

HARNEY COUNTY SCHOOL DISTRICT NO. 3

**INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS
AND
SINGLE AUDIT**

For the Year Ended June 30, 2023



HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
BOARD OF DIRECTORS AND OFFICIALS
June 30, 2023

BOARD OF DIRECTORS

<u>NAME</u>	<u>ADDRESS</u>	<u>POSITION</u>
Randy Fulton	PO Box 332 Burns, OR 97720	1 – Director
Doug Furr	17 Fairview Hts Lp Burns, OR 97720	2 –Vice Chair
Joe Wright	PO Box 1253 Hines, OR 97738	3 – Director
Chad Boyd	65357 Reponen Rd Burns, OR 97720	4 – Director
Rob Frank	PO Box 1381 Hines, OR 97738	5 – Chair

ADMINISTRATIVE STAFF

Robert Medley	Superintendent
Robert Medley	Burns High School Principal
Son Burns	Hines Middle School Principal
Steph Lardy	Slater Elementary School Principal
Brandi Fulton	Monroe School Principal
Cara Wilber, Oster Professional Group, CPAs	Business Manager

190 Hines Blvd
Burns, OR 97720
Telephone (541) 573-6811
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Burns, Harney County, Oregon
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June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Harney County School District No. 3
Burns, Harney County, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harney County School District No. 3, Burns, Oregon (the district), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the county as of June 30, 2023, 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 auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the district and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the district's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited the district's 2022 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

The schedules of PERS proportionate share of net pension liability and PERS contributions, schedules of RHIA proportionate share of Net OPEB liability and RHIA contributions, schedules of changes in OEGB total OPEB liability and OEGB contributions, and budget to actual schedule for the General Fund and Special Revenues Fund as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the district's basic financial statements. The accompanying budgetary comparison information, the supplementary schedules as listed in the table of contents, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, the supplementary schedules as listed in the table of contents, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are the responsibility of management and were derived from and relate 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 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 budgetary comparison information, the supplementary schedules as listed in the table of contents, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Reports on Other Legal and Regulatory Requirements

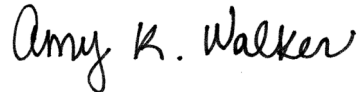
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2023, on our consideration of the district's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering the district's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 18, 2023, on our consideration of the district's 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.

A handwritten signature in black ink that reads "Amy K. Walker". The signature is written in a cursive, flowing style.

For Solutions, CPAs PC
John Day, Oregon
December 18, 2023

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

As management of Harney County School District No. 3 (the district), we offer readers of the district's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- Reported in the government-wide financial statements on June 30, 2023, the district's assets exceeded its liabilities by \$3,498,437. This is primarily due to the increase in capital assets of \$74,240, increases in prepaid expenses of \$329,321 and a decrease in total liabilities by \$814,815.
- The district's net investment in capital assets totaled \$3,472,789.
- The district's total net position increased by \$1,495,310. Revenues increased by \$1,117,441 and expenditures increased by \$783,930.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The district's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position: The Statement of Net Position presents information on all of the assets and liabilities of the district at year end. Net Position is the difference remaining after liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the district is improving or deteriorating.

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

In the government-wide financial statements, the district's activities are shown in one category:

Governmental activities: Most of the District's basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, facilities acquisition, and construction. These activities are primarily financed through property tax revenues, Oregon State School Fund, and other intergovernmental revenues.

The government-wide financial statements can be found on pages 14 through 16 of this report.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

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

The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Activities.

The district maintains three major individual governmental funds and one nonmajor fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Special Revenue Fund, and Debt Service Fund, all of which are considered to be major funds. The basic governmental funds financial statements can be found on pages 17 through 23 of this report. The Capital Projects Fund is the only nonmajor fund, so its information is also presented separately within the governmental fund's financial statements.

Notes to Basic Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 24 through 52 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the General Fund and Special Revenues Fund. Required supplementary information can be found on pages 55 through 62 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the district, assets exceed liabilities by \$3,498,437 on June 30, 2023. As mentioned previously, the district carries significant debt through the General Obligation and Pension bonds. With the advent of GASB Statement No. 68, prepaid pension contributions are not recognized. The district's proportionate share of the net pension liability was zero percent due to the significant side account invested at PERS on the District's behalf.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

Assets

Capital assets consist of the district's land, buildings, building improvements, vehicles, and equipment, which represent approximately 39.73% of total assets. For the year ended June 30, 2023, significant investments in capital assets included enhanced audio and visual upgrades to all classrooms and a new 77 passenger bus. The remaining assets consist mainly of investments, cash, grants receivable, and property taxes receivable.

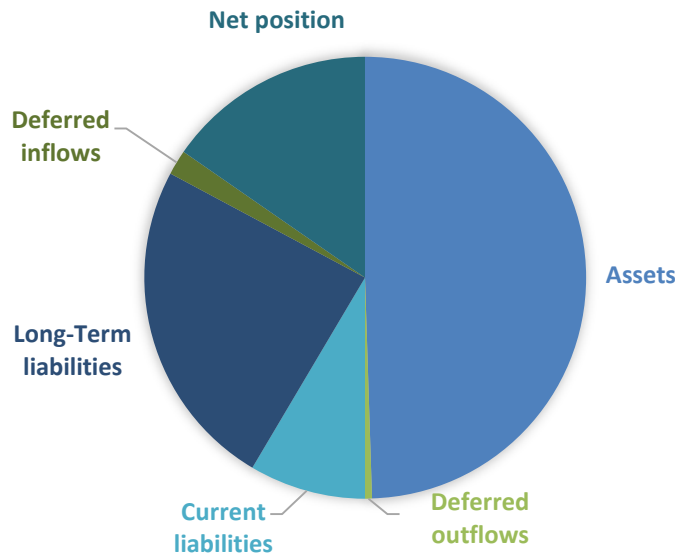
Liabilities

The district's largest liability consists of two PERS Bond issues (2002 and 2003). The bonds were sold to finance the PERS unfunded actuarial liability (UAL). On June 30, 2023, the bonds totaled \$5,405,000.

In addition, the district has a 2006 General Obligation Bond, which was issued to finance capital construction and improvements. The bonds were refunded in 2018 with an estimated savings of \$128,300. The principal balance totaled \$545,209 and matures in 2026.

The district's liabilities also include loans and leases related to the purchase or use of assets such as buses, copiers, and other equipment.

A liability is also reported to reflect the implicit rate subsidy for the district's retiree health insurance. The implicit rate subsidy is produced by State Statute that requires the district to offer health insurance to retirees at the lower rate paid for current employees until the retiree turns 65 years of age. In an open, private market, retirees would pay higher premiums to cover increased healthcare costs related to their age. The lower rates enjoyed by the district's retirees creates a net OPEB liability that the district is required to record on its financial statements. Further information can be found in Notes 17 and 18 in the notes to the financial statements.



HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

Condensed Statement of Net Position
June 30, 2023

	Governmental Activities		
	2023	2022	Difference
Current and other assets	\$ 6,803,191	\$ 5,924,845	\$ 878,346
Capital assets, net of accumulated depreciation	4,484,776	4,410,536	74,240
Total assets	<u>11,287,967</u>	<u>10,335,381</u>	<u>952,586</u>
Deferred outflows of resources	113,160	190,811	(77,651)
Total deferred outflows of resources	<u>113,160</u>	<u>190,811</u>	<u>(77,651)</u>
Current liabilities	1,942,332	1,362,878	579,454
Long-term debt	5,539,151	6,933,420	(1,394,269)
Total liabilities	<u>7,481,483</u>	<u>8,296,298</u>	<u>(814,815)</u>
Deferred inflows of resources	421,207	640,862	(219,655)
Total deferred inflows of resources	<u>421,207</u>	<u>640,862</u>	<u>(219,655)</u>
Net position			
Net investment in capital assets	3,472,789	3,138,605	334,184
Restricted for special programs	353,981	339,270	14,711
Restricted for debt service	92,027	66,742	25,285
Restricted for capital projects	353,898	434,836	(80,938)
Unrestricted	(774,258)	(2,390,422)	1,616,164
Total net position	<u>\$ 3,498,437</u>	<u>\$ 1,589,031</u>	<u>\$ 1,909,406</u>

The district's net position of \$3,498,437 is partially due to increases of current assets, including cash and short-term receivables, of \$878,346 and increases of assets, net of accumulated depreciation and amortization of \$74,240. Long-term debt was also reduced by \$1,394,269 because of principal payments made during 2023. Net investments in capital assets make up the largest portion of district equity. The district uses these capital assets to provide services to students, staff, and other District residents; consequently, these assets are not available for future spending.



HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

Condensed Statement of Changes in Net Position
For the year ended June 30, 2023

	Governmental Activities		
	2023	2022	Difference
Revenues			
Program revenues			
Charges for services	\$ 1,380,476	\$ 1,276,851	\$ 103,625
Operating grants and contributions	2,892,924	2,825,974	66,950
General revenues			
Property taxes	2,649,328	2,275,427	373,901
State school fund - general support	7,065,402	6,799,315	266,087
Other state and local sources	82,535	73,282	9,253
Other federal sources	98,674	99,711	(1,037)
Other unrestricted sources	1,085,007	954,848	130,159
Interest on investments	179,087	30,030	149,057
Miscellaneous	297,581	278,135	19,446
Gain (Loss) on Sale of Property	(17,272)	-	(17,272)
Total revenues	<u>15,713,742</u>	<u>14,613,573</u>	<u>1,100,169</u>
Expenses			
Instruction	7,666,590	7,317,245	349,345
Support services	5,372,724	5,015,805	356,919
Enterprise and community services	424,981	379,029	45,952
Facilities acquisition and construction	25,271	-	25,271
Interest on long-term debt	728,866	722,422	6,444
Total expenses	<u>14,218,432</u>	<u>13,434,501</u>	<u>783,931</u>
Change in Net Position	1,495,310	1,179,072	316,238
Net Position - July 1,	1,589,031	409,959	1,179,072
Prior period adjustment	414,096	-	414,096
Net Position - June 30	<u>\$ 3,498,437</u>	<u>\$ 1,589,031</u>	<u>\$ 1,909,406</u>

For the year ended June 30, 2023, revenues increased \$1,100,169 from the previous year. The largest source of revenue is from the State school fund, which decreased by \$266,087 compared to the prior year, mainly due to increased enrollment. The district also receives a significant amount of revenues related to property taxes collected through the county.

Expenses increased by \$783,931 compared to the prior year. The main expenditure for the district is related to instruction costs of \$7,666,590 and support services of \$5,372,724.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

General Fund: The General Fund is the primary operating fund of the district. As of June 30, 2023, unassigned budget basis fund balance was \$4,865,190. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The fund balance represents approximately 50.8% of total General Fund expenditures (not including transfers).

The General Fund reported \$2,215,527 in tax revenue compared to \$2,104,182 in the prior year, which is an increase of \$111,345 attributable to increased collection rates at the county and assessed property values in the taxing district. Total revenue increased from \$9,726,104 in 2022 to \$10,297,884 in 2023.

Salaries and insurance benefits were increased for both certified and classified staff as a result of bargaining with both groups.

Special Revenue Fund: Special Revenue Funds are designated for specific programs and are primarily funded from federal and state grants, state contract, food service grants, student-athlete participation fees and elementary student body fund raising. The Special Revenue Fund has a restricted fund balance totaling \$353,981 with the majority comprised of the Student Body Funds.

Debt Service Fund: The Debt Service Fund has a fund balance of \$92,027, which is restricted for the payment of debt. This fund accounts for the payment of the District's PERS UAL bonds and payment of its General Obligation Bond issued in 2006.

Capital Projects Fund: The Capital Projects Fund is designated for District capital purchases and/or improvements to buildings and has a fund balance of \$353,898 on June 30, 2023. The entire balance is assigned for the purpose of providing funds for capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund Budget is primarily supported by property tax revenues and state resources allocated through the State School Fund. For the year ended June 30, 2023, state sourced funding provided 69.6% of the district's program resources for the General Fund. Revenues were over budget by \$703,434 and expenditures were under budget by \$2,090,186.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets includes land, building, and improvements, vehicles and equipment, and construction in progress. As of June 30, 2023, the District had invested \$4,484,776 in capital assets, net of accumulated depreciation. The district's net investment in capital assets increased by \$74,240.

Additional information on the district's capital assets can be found in Note 5 on pages 32 through 33 of this report.

Long-Term Debt: At the end of the current fiscal year, the district's bonded debt totaled \$5,950,209. Of this amount, the pension bonds totaled \$5,405,000, and the General Obligation bond balance totaled \$545,209. The bonds were refunded with approximate \$128,300 savings in 2018.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

Additional information on the district's long-term debt can be found in notes 6 through 11 on pages 33 through 36 and on pages 81 and 82 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors and Next Year's Budget

The district's 2023-2024 budget is based on the approximate \$9.9 billion statewide education budget proposed by the governor for the 2023-2025 biennium. The total adopted budget includes expenditure appropriations of approximately \$19,633,379 and includes an ad valorem tax rate of 4.8662 per \$1,000 of assessed property value for a permanent tax rate subject to the education limitation and \$219,850 excluded from the limitation for debt service for general obligation bonds. The board approved \$935,884 as unappropriated ending fund balance.

The district's enrollment has leveled out and is holding into the 2023-2024 fiscal year. The district added a half-time Vice Principal at the Elementary school. The high school transitioned the Vice Principal position into a TOSA Dean of Students position.

This will be the last year of grant funding through ESSER, plans are to upgrade HVAC at the high school, purchase activity vehicles for transportation, retention bonuses, and a few other small projects, besides continuing to support student lost learning opportunities.

High School Success funding supports the CTE programs at the high school. CTE programs offered are welding, woodshop, horticulture, and health sciences. Funding is also used to promote higher graduation rates, school culture, and decrease dropout rates.

The district continues to utilize Student Success Act funding to provide two counselors, an elementary teacher, an additional SPED teacher, a district nurse, a part-time parent coordinator, and a half-time AVID coordinator. After school programs are also highlighted as an opportunity for students to grow academically and socially. The district continues to widely support the continuation of the AVID program for the entire school community.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) a general overview of the district's finances as well as demonstrate the district's accountability. Questions concerning any of the information provided in this report or requests for additional information can be obtained by calling the district's business office at (541) 573-6811 or by sending a written request to: Harney County School District No. 3, Business Office 190 Hines Blvd; Burns, OR 97720.

