

SEASIDE SCHOOL DISTRICT 10
Special Meeting of the Board of Directors - Minutes
Wednesday, June 14, 2023, 3:00 pm
Virtual via ZOOM

PRESENT:

Board Members: Brian Taylor, Sondra Gomez, Mark Truax, Chris Corder, and Brian Owen. Absent: Michelle Hawken and Shannon Swedenborg.

Administration: Superintendent Susan Penrod, Assistant Superintendent Sarah Shields, Business Manager Toni Vandershule.

Staff: In Person: IT Specialist Greg Dotson, Executive Assistant Leslie Garvin.

Others: Brad Turano, Jennifer Collins, and Brett Duer

1. **CALL TO ORDER**

Chair Brian Taylor called the Special Meeting of the Board to order. A quorum of the Board was present.

2. **PLEDGE OF ALLEGIANCE**

3. **AGENDA REVIEW**

4. **Presentation of the Audit Report for the Year Ending June 30, 2022**

Auditor Brad Turano, from Pauly Roger and Co., projected the document *Communication to the Governing Body* (attached). Turano reviewed the document. Turano brought the Board's attention to the information about the new GASB 96 rule on page 4. Turano noted that overall Toni Vandershule and Jennifer Collins at the ESD did a good job and he is reporting a clear audit.

5. **GOOD OF THE ORDER**

Superintendent Penrod said that both she and Toni have shared their concerns with the auditors, about their timeline. She said her big question for them was *how we can ensure the audit isn't late next year*. Toni explained that part of the solution is that an interim audit will begin in July.

Penrod noted that the audit report will be posted to our website (Finance page) and that she will send an email out to the Budget Committee.

Penrod noted some upcoming meeting dates. On June 20, 2023, there is a scheduled Budget Committee meeting at 6:00 pm, with a Regular Meeting of the Board immediately following the Budget Committee meeting. She continued, informing the Board that an additional Board meeting will need to be scheduled, at least five days after the Budget Committee approves the budget, but before July 1, to adopt the budget. Penrod noted that June 27, 2023 is tentatively set for this meeting.

Penrod also explained that we normally don't have a July meeting, but during election years, it is required that the Board have a meeting in July, and the third Tuesday of the month, July 18, 2023 at

6:00 pm is the tentative date. She spoke briefly about the softball field project and the possible need for a July meeting to keep the project moving forward. Board members spoke briefly about dates they are not available in July.

6. **ADJOURN REGULAR SESSION**

7. **NEXT MEETING OF THE BOARD OF DIRECTORS**

- Tuesday, June 20, 2023 – Budget Committee Meeting
- Tuesday, June 20, 2023 – Regular Session

Leslie Garvin
Executive Assistant

SEASIDE SCHOOL DISTRICT
CLATSOP COUNTY, OREGON

COMMUNICATION TO THE GOVERNING BODY

FOR THE YEAR ENDED JUNE 30, 2022



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January 10, 2023

To the Board of Directors
Seaside School District
Clatsop County, Oregon

We have audited the basic financial statements of the governmental activities and each major fund of Seaside School District (the District) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards and the Uniform Guidance*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Purpose of the Audit

Our audit was conducted using sampling, inquiries and analytical work to opine on the fair presentation of the basic financial statements and compliance with:

- generally accepted accounting principles and auditing standards
- the Oregon Municipal Audit Law and the related administrative rules
- federal, state and other agency rules and regulations related to expenditures of federal awards

Our Responsibility under U.S. Generally Accepted Auditing Standards and Uniform Guidance

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the basic financial statements does not relieve you or management of your responsibilities. Our engagement letter details our nonaudit services we provide; these services do not constitute an audit under Government Auditing Standards.

In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

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, noncompliance with which could have a direct and material effect on the determination of the basic financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about compliance with the types of compliance requirements described in the OMB's Compliance Supplement applicable to each of the major federal programs for the purpose of expressing an opinion on compliance with those requirements. While our audit provided a reasonable basis for our opinion, it does not provide a legal determination on compliance with those requirements.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas to be tested.

Our audit included obtaining an understanding of the District and its environment, including internal control, sufficient to assess the risks of material misstatement of the basic financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District. We also communicated any internal control related matters that are required to be communicated under professional standards.

