6,426,016	(5,108,911)
Total Revenues	<u>21,067,371</u>	<u>21,067,371</u>	<u>13,096,625</u>	<u>(7,970,746)</u>
EXPENDITURES				
Instruction	7,948,488	7,948,488 (1)	6,520,467	1,428,021
Support Services	11,337,675	11,337,675 (1)	4,111,820	7,225,855
Enterprise and Community Services	2,354,008	2,354,008 (1)	2,229,277	124,731
Total Expenditures	<u>21,640,171</u>	<u>21,640,171</u>	<u>12,861,564</u>	<u>8,778,607</u>
Excess of Revenues Over (Under) Expenditures	(572,800)	(572,800)	235,061	(16,749,353)
OTHER FINANCING SOURCES (USES)				
Transfers In	100,000	100,000	-	(100,000)
Total Other Financing Sources	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Net Change in Fund Balance	(472,800)	(472,800)	235,061	707,861
Beginning Fund Balance	<u>2,060,000</u>	<u>2,060,000</u>	<u>2,668,405</u>	<u>608,405</u>
Ending Fund Balance	<u>\$ 1,587,200</u>	<u>\$ 1,587,200</u>	<u>\$ 2,903,466</u>	<u>\$ 1,316,266</u>

(1) Appropriation level

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2022

DEBT SERVICE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
REVENUES				
Local Sources	\$ 10,319,000	\$ 10,319,000	\$ 10,692,405	\$ 373,405
Other Sources	-	-	92,982	92,982
Total Revenue	<u>10,319,000</u>	<u>10,319,000</u>	<u>10,785,387</u>	<u>466,387</u>
EXPENDITURES				
Debt Service:				
Debt Services	<u>11,139,120</u>	<u>11,139,120 (1)</u>	<u>10,611,698</u>	<u>527,422</u>
Total Expenditures	<u>11,139,120</u>	<u>11,139,120</u>	<u>10,611,698</u>	<u>527,422</u>
Excess of Revenues Over (Under) Expenditures	(820,120)	(820,120)	173,689	993,809
Net Change in Fund Balance	(820,120)	(820,120)	173,689	993,809
Beginning Fund Balance	<u>1,015,570</u>	<u>1,015,570</u>	<u>1,502,451</u>	<u>486,881</u>
Ending Fund Balance	<u>\$ 195,450</u>	<u>\$ 195,450</u>	<u>\$ 1,676,140</u>	<u>\$ 1,480,690</u>

(1) Appropriation level

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2022

CAPITAL PROJECTS FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL BUDGET</u>
REVENUES				
Local Sources	\$ 890,000	\$ 890,000	\$ (5,578,673)	\$ (6,468,673)
Federal Sources	5,026,040	5,026,040	-	(5,026,040)
Total Revenue	<u>5,916,040</u>	<u>5,916,040</u>	<u>(5,578,673)</u>	<u>(11,494,713)</u>
EXPENDITURES				
Support Services	12,500,000	12,500,000 (1)	93,826	12,406,174
Facilities Acquisition Request	153,426,040	153,426,040 (1)	18,106,017	135,320,023
Contingencies	2,000,000	2,000,000 (1)	-	2,000,000
Total Expenditures	<u>167,926,040</u>	<u>167,926,040</u>	<u>18,199,843</u>	<u>149,726,197</u>
Excess of Revenues Over (Under) Expenditures	(162,010,000)	(162,010,000)	(23,778,516)	138,231,484
Net Change in Fund Balance	(162,010,000)	(162,010,000)	(23,778,516)	138,231,484
Beginning Fund Balance	<u>163,000,000</u>	<u>163,000,000</u>	<u>167,001,057</u>	<u>4,001,057</u>
Ending Fund Balance	<u>\$ 990,000</u>	<u>\$ 990,000</u>	<u>\$ 143,222,541</u>	<u>\$ 142,232,541</u>

(1) Appropriation level

NEWBERG SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED
For the Year Ended June 30, 2022

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2021	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED/ UNSEGREGATED/ June 30, 2022
General Fund						
CURRENT						
2021-22	\$ 19,428,669	506,564	(95,599)	9,731	18,412,344	\$ 423,893
PRIOR YEARS						
2020-21	370,197	237	(55,259)	14,057	166,821	161,937
2019-20	150,576	(32)	(14,720)	10,884	58,404	88,369
2018-19	81,762	(87)	(15,599)	11,340	36,507	41,084
2017-18	39,495	(1)	(10,517)	7,851	21,865	14,966
Prior Years	72,395	1	(12,535)	7,916	10,094	57,681
Total Prior	714,425	117	(108,630)	52,048	293,690	364,037
Total	\$ 20,143,094	\$ 506,681	\$ (204,229)	\$ 61,779	\$ 18,706,034	\$ 787,929

RECONCILIATION OF REVENUE:

Cash Collections by County Treasurer, Above	\$ 18,706,034
Accrual of Receivables	
June 30, 2022	109,874
June 30, 2021	(76,831)
Taxes in lieu	40,460
Total Revenue	<u>\$ 18,779,537</u>