BASIC FINANCIAL STATEMENTS

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HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
STATEMENT OF NET POSITION
June 30, 2023
(With Comparative Totals for 2022)

	Governmental Activities	
	June 30, 2023	June 30, 2022
ASSETS		
Cash and investments	\$ 5,272,897	\$ 4,797,436
Receivables		
Property taxes	353,975	163,437
Other	845,597	962,290
Prepaid expenses	329,321	-
Discount on bonds payable (net of amortization)	1,401	1,682
Capital assets (net of accumulated depreciation and amortization)		
Construction in progress	29,965	444,460
Land improvements	632,720	699,254
Buildings	1,947,231	2,149,642
Equipment	1,503,374	737,264
Leased assets (intangible assets)	371,486	379,916
Total capital assets	4,484,776	4,410,536
Total assets	11,287,967	10,335,381
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions/OPEB	113,160	190,811
LIABILITIES		
Current liabilities		
Accounts payable	109,155	82,021
Accrued liabilities	425,574	430,706
Current portion of long-term debt	1,407,603	850,151
Total current liabilities	1,942,332	1,362,878
Long term liabilities		
Net OPEB obligation	529,767	564,276
Leases and Loans payable	466,778	518,328
General obligation bonds payable	545,209	753,603
Pension bonds payable	5,405,000	5,947,364
Less current portion of long term debt	(1,407,603)	(850,151)
Total long term liabilities	5,539,151	6,933,420
Total liabilities	7,481,483	8,296,298
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to property tax and grant revenues	286,539	385,992
Deferred inflows related to OPEB	134,668	254,870
Total deferred revenues	421,207	640,862
NET POSITION		
Net investment in capital assets	3,472,789	3,138,605
Restricted for special programs	353,981	339,270
Restricted for debt service	92,027	66,742
Assigned for capital projects	353,898	434,836
Unrestricted (deficit)	(774,258)	(2,390,422)
Total net position	\$ 3,498,437	\$ 1,589,031

The Notes to Basic Financial Statements are an integral part of these statements.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
 Burns, Harney County, Oregon
STATEMENT OF ACTIVITIES
 For the Year Ended
 June 30, 2023
 (With Comparative Totals for 2022)

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs			
Governmental activities			
Instruction			
Regular programs	\$ 5,796,363	\$ 75,111	\$ 503,103
Special programs	1,710,375	-	1,748,074
Adult education programs	101,323	-	-
Summer school programs	58,528	-	-
Supporting services			
Students	892,997	-	192,868
Instructional staff	190,500	-	98,817
General administration	252,944	-	-
School administration	1,164,246	-	-
Business services	2,467,432	-	58,743
Central support services	404,605	-	-
Enterprise and community services			
Food services	388,214	30,811	266,319
Community services	36,767	-	-
Facilities acquisition and construction	25,271	-	25,000
Interest paid on long-term debt	728,866	1,274,554	-
Total governmental activities	\$ 14,218,431	\$ 1,380,476	\$ 2,892,924

General revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- State school fund
- Common school fund
- Other federal grants
- Other unrestricted funds
- Unrestricted investment earnings
- Miscellaneous

Total general revenues

Gain from sale of fixed assets

Changes in net position

Net position - beginning

Prior period adjustment

Net position - ending

The Notes to Basic Financial Statements are an integral part of these statements.

Net (Expense) Revenue and Changes in Net Position	
Governmental Activities	
June 30, 2023	June 30, 2022
\$ (5,218,149)	\$ (4,978,365)
37,699	(7,150)
(101,323)	(90,239)
(58,528)	(57,370)
(700,129)	(581,138)
(91,683)	(141,521)
(252,944)	(347,849)
(1,164,246)	(1,054,111)
(2,408,689)	(2,167,761)
(404,605)	(374,731)
(91,084)	30,707
(36,767)	(36,046)
(271)	-
545,688	473,898
<u>(9,945,031)</u>	<u>(9,331,676)</u>
2,417,430	2,066,460
231,897	208,967
7,065,402	6,799,315
82,535	73,282
98,674	99,711
1,085,007	954,848
179,087	30,030
297,581	278,135
<u>11,457,613</u>	<u>10,510,748</u>
<u>(17,272)</u>	<u>-</u>
1,495,310	1,179,072
1,589,031	409,959
414,096	-
<u>\$ 3,498,437</u>	<u>\$ 1,589,031</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023
(With Comparative Totals for 2022)

	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>
	General	Special	Debt Service	Nonmajor
	Fund	Revenue	Fund	Capital Projects
	Fund	Fund	Fund	Fund
ASSETS				
Cash and investments	\$ 4,831,477	\$ -	\$ 87,522	\$ 353,898
Receivables				
Property taxes	324,196	-	30,629	-
Other	52,774	791,973	-	-
Prepaid expenses	329,321	-	-	-
Due from other funds	122,963	-	-	-
Total assets	<u>\$ 5,660,731</u>	<u>\$ 791,973</u>	<u>\$ 118,151</u>	<u>\$ 353,898</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 81,291	\$ 27,330	\$ -	\$ -
Accrued liabilities	424,948	287,699	-	-
Due to other funds	-	122,963	-	-
Total liabilities	<u>506,239</u>	<u>437,992</u>	<u>0</u>	<u>0</u>
Deferred inflows of resources				
Unavailable property tax revenue	289,302	-	26,124	-
Total deferred inflows of resources	<u>289,302</u>	<u>0</u>	<u>26,124</u>	<u>0</u>
Fund balances				
Restricted	-	353,981	92,027	-
Assigned	-	-	-	353,898
Unassigned	4,865,190	-	-	-
Total fund balances	<u>4,865,190</u>	<u>353,981</u>	<u>92,027</u>	<u>353,898</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,660,731</u>	<u>\$ 791,973</u>	<u>\$ 118,151</u>	<u>\$ 353,898</u>

The Notes to Basic Financial Statements are an integral part of these statements.

Total	
June 30, 2023	June 30, 2022
\$ 5,272,897	\$ 4,797,433
354,825	164,317
844,747	961,409
329,321	-
122,963	175,643
<u>\$ 6,924,753</u>	<u>\$ 6,098,802</u>
\$ 108,621	\$ 81,786
712,647	816,932
122,963	175,643
<u>944,231</u>	<u>1,074,361</u>
<u>315,426</u>	<u>98,436</u>
<u>315,426</u>	<u>98,436</u>
446,008	406,012
353,898	434,836
4,865,190	4,085,157
<u>5,665,096</u>	<u>4,926,005</u>
<u>\$ 6,924,753</u>	<u>\$ 6,098,802</u>

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HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION**
June 30, 2023

Total Fund Balances		\$ 5,665,096
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 12,074,530	
Accumulated depreciation	<u>(7,589,756)</u>	4,484,774
A portion of the district's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		315,428
Current year PERS contributions are deferred outflows of resources that will be recognized as an expense in the subsequent period.		235,579
Deferred outflows and inflows related to pensions/OPEB are not reported by the governmental funds.		(257,087)
The summarized portion of bond discounts is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds.		1,401
Liabilities not payable in the current year are not reported as governmental fund liabilities. These liabilities consist of:		
Net OPEB obligation	\$ (529,767)	
Leases and Loans payable	(466,778)	
General obligation bonds payable	(545,209)	
Pension bonds payable	<u>(5,405,000)</u>	<u>(6,946,754)</u>
Total Net Position		<u><u>\$ 3,498,437</u></u>

The Notes to Basic Financial Statements are an integral part of these statements.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**

For the Year Ended
June 30, 2023
(With Comparative Totals for 2022)