Results of Audit

1. Audit opinion letter - an unmodified opinion on the basic financial statements has been issued. This means we have given a "clean" opinion with no reservations.
2. State minimum standards – We found no exceptions or issues requiring comment except as noted on page 63 of the financial report.
3. Federal Awards - We found no issues of non-compliance and no questioned costs. We have responsibility to review these programs and give our opinion on the schedule of expenditures of federal awards, and tests of the internal control system, compliance with laws and regulations, and general and specific requirements mandated by the various awards.
4. Management letter – No separate management letter was issued.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2022, except for the implementation of GASB Statement No. 87 *Leases*. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the basic financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates in the basic financial statements are Management's estimate of Accounts Receivable, PERS pension liability and deferrals, OPEB liability and deferrals for Health Insurance and Stipends, and OPEB asset and deferrals for RHIA, capital asset depreciation and value of investments which are based on estimated collectability of receivables, actuarial assumptions, useful lives of assets, and fair market values. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

Pauly, Rogers and Co., P.C.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements or determined that their effects are immaterial. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, taken as a whole. There were immaterial uncorrected misstatements noted during the audit which were discussed with management. The uncorrected misstatements or the matters underlying them could potentially cause future period basic financial statements to be materially misstated, even if, in our judgment, such uncorrected misstatements are immaterial to the basic financial statements under audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Required Supplementary Information

We applied certain limited procedures to the required supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on it, except for the budgetary statements presented as required supplementary information.

Supplementary Information

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

Other Information

We were not engaged to report on the other information, as listed in the table of contents, or the listing of Board Members, located before the table of contents, which accompanies the basic financial statements but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Matters – Future Accounting and Auditing Issues

In order to keep you aware of new auditing standards issued by the American Institute of Certified Public Accountants and accounting statements issued by the Governmental Accounting Standards Board (GASB), we have prepared the following summary of the more significant upcoming issues:

GASB 91 – CONDUIT DEBT OBLIGATIONS

This Statement is effective for fiscal years beginning after December 15, 2021, as extended by GASB 95. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB 96 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The effective date for this Statement is for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

GASB 97 – CERTAIN COMPONENT UNIT CRITERIA, AND ACCOUNTING AND FINANCIAL REPORTING FOR INTERNAL REVENUE CODE SECTION 457 DEFERRED COMPENSATION PLANS – AN AMENDMENT OF GASB 14 & 84, AND A SUPERSESSION OF GASB 32

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the

applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

GASB 99 – OMNIBUS 2022

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Best Practices – Not Significant Deficiencies

1. Governing Body Monitoring

An integral part of internal controls is the monitoring of financial activities by those charged with the governance (the Board). This can be accomplished by asking specifically designed questions to senior staff, by reviewing basic financial statements and projections and by comparing financial results to pre-established benchmarks. While the Board participates in the budget adoption process and receives staff prepared basic financial statements, these only partially fulfill the monitoring function.

We recommend that the Board of Directors articulate their monitoring practices and record in the minutes when those activities occur.

2. Fidelity Insurance Coverage

In reviewing fidelity (employee honesty) insurance coverage we noticed that the District often carries cash and investment balances in excess of the insurance coverage amount. We recommend that the Board of Directors examine this exposure risk and make a determination as to the amount of insurance coverage they feel is prudent in regard to their oversight.

3. Service Organizations

The District has contracted with a service provider for accounting and information technology services. The service provider does not have a SSAE 16 (service provider) report or internal control report covering their operations, accounting processing and information technology controls. The possibility exists that errors or irregularities could exist and not be detected. While nothing came to our attention during our testing, we recommend the Governing Body review the risks regarding this matter and consider getting assurance from the service provider that will reduce risks, including being named on their insurance policies.

4. 403(b) Compliance Requirements

The Internal Revenue Service (IRS) has published 403(b) regulations providing guidance on several administrative compliance requirements. A third party has been contracted with to outsource compliance with these requirements. Noncompliance subjects the District to potential penalties and fines. Since the third party provider does not provide the District with a SSAE 16 service provider report or internal control report covering their operations, we recommend that the District monitor current practices to determine compliance with accountability requirements for the Section 403(b) plan and consider the sufficiency of documentation received from the third party vendor to reduce the District risks in this area. The District should also consider being named as an additional insured on the vendors' insurance policies.

5. Confidential Reporting

During our review of our auditor employee questionnaires, it was mentioned that some employees are unaware of a confidential method to report suspicious activity. We recommend that all employees have a confidential method to inform management of any suspicious activity, without fear of retribution or negative consequences.

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



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