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED
For the Year Ended June 30, 2022

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED July 1, 2021	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED/ UNSEGREGATED June 30, 2022
<u>Debt Service Fund</u>						
CURRENT						
2021-22	\$ 6,522,185	170,094	(32,065)	3,269	6,180,896	\$ 142,400
PRIOR YEARS						
2020-21	37,416	26	(3,385)	1,519	18,015	17,509
2019-20	24,815	(6)	(167)	1,974	10,590	16,038
2018-19	24,594	(26)	(4,595)	3,428	11,033	12,421
2017-18	26,914	(1)	(7,777)	5,238	14,307	10,069
Prior Years	49,516	-	(8,179)	5,471	6,729	40,079
Total Prior	163,255	(7)	(24,103)	17,629	60,673	96,116
Total	\$ 6,685,440	\$ 170,086	\$ (56,167)	\$ 20,898	\$ 6,241,569	\$ 238,515

RECONCILIATION OF REVENUE:

Cash Collections by County Treasurer, Above	\$ 6,241,569
Accrual of Receivables	
June 30, 2022	961
June 30, 2021	(19,921)
Taxes in lieu	94,218
Total Revenue	<u>\$ 6,316,827</u>

NEWBERG SCHOOL DISTRICT

OTHER INFORMATION

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

SUPPLEMENTAL INFORMATION
 AS REQUIRED BY THE OREGON DEPARTMENT OF EDUCATION
 For the Year Ended June 30, 2022

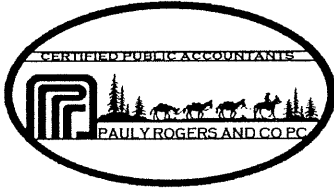
A.	ENERGY BILLS FOR HEATING - ALL FUNDS:		
		Objects 325, 326 & 327	
	Function 2542	\$	1,142,716
	Function 2550		-
		<u>\$</u>	<u>1,142,716</u>
B.	REPLACEMENT FOR EQUIPMENT - General Fund:	<u>\$</u>	<u>48,663</u>

Include all General Fund expenditures in object 542, except for the following exclusions:

Exclude These Functions	
1113, 1122 & 1132	Co-curricular Activities
1140	Pre-Kindergarten
1300	Continuing Education
1400	Summer School
4150	Construction
2550	Pupil Transportation
3100	Food Service
3300	Community Services

NEWBERG SCHOOL DISTRICT

REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS



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December 14, 2022

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Newberg School District (the District) as of and for the year ended June 30, 2022, and have issued our report thereon dated December 14, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of 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 basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe the Newberg School 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 as follows:

1. Expenditures of the various funds were within authorized appropriations except as noted on page 13 of this report.

OAR 162-10-0230 Internal Control

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

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

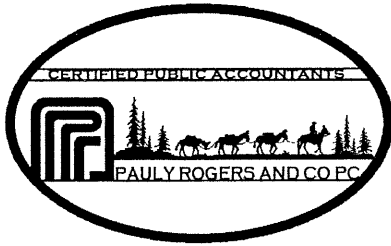
ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