	100 General Fund	200 Special Revenue Fund	300 Debt Service Fund	400 Nonmajor Capital Projects Fund
Revenues				
Taxes	\$ 2,215,527	\$ -	\$ 216,812	\$ -
Intergovernmental	7,678,530	3,327,017	167	25,000
Miscellaneous	403,827	315,513	1,278,557	53,076
Total revenues	<u>10,297,884</u>	<u>3,642,530</u>	<u>1,495,536</u>	<u>78,076</u>
Expenditures				
Current				
Instruction				
Regular programs	4,456,712	1,149,321	-	-
Special programs	663,941	1,001,938	-	-
Adult/continuing education program	27,322	74,716	-	-
Summer school programs	-	58,528	-	-
Support services				
Students	469,227	388,029	-	-
Instructional staff	91,354	99,644	-	-
General administration	244,324	12,577	-	-
School administration	988,297	133,861	-	-
Business services	2,144,018	309,020	-	-
Central support services	353,171	36,213	-	-
Enterprise and community services	-	427,834	-	-
Facilities acquisition and construction	-	-	-	25,271
Capital outlay	141,408	369,364	-	55,263
Debt service	-	-	1,470,251	78,480
Total expenditures	<u>9,579,774</u>	<u>4,061,045</u>	<u>1,470,251</u>	<u>159,014</u>
Excess of revenues over (under) expenditures	<u>718,110</u>	<u>(418,515)</u>	<u>25,285</u>	<u>(80,938)</u>
Other financing sources (uses)				
Transfer in	-	351,139	-	-
Transfer out	(351,139)	-	-	-
Proceeds on sale of assets	68,965	12,088	-	-
Total other financing sources (uses)	<u>(282,174)</u>	<u>363,227</u>	<u>0</u>	<u>0</u>
Net change in fund balances	435,936	(55,288)	25,285	(80,938)
Fund balance, July 1	4,085,157	339,270	66,742	434,836
Prior period adjustment	344,097	69,999	-	-
Fund balance, June 30 - by category				
Restricted	-	353,981	92,027	-
Assigned	-	-	-	353,898
Unassigned	4,865,190	-	-	-
Fund balance, June 30 - total	<u>\$ 4,865,190</u>	<u>\$ 353,981</u>	<u>\$ 92,027</u>	<u>\$ 353,898</u>

The Notes to Basic Financial Statements are an integral part of these statements.

Total	
June 30, 2023	June 30, 2022
\$ 2,432,339	\$ 2,316,238
11,030,714	10,622,307
2,050,973	1,715,839
<u>15,514,026</u>	<u>14,654,384</u>
5,606,033	5,304,485
1,665,879	1,656,375
102,038	90,440
58,528	57,369
857,256	770,692
190,998	217,400
256,901	351,382
1,122,158	1,013,291
2,453,038	2,230,448
389,384	358,971
427,834	379,866
25,271	-
566,035	547,499
1,548,731	1,469,973
<u>15,270,084</u>	<u>14,448,191</u>
<u>243,942</u>	<u>206,193</u>
351,139	439,988
(351,139)	(439,988)
81,053	-
<u>81,053</u>	<u>0</u>
324,995	206,193
4,926,005	4,719,812
414,096	-
<u>446,008</u>	<u>406,012</u>
353,898	434,836
4,865,190	4,085,157
<u>\$ 5,665,096</u>	<u>\$ 4,926,005</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
For the Year Ended
June 30, 2023

Net Change in Fund Balance		\$ 324,995
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation or amortization expense:		
Expenditures for capital assets	\$ 519,550	
Less current year depreciation and amortization	<u>(473,930)</u>	45,620
Difference between current year PERS contributions that will be recognized as an expense in the subsequent period and prior year PERS contributions recognized in the current year.		(3,645)
Changes in net pension/OPEB liability and related deferred outflows and inflows are not recognized in the current year in the governmental funds.		80,705
Long-term debt payments are reported as debt service expenditures in governmental funds. In the Statement of Net Position, however, payment on long-term debt decreases liabilities:		
Principal payments on long-term debt	\$ 827,244	
Principal payments on leases payable	<u>102,007</u>	929,251
Governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences:		
Amortization of discount on bonds payable		(281)
In the Statement of Activities income is recorded for the disposal of an asset whereas the general fund did not recognize with no affect on cash.		(98,325)
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.		<u>216,990</u>
Change in Net Position		<u><u>\$ 1,495,310</u></u>

The Notes to Basic Financial Statements are an integral part of these statements.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies

On November 8, 1988, the voters of Burns Union High School District No. 2 voted to extend the course of study to include kindergarten through grade 12. As a result, Elementary School Districts No. 1 and No. 30 merged with Burns Union High School District No. 2 to form Harney County School District No. 3 effective July 1, 1989. The administration of Harney County School District No. 3 (the district) is vested in a five-member board of directors, a district superintendent, and a business manager.

The accounting policies of the district conform to accounting principles generally accepted in the United States of America, as applicable to governmental units.

The following summary of significant accounting policies is presented to assist the reader in evaluating the district's financial statements.

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the district. These statements include the governmental financial activities of the overall district, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or other for tuition, fees, rentals, material, supplies, or services provided and (2) operating grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

Fund Financial Statements

The fund financial statements provide information about the district's funds including those of a fiduciary nature. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The district reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the district. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund - This fund accounts for revenues and expenses of grants restricted for specific purposes. Principal revenue sources are state and federal grants.

Debt Service Fund – The district has elected to treat the Debt Service Fund as a major fund. The fund provides for the receipt of debt proceeds and the payment of principal and interest on bonded debt.

C. Measurement Focus and Basis of Accounting

Government-wide and fiduciary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the district receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the district funds

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the district's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the 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 (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The district considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under leases are reported as other financing sources.

D. Budgets and Budgetary Accounting

A budget is prepared for each district fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, inter-agency fund transactions, contingencies, and debt service by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. Appropriations lapse at June 30.

Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the board of directors. The budget for the General Fund and special revenue funds includes capital outlay expenditures in each program for capital outlay applicable to that program.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in governmental funds. Encumbrances

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

outstanding at the year-end are reported as accounts payable and constitute expenditures and liabilities of the present year.

E. Deposits and Investments

The district's cash and cash equivalents are considered cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in savings accounts and the Oregon State Treasury Local Government Investment Pool and allocated to each fund based on the excess cash each fund has deposited.

Oregon statutes and local ordinances authorize the district to invest (short-term and long-term) in certificates of deposit (considered investments for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the United States, U.S. agency issues, general obligations of the states of Oregon, Washington, Idaho and California, certain interest bearing bonds of a county, port or school district, certain interest bearing bonds on any city in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds. All investments are stated at cost, which approximates market value.

F. Receivables and Payables

The district levies taxes on a fiscal year from July 1 to June 30. The current levy becomes a lien on July 1. Taxes are due November 15 and become delinquent May 15. Foreclosure is started three years after taxes become delinquent. The district turns all tax collection duties over to Harney County, Oregon.

Uncollected property taxes are recorded on the Statement of Net position. Uncollected taxes are deemed to be substantially collected or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the district.

G. Inventory

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

H. Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The district defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. The cost of normal maintenance and repairs that do not add value to the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	10 to 20 years
Buildings and improvements	10 to 50 years
Equipment	5 to 15 years

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

I. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts
No provision is made for accumulated unpaid vacation, sick pay, and other employee benefits. The district's vacation policy varies by employee classification. A liability for accumulated sick pay does exist; however, it is not able to be estimated. Each employee may accumulate sick leave and carry it over to the succeeding year. In a year when sick leave is used, the teacher is paid the regular contract salary during the absence to the extent of sick leave earned. Substitutes must be hired by the district. When a teacher becomes employed by another district, the accumulated sick leave is transferred to that district.

J. Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The district has one item that qualifies for reporting in this category. It is the deferred amounts relating to pensions/OPEB. This amount is deferred and recognized as an outflow of resources in the period when the district recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has two items that qualify for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The district also reports deferred amounts related to pensions/OPEB. This amount is deferred and recognized as an inflow of resources in the period when the county recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position.

K. 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 liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Rounding
The district's financial statements, notes to the financial statements, and related tables and schedules display dollar amounts rounded to the nearest whole dollar. To improve communication among preparers, reviewers, and auditors during the preparation process, and to avoid excessive workload associated with the resolution of rounding errors, small differences may exist, and totals may not add. These differences have been reviewed and deemed trivial enough so as to not impact the reader's experience.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

M. Long-term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses. Issuance costs, whether withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS 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.

O. Other Post-Employment Benefits (OPEB)

PERS – Retirement Health Insurance Account

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

Health Insurance Implicit Rate Subsidy

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources to OPEB, and OPEB expense, the district has relied on actuarial reports. The district allows retired employees to purchase health insurance at the same rates as active employees. The related expense is recognized as the district pays premiums or when claims are paid to health providers, depending on which insurance plan the retirees participate in.

P. Prior Period Comparative Data

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the district's financial statements for the year ended June 30,

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2022, from which the summarized information was derived.

Q. Fund Balances

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

Nonspendable fund balance is the portion of net resources that cannot be spent because they are either (a) in a nonspendable form or (b) legally or contractually required to be maintained intact. Fund balance is reported as restricted when the constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the board of directors passes an ordinance or resolution that places specific constraints on how the resources may be used. The board action that imposed the limitation would need to occur no later than the close of the reporting period. The board of directors can modify or rescind the legislative action at any time through passage of an additional ordinance or resolution.

The net resources that are constrained by the district's intent to use them are reported as assigned fund balance. Intent is expressed when the board of directors approves which resources should be set aside for specific purposes during the adoption of the annual budget. The board of directors and business manager use that information to determine whether those resources should be classified as assigned in the district's financial statements. Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund.

The district applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 2. Deposits and Investments

At June 30, 2023 the carrying amount of the district's deposits was \$(37,514) and the bank balance was \$187,009. The district maintains depository relationships with area financial institutions that are Federal Depository Insurance Corporation (FDIC) insured institutions. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's Oregon Public Funds Collateralization Program (PFPC) web site.

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Oregon Revised Statute Chapter 295 requires all Oregon bank depositories holding public fund deposits to maintain securities totaling a value not less than 110 percent of the greater of:

- a. All public funds held by the bank depository; or
- b. The average of the balances of public funds held by the bank depository, as shown on the last four immediately preceding treasurer reports.

Custodial credit risk is the risk that in the event of a financial institution failure, the district's deposits may not be returned to it. The district does not have a policy for custodial credit risk. However, the balances in excess of the FDIC insurance are considered collateralized by PFCP. As of June 30, 2023 the district had no balances exposed to custodial credit risk.

As of June 30, 2023 the district had the following investments:

Investment	Maturities	Fair Value
Local government investment pool	Varies	\$ 5,306,407
Wells Fargo investments in federal obligations	Varies	4,003
Total		\$ 5,310,410

The district's position in the pool is stated at cost which approximates fair value.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The district has no policy for managing interest rate or credit risk. Investments by the district held in the Local Government Investment Pool are not rated. Investments with Wells Fargo are rated AAA/Aa1 by Standard and Poor's and Moody's respectively.

The Oregon Short Term Fund is the LGIP for local governments and was established by the Oregon State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council.

Reconciliation to financial statements:

Governmental cash	\$ (37,514)
Governmental investments	5,310,410
Total cash and investments	\$ 5,272,896
Cash carrying amount	\$ (37,514)
Investments carrying amount	5,310,410
Total cash and investments	\$ 5,272,896

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Note 3. Receivables

Receivables are comprised of the following as of June 30, 2023:

Property Taxes	\$ 353,975
Grants	<u>845,597</u>
Total	<u><u>\$ 1,199,572</u></u>

Note 4. Interfund Transfers

Transfers between funds provide support for various district programs in accordance with budgetary authorizations. A transfer of \$351,139 was made from the General Fund to Special Revenues Funds to assist in supporting the district's athletic programs and food service activities. The detail of interfund transfers for the fiscal year ended June 30, 2023 is as follows:

Transfer To	Transfer From	Amount
Special Revenue Funds	General Fund	\$ 351,139
Total Transfers		<u><u>\$ 351,139</u></u>

Note 5. Changes in Capital Assets

The following is a summary of changes in capital assets:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets				
Land improvements	\$ 1,315,407	\$ -	\$ -	\$ 1,315,407
Buildings	7,167,228	94,666	(429,445)	6,832,448
Equipment and Machinery	2,660,013	966,324	(101,111)	3,525,226
Construction in Progress	444,460	29,965	(444,460)	29,965
Leased Assets (intangible assets)	420,106	-	-	420,106
Totals	<u>\$ 12,007,214</u>	<u>\$ 1,090,954</u>	<u>\$(975,017)</u>	<u>\$ 12,123,152</u>
Accumulated depreciation/amortization				
Land improvements	\$ 616,153	\$ 66,534	\$ -	\$ 682,687
Buildings	5,017,586	198,752	(331,120)	4,885,218
Equipment and Machinery	1,922,749	200,214	(101,111)	2,021,852
Amortization on Leased Assets	40,190	8,430	-	48,620
Totals	<u>7,596,678</u>	<u>473,930</u>	<u>(432,231)</u>	<u>7,638,377</u>
Net capital assets	<u>\$ 4,410,536</u>	<u>\$ 617,024</u>	<u>\$(542,786)</u>	<u>\$ 4,484,775</u>

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Depreciation and amortization were charged to the following functions:

Regular programs	\$	265,533
Student services		40,909
School administration		53,335
Business services – plant		74,071
Business services – transportation		21,547
Central services		<u>18,535</u>
Total depreciation	\$	<u><u>473,930</u></u>

Note 6. Changes in Long-Term Debt

The following represents changes in long-term liabilities. Current requirements for principal and interest expenditures for bonds are accounted for in the Debt Service Fund. Principal and interest expenditures for the other long-term liabilities are accounted for in the General Fund.

	Balance June 30, 2022	Issued/ Matured	Retired/ Paid	Balance June 30, 2023	Due in one year
PERS UAL bonds payable	\$ 5,947,364	\$ -	\$ 542,364	\$ 5,405,000	\$ 565,148
General obligation bonds - 2018 Refinance	753,603	-	208,394	545,209	738,418
BHS LED football field lighting loan	76,487	-	76,487	-	-
Santander Bus #18 Loan	66,766	-	21,784	44,982	23,219
Santander Bus #23 Loan	-	126,944	27,718	99,226	28,312
Leases payable	375,076	-	52,506	322,570	52,506
Total long-term debt	<u><u>\$ 7,219,296</u></u>	<u><u>\$ 126,944</u></u>	<u><u>\$ 929,253</u></u>	<u><u>\$ 6,416,987</u></u>	<u><u>\$ 1,407,603</u></u>

Interest expense of \$728,866 on long-term debt has been included in the direct expense of individual functions on the government-wide Statement of Activities. Authorization for general long-term debt is specific to a particular purpose; thus, an objective connection can be made to a specific program. All interest on long-term debt is reported as a direct expense of the programs for which borrowing is related.