NEWBERG SCHOOL DISTRICT

GRANT COMPLIANCE REVIEW

**NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022**

<u>Program Title</u>	<u>Pass Through Organization</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Period Covered</u>	<u>Expenditures</u>
U.S. Department of Education:					
Title I Grants to Local Educational Agencies	Oregon Department of Education	84.010	58318	07/01/20-09/30/21	\$ 145,634
	Oregon Department of Education	84.010	67027	07/01/21-09/30/22	513,504
Total Title I Grants to Local Education Agencies					<u>659,138</u>
Title III - Language Instruction	Oregon Department of Education	84.365	58490	07/01/21-09/30/22	14,163
	Oregon Department of Education	84.365	67151	07/01/21-09/30/22	11,270
Total Title III - Language Instruction					<u>25,433</u>
Title IIA - Teacher Quality	Oregon Department of Education	84.367	67460	07/01/21-09/30/22	79,986
Total Title IIA - Teacher Quality					<u>79,986</u>
Title IV Student Support and Academic Enrichment	Oregon Department of Education	84.424	58621	07/01/21-09/30/22	998
	Oregon Department of Education	84.424	66816	07/01/21-09/30/22	51,957
Total Title IV - Student Support					<u>52,955</u>
IDEA Part B Section 611 ARP	Oregon Department of Education	84.027	68432	07/01/21-09/30/22	93,412
IDEA Part B Section 611	Oregon Department of Education	84.027	68681	07/01/21-09/30/22	792,804
ORTII Participating District Grant	Oregon Department of Education	84.027	70166	09/01/21-08/30/22	10,725
	Oregon Department of Education	84.173	60540	07/01/21-09/30/22	4,999
Total Special Education Cluster					<u>901,940</u>
Governors Emergency Ed	Oregon Department of Education	COVID-19, 84.425C	60993	07/01/21-09/30/22	2,555
Elem & Secondary Sch Emergency Relief Fund	Oregon Department of Education	COVID-19, 84.425D	57865	03/13/20-09/30/22	459
Elem & Secondary Sch Emergency Relief Fund	Oregon Department of Education	COVID-19, 84.425D	64635	03/13/20-09/30/23	874,567
Elem & Secondary Sch Emergency Relief Fund	Oregon Department of Education	COVID-19, 84.425D	64940	03/13/20-09/30/23	1,047,005
ARP Homeless Children & Youth	Oregon Department of Education	COVID-19, 84.425	69372	04/23/21-09/30/24	21,849
Total Emergency Relief					<u>1,946,435</u>
Migrant Education - Summer School	Oregon Department of Education	84.011	WESD	07/01/21-09/30/22	109,551
	Oregon Department of Education	84.011	WESD	07/01/21-09/30/22	232,716
Total Migrant Education					<u>342,267</u>
Total U.S. Department of Education					<u>4,008,154</u>
U.S. Department of Agriculture:					
CNP NSLP - Breakfast	Oregon Department of Education	10.553		07/01/21-06/30/22	508,110
CNP NSLP - Lunch	Oregon Department of Education	10.555		07/01/21-06/30/22	1,756,542
USDA NSLP COVID Sponsor Reimb	Oregon Department of Education	10.555		07/01/21-06/30/22	16,954
NSLP Supply Chain Assistance	Oregon Department of Education	10.555		07/01/21-06/30/22	83,138
Commodities	Oregon Department of Education	10.555		07/01/21-06/30/22	154,633
Summer Food	Oregon Department of Education	10.559		07/01/21-06/30/22	144,859
Commodities	Oregon Department of Education	10.559		07/01/21-06/30/22	5,110
Fresh Fruit and Vegetable Program	Oregon Department of Education	10.582	69612	07/01/21-06/30/22	28,395
Total Child Nutrition Cluster					<u>2,697,741</u>
CNP SNAP State and Local P-EBT FF FY 22	Oregon Department of Education	10.649		07/01/21-06/30/22	3,063
Total CNP SNAP State and Local P-EBT					<u>3,063</u>
Total U.S. Department of Agriculture					<u>2,700,804</u>
Total Grants Expended or Passed Through to Subrecipients					<u>6,708,958</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE					<u>\$ 6,708,958</u>
Reconciliation to Statement of Revenues, Expenses, and Changes in Fund Balances:					
Federal Expenditures Recognized					\$ 6,708,958
Accruals / Deferrals					(1,467,293)
Federal Revenue on Statement of Revenues, Expenses, and Changes in Fund Balances					<u>\$ 5,241,665</u>



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December 14, 2022

To the Board of Directors
Newberg School District
Yamhill County, Oregon

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newberg School District as of and for the year ended June 30, 2022 and the related notes to the basic financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 14, 2022.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

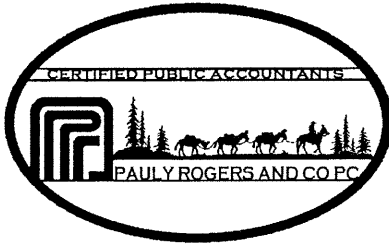
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the basic financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. 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 internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



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December 14, 2022

To the Board of Directors
Newberg School District
Yamhill County, Oregon

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Newberg School District's (the 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 major federal programs for the year ended June 30, 2022. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of 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 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 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. 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.

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

**NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Basic Financial Statements

Type of Auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Noncompliance material to basic financial statements noted? Yes No

Any GAGAS audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of major programs:

CFDA Number(s):

84.425D
10.553, 10.555, 10.559
84.027, 84.173

Name of Federal Program:

ESSER II, ESSER III
CHILD NUTRITION CLUSTER
SPECIAL EDUCATION CLUSTER (IDEA)

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-FS-1

Condition – We found that the District’s Zion Bank Investment account was not being adjusted mark to market. This lead to a \$7,990,358 impairment.

Criteria – Investment accounts should be periodically adjusted via mark to market.

Effect – Without periodic account adjustments, there is a higher risk of cash being materially over or understated at year end.

Cause – The District did not have procedures in place to periodically adjust the investment account to market value

Recommendation – We recommend that the District institutes a procedure to periodically adjust investment account via mark to market.

Management's Response – The District will be implementing a procedure to mitigate impairment through periodic mark to market adjustments.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

2022-FA-1

Federal Program – Child Nutrition Cluster

Condition – Reimbursement journal entries were incorrectly booked. Entries were not corrected through a Reviewal process.

Criteria – All manual entries should be reviewed by someone who is not the preparer before they are booked.

Effect – Without a review process, a breakdown in internal controls may occur which can lead to material misstatement.

Cause – The District was in flux, and did not have set experienced staff in place due to turnover.

Recommendations – We recommend that all journal entries are reviewed and approved by someone other than the preparer before they are booked.

Management's Response – The District has new business office administrators that are following the correct internal review procedures.

NEWBERG SCHOOL DISTRICT
NEWBERG, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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