Note 7. PERS UAL Bonds Payable

On October 9, 2003, the district issued \$4,551,352 in limited tax pension bonds to finance the unfunded pension liability to the Oregon Public Employees Retirement System. These bonds have interest rates that range from 2.06 to 5.55 percent. Interest payments are to be made semiannually on June 30 and December 30. Principal payments are to be made on June 30 of each year. Debt service is financed by a self-imposed pension expense based on a percentage of payroll costs. The debt service requirements to maturity on June 30, 2028, are as follows:

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Fiscal Year			
Ended	Principal	Interest	Payments
2024	\$ 435,000	\$ 130,148	\$ 565,148
2025	485,000	106,005	591,005
2026	545,000	79,088	624,088
2027	600,000	48,840	648,840
2028	280,000	15,540	295,540
	<u>\$ 2,345,000</u>	<u>\$ 379,621</u>	<u>\$ 2,724,621</u>

On April 3, 2003, the district issued \$5,743,750 in limited tax pension bonds to finance the unfunded pension liability to the Oregon Public Employees Retirement System. These bonds have interest rates that range from 1.50 to 5.68 percent. Interest payments are to be made semiannually on June 30 and December 30. Principal payments are to be made on June 30 of each year. Debt service is financed by a self-imposed pension expense based on a percentage of payroll costs. The debt service requirements to maturity on June 30, 2028, are as follows:

Fiscal Year			
Ended	Principal	Interest	Payments
2024	\$ 565,000	\$ 173,418	\$ 738,418
2025	635,000	141,716	776,716
2026	705,000	105,648	810,648
2027	785,000	65,604	850,604
2028	370,000	21,006	391,006
TOTAL	<u>\$ 3,060,000</u>	<u>\$ 507,392</u>	<u>\$ 3,567,392</u>

Note 8. General Obligation Bond Payable

On January 25, 2006, the district issued \$2,700,000 in general obligation bonds to finance capital construction and improvements. These bonds were refunded in fiscal year 2018.

In fiscal year ended June 30, 2018, the district issued \$1,712,830 in General Obligation Refunding Bonds. These bonds include an interest rate of 2.24%. Interest payments are to be made semiannually on June 15 and December 15. Principal payments are due in June with regularly schedule interest payments. The estimated savings attributable to the refunding is approximately \$128,300. The debt service requirements to maturity on June 15, 2026, is as follows:

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Fiscal Year			
Ended	Principal	Interest	Payments
2024	\$ 214,987	\$ 12,213	\$ 227,200
2025	226,303	7,397	233,700
2026	103,919	2,328	106,247
TOTAL	<u>\$ 545,209</u>	<u>\$ 21,938</u>	<u>\$ 567,147</u>

Note 9. BHS LED Football Field Lighting Loan

On August 6th, 2018, the district entered into a loan agreement with Shane Group Capital, LLC to finance the football field LED lighting project. The total amount of the loan is \$187,877 and bears annual interest at 3.5%. The loan includes a down payment requirement of \$14,877, and subsequent payments of \$27,780 annually beginning May 15, 2019, and ending May 15, 2025. During the fiscal year ended June 30, 2023, the district paid a total of \$76,487 for this loan and the loan was paid in full.

Note 10. Santander Bus #18 Loan

On August 15, 2020, the district entered into a lease with Santander Bank, N.A. to finance the purchase of a 2020 77 passenger bus. The total amount of the loan was \$111,107 and bears annual interest at 2.15%. The loan requires annual payments of \$23,219 beginning August 15, 2020 and ending August 15, 2024. At the end of the lease term the district will acquire legal title to the vehicle. Future minimum payments are as follows:

Fiscal year			
Ended	Principal	Interest	Payments
2024	\$ 22,252	\$ 967	\$ 23,219
2025	22,730	489	23,219
Total	<u>\$ 44,982</u>	<u>\$ 1,456</u>	<u>\$ 46,438</u>

Note 11. Santander Bus #23 Loan

On December 14, 2022, the district entered into a lease with Santander Bank, N.A. to finance the purchase of a 2023 77 passenger bus. The total amount of the loan was \$126,944 and bears annual interest at 5.505%. The loan requires annual payments of \$28,312 beginning January 15, 2023 and ending August 15, 2027. At the end of the lease term the district will acquire legal title to the vehicle. Future minimum payments are as follows:

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Fiscal year Ended	Principal	Interest	Payments
2024	\$ 22,850	\$ 5,462	\$ 28,312
2025	24,108	4,204	28,312
2026	25,435	2,877	28,312
2027	26,834	1,478	28,312
TOTAL	\$ 99,226	\$ 14,022	\$ 113,248

Note 12. Right to Use Assets

The following is a summary of the right to use leased assets:

Balance June 30, 2022	Role	Lease Type	Gross Asset Balance	Accumulated Amortization	Net Asset Balance	Current Amortization Expense
Toshiba e-STUDIO Copy machines lease (4)	Lessee	Operating	\$ 31,710	\$ 31,710	\$ -	\$ 2,439
Toshiba e-STUDIO Copy machine lease	Lessee	Operating	9,856	9,856	-	2,464
Toshiba e-STUDIO Copy machine lease	Lessee	Operating	9,554	597	8,957	299
Toshiba e-STUDIO Copy machine lease	Lessee	Operating	20,409	742	19,667	371
Office Space Lease	Lessee	Operating	348,577	5,715	342,862	2,857
Total			\$ 420,106	\$ 48,620	\$371,486	\$ 8,430

Note 13. Leased Asset Obligation

The following is a summary of leases payable:

	Principal Allocated			Principal Allocated	
	Balance at June 30, 2022	Additions	Reductions	Balance at June 30, 2023	Due in one Year
Toshiba e-STUDIO Copy machines lease (4)	\$ 16,711	\$ -	\$ 15,405	\$ 1,306	\$ 15,405
Toshiba e-STUDIO Copy machine lease	5,708	-	4,258	1,450	4,258
Toshiba e-STUDIO Copy machine lease	7,041	-	2,569	4,472	2,569
Toshiba e-STUDIO Copy machine lease	18,781	-	3,863	14,918	3,863
Office Space Lease	326,835	-	26,411	300,424	32,977
Total	\$ 375,076	\$ -	\$ 52,506	\$ 322,570	\$ 59,072

On May 17, 2018, the district entered into a lease with Kelley Imaging Systems for four Toshiba e-Studio series copy machines. The lease requires 60 monthly payments of \$1,310 through July 2023. At the end of the lease term the district has the option to continue to rent the equipment on a month-to-month basis. Implicit interest was calculated at 3.25% using the federal prime lending rate for July 2021.

During the fiscal year ended June 30, 2023, the district paid a total of \$15,720 for this lease. Future minimum lease payments are as follows:

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Fiscal year			
Ended	Principal	Interest	Payments
2023	\$ 15,405	\$ 315	\$ 15,720
2024	1,306	4	1,310
Total	<u>\$ 16,711</u>	<u>\$ 319</u>	<u>\$ 17,030</u>

On August 27, 2018, the district entered into a lease with Kelley Imaging Systems for a Toshiba e-Studio series copy machine. The lease requires 60 monthly payments of \$365 through October 2023. At the end of the lease term the district has the option to continue to rent the equipment on a month-to-month basis. Implicit interest was calculated at 3.25% using the federal prime lending rate for July 2021.

During the fiscal year ended June 30, 2023, the district paid a total of \$4,380 for this lease.

Future minimum lease payments are as follows:

Fiscal year			
Ended	Principal	Interest	Payments
2023	\$ 4,258	\$ 122	\$ 4,380
2024	1,450	10	1,460
Total	<u>\$ 5,708</u>	<u>\$ 132</u>	<u>\$ 5,840</u>

On January 29, 2020, the district entered into a lease with Kelley Imaging Systems for a Toshiba e-Studio series copy machine. The lease requires 60 monthly payments of \$230 through February 2025. At the end of the lease term the district has the option to continue to rent the equipment on a month-to-month basis. Implicit interest was calculated at 3.25% using the federal prime lending rate for July 2021.

During the fiscal year ended June 30, 2023, the district paid a total of \$2,760 for this lease.

Future minimum lease payments are as follows:

Fiscal year			
Ended	Principal	Interest	Payments
2023	\$ 2,569	\$ 191	\$ 2,760
2024	2,654	106	2,760
2025	1,818	22	1,840
Total	<u>\$ 7,041</u>	<u>\$ 319</u>	<u>\$ 7,360</u>

On January 28, 2021, the district entered into a lease with Kelley Connect for a Toshiba e-Studio series copy machine. The lease requires 60 monthly payments of \$368 through January 2027. At the end of the lease term the district has the option to continue to rent the equipment on a month-to-month basis. Implicit interest was calculated at 3.25% using the federal prime lending rate for January 2022. During the fiscal year ended June 30, 2023, the district paid a total of \$4,416 for this lease.

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Future minimum lease payments are as follows:

Fiscal year Ended	Principal	Interest	Payments
2023	\$ 3,863	\$ 553	\$ 4,416
2024	3,990	426	4,416
2025	4,122	294	4,416
2026	4,258	158	4,416
2027	2,548	28	2,576
Total	<u>\$ 18,781</u>	<u>\$ 1,459</u>	<u>\$ 20,240</u>

On June 9, 2021, the district entered into a lease with Fallow Properties, Inc. for office space. The lease requires monthly payments of \$2,650 through August 2026. For each succeeding year of the lease, an annual increase of 2% will be assessed. For renewal terms, the rent will be increased 2% of the previous year's rate. The lease will automatically renew for up to two additional three year periods extending the possible lease term through August 2032. Implicit interest was calculated at 1.10% using the applicable mid-term federal rates for July 2021.

During the year ended June 30, 2023, the district paid a total of \$32,330 for this lease.

Future minimum lease payments are as follows:

Fiscal year Ended	Principal	Interest	Payments
2024	\$ 27,565	\$ 5,412	\$ 32,977
2025	28,752	4,884	33,636
2026	29,976	4,333	34,309
2027	31,237	3,758	34,995
2028-2032	182,894	9,325	192,219
Total	<u>\$300,424</u>	<u>\$ 27,712</u>	<u>\$ 328,136</u>

Note 14. Pension Plan

Name of pension plan

The Oregon Public Employees Retirement System consists of a single cost-sharing multiple employer defined benefit pension plan.

Description of benefit terms

Plan Benefits

All benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A.

A. PERS Pension Chapter 238 (Tier One/Tier Two Retirement Benefit).

1. Pension Benefits

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The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members on or after August 29, 2003.

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

2. Death Benefits

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

- member was employed by a 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.

3. 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 for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

4. Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

B. OPSRP Pension Program (OPSRP DB)

1. Pension Benefits

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

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

2. 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.

3. 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.

4. Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

C. OPSRP Individual Account Program (OPSRP IAP)

1. Pension Benefits

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

2. 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.

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3. Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2019, actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2021. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum unfunded actuarial liability payments to establish side accounts and their rates have been reduced.

Employer contributions for the year ended June 30, 2023 were \$235,579, excluding amounts to fund employer specific liabilities. The rates, presented as a percentage of covered payroll, for the district in effect for the fiscal year ended June 30, 2023 were:

<u>Rate Category</u>	<u>Normal Cost Rate</u>	<u>Combined UAL Rate</u>	<u>Net Rate</u>
PERS general service	13.45%	11.64%	25.09%
OPSRP general service	8.64%	0.99%	9.63%

Pension Plan Annual Comprehensive Financial Report (ACFR)

Oregon PERS produces an independently audited ACFR which can be found at: <https://www.oregon.gov/pers/Documents/Financials/ACFR/2022-Annual-Comprehensive-Financial-Report.pdf>.

Actuarial Valuations

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

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities,

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which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions

Valuation Date	12/31/2020
Measurement Date	6/30/2022
Experience Study	2020, published July 20, 2021
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.40 percent
Long-term expected rate of return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> Decision; blend based on service.
Mortality	<p>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.</p> <p>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.</p> <p>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.</p>

Actuarial valuations of an ongoing plan involve estimates of the 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 methods and assumptions shown above are based on the 2020 Experience Study which reviewed experience for the four-year period ending on December 31, 2020.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
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June 30, 2023

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. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan’s portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS’ audited financial statements at <https://www.oregon.gov/pers/Documents/Financials/ACFR/2022-Annual-Comprehensive-Financial-Report.pdf>.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the 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 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 1-percentage-point lower (5.90 percent) or 1-percentage-point 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 (asset)	\$ -	\$ -	\$ -

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, as a result of side account adjustments, the district reported no liability or asset for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

liability was determined by an actuarial valuation as of that date. 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 school districts, actuarially determined. At June 30, 2022, the district's proportion was 0.00 percent.

For the year ended June 30, 2023, the district recognized \$1,510,133 in pension expense. Pension expense includes district expense of \$235,579 related to 2022 contributions and self-imposed expense for PERS bond retirement of \$1,274,554.

At June 30, 2023, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,134	-
District contributions subsequent to the measurement date	12,342	-
Total	\$ 16,476	\$ 0

\$12,342 was reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as PERS expense in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

Fiscal Year	Deferred outflow or (inflow) of Resources
2024	\$ 1,216
2025	1,216
2026	1,216
2027	486
Total	<u>\$ 4,134</u>

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2022 measurement date that would require a brief description under GASB 68.

Note 15. Defined Contribution Pension Plan – OPSRP-IAP

The defined contribution pension plan (called the Individual Account Program or IAP) is provided to all members or their beneficiaries who are PERS or OPSERP eligible. State statutes require covered members to contribute 6% of their annual covered salary to the IAP plan effective January 1, 2004. Although PERS members retain their existing PERS accounts, all current member contributions are deposited into the member’s IAP.

Note 16. Other Post-Employment Benefits (OPEB) - RHIA

Plan Description

Organization

The Oregon Public Employees Retirement System administers the Retirement Health Insurance Account (RHIA) cost-sharing, multiple-employer defined benefit Other Post-Employment Benefit (OPEB) plan (the plan) for political subdivisions such as the district. Plan assets may be used to pay the benefits of the employees of any employer that provides OPEB through the plan.

Plan Membership

RHIA was established by ORS 238.420. The plan was closed to new entrants hired on or after August 29, 2003. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan.

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Contribution

Contributions are mandatory for each employer that is a member of PERS. For the fiscal year ended June 30, 2023, the district's contribution rate was 0.06 percent of PERS subject to wages. Employees are not required to contribute to the plan.

Net OPEB Liability

The district's net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020.

Actuarial Methods and Assumptions

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study	2020, published July 20, 2021
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.40 percent
Long-term expected rate of return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent
Retiree Healthcare Participation	Healthy retirees: 27.5%; Disabled retirees: 15%
Healthcare cost trend rate	Not applicable
Mortality	<p>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.</p> <p>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.</p> <p>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.</p>

Actuarial valuations of an ongoing plan involve estimates of the 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

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

even numbered years. The methods and assumptions shown above are based on the 2020 Experience Study which reviewed experience for the four-year period ending on December 31, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent for the OPEB Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the 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 liability.

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. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at <https://www.oregon.gov/pers/Documents/Financials/ACFR/2022-Annual-Comprehensive-Financial-Report.pdf>.

Sensitivity of the District's Proportionate Share of Net OPEB Liability to Changes in the Discount Rate

The following presents the district's proportionate share of the net OPEB 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 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease 7.90%	Discount Rate 6.90%	1% Increase 7.90%
District's proportionate share of the net OPEB liability (asset)	\$ (95,775)	\$ (106,266)	\$ (115,258)

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the district reported an asset of \$106,266 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The district's proportion of the net OPEB liability was based on a projection of the district's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the district's proportion was 0.02990574 percent.

For the year ended June 30, 2023, the district recognized OPEB income of \$2,910. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,880
Changes in assumptions	832	3,542
Net difference between projected and actual earnings on OPEB plan investments	-	8,104
Changes in proportion and differences between District contributions and proportionate share of contributions	26,397	13,476
District contributions subsequent to the measurement date	2,758	-
Total	\$ 29,987	\$ 28,002

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

Fiscal Year	Deferred outflow or (inflow) of Resources
2024	\$ 11,171
2025	(9,426)
2026	(5,114)
2027	2,595
Total	\$ (774)

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2022 measurement date that would require a brief description under GASB standard.

Note 17. Other Post-Employment Benefits (OPEB) –Health Insurance Implicit Rate Subsidy

Plan Description

A single-employer retiree benefit plan that provides post-employment health benefits to eligible employees and their spouses. There are active members in the plan.

The post-retirement healthcare plan is established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the district’s implicit employer contribution.

The district did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

Funding Policy

The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the district to fund these benefits in advance.

Annual OPEB Cost and Total OPEB Liability

The annual other post-employment benefit (OPEB) cost is calculated based on the Total OPEB Liability; an amount actuarially determined in accordance with the parameters of GASB Statement 75. The annual OPEB expense is an accounting item designed to recognize certain changes to the Total OPEB Liability in the current period income statement. Additionally, changes to the Total OPEB Liability not fully recognized in a given year’s OPEB expense will be tracked as deferred inflows and outflows and recognized incrementally in the OPEB expense over time. See Schedule of Changes in Total OPEB Liability and Related Ratios for detailed information and a table showing the components of the district’s annual OPEB costs and liabilities.

Actuarial Methods and Assumptions

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal, level percent of salary

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

Interest rate for discounting future liabilities	3.50% per year based on all years discounted at municipal bond rate (based on Bond Buyer 20-Bond General Obligation Index as of June 30, 2022).
General Inflation	2.50% per year
Payroll Growth	3.00% per year
Mortality Rates	<p>Active employees: PUB 2010 Employee Tables for Teachers, sex distinct, projected generationally.</p> <p>Active employee adjustments: 125% of published rates for males, 100% of published rates for females.</p> <p>Retirees: PUB 2010 Retiree Tables for Teachers, sex distinct, projected generationally.</p> <p>Beneficiaries: PUB 2010 Employee and Retiree Tables for General Employees, sex distinct, projected generationally.</p> <p>Beneficiary adjustments: Set back 12 months for males, no set-back for females; 115% of published rates for non-annuitant males, 125% of published rates for non-annuitant females.</p> <p>Improvement Scale: Unisex Social Security Data Scale (60-year average), with data through 2017.</p>

The Total OPEB Liability for the current year was determined as part of the June 30, 2022 actuarial valuation using the entry age normal method. Actuarial valuations of an ongoing plan involve estimates of the value or reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The following table shows the change in OPEB Liability for the year:

	Total OPEB Liability
Balance at June 30, 2022	\$ 636,594
Changes in the year:	
Service cost	38,934
Interest	22,558
Differences between expected and actual experience	-
Changes in assumptions or other input	-
Benefit payments	(62,053)
Net Changes	(561)
Balance at June 30, 2023	<u>\$ 636,033</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

The following table shows sensitivity of the Total OPEB Liability to changes in discount and trend rates, as determined by the June 30, 2023 actuarial valuation.

1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
\$ 675,139	\$ 636,033	\$ 599,451
1% Decrease 2.50% Graded Up to 5.00%, then back down to 3.50%	Trend Rate 3.50% Graded Up to 6.00%, then back down to 4.50%	1% Increase 4.50% Graded Up to 7.00%, then back down to 5.50%
\$ 576,919	\$ 636,033	\$ 706,571

On June 30, 2023, the district reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,053	\$ 56,896
Changes of assumptions or other input	39,402	49,770
Total	\$ 69,455	\$ 106,666

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

Fiscal year	Deferred outflow or (inflow) of Resources
2024	\$ 5,948
2025	(25,849)
2026	(7,451)
2027	(3,286)
2028	(3,286)
Thereafter	(3,287)
Total	\$ (37,211)

Program membership consisted of 119 active and 10 inactive participants per the June 30, 2023 valuation.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

Note 18. Commitments and Contingencies

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

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

Note 19. Prior Period Adjustment

A prior period fund balance adjustment was recorded to adjust beginning fund balance and beginning net position for multi-year digital access, and service agreements paid in prior years. The agreements include service periods ranging from three to seven years. The table below outlines the adjustments to beginning fund balance and beginning net position:

	Governmental Funds Fund Balance	Governmental Activities Net Position
June 30, 2022 balance as originally reported	\$ 4,926,006	\$ 1,589,031
Add prepaid expenses	414,095	414,095
Net Position at July 1, 2023, as restated	\$ 5,340,101	\$ 2,003,126

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REQUIRED SUPPLEMENTARY INFORMATION

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - 100 GENERAL FUND

For the Year Ended
June 30, 2023

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Taxes	\$ 2,215,527	\$ 1,983,150	\$ 1,983,150	\$ (232,377)
Local sources	403,827	129,000	129,000	(274,827)
Intermediate sources	410,976	389,000	389,000	(21,976)
State sources	7,167,160	7,015,300	7,015,300	(151,860)
Federal sources	100,394	78,000	78,000	(22,394)
Total revenues	<u>10,297,884</u>	<u>9,594,450</u>	<u>9,594,450</u>	<u>(703,434)</u>
Expenditures				
1000 Instruction	5,147,975	5,755,440	5,755,440	607,465
2000 Supporting services	4,431,799	5,058,586	5,058,586	626,787
6000 Contingency	-	152,500	152,500	152,500
Total expenditures	<u>9,579,774</u>	<u>10,966,526</u>	<u>10,966,526</u>	<u>1,386,752</u>
Excess of revenues over (under) expenditures	<u>718,110</u>	<u>(1,372,076)</u>	<u>(1,372,076)</u>	<u>(2,090,186)</u>
Other financing (uses)				
Transfers out	(351,139)	(446,125)	(446,125)	(94,986)
5300 Proceeds on sale of assets	68,965	-	-	(68,965)
Total other financing (uses)	<u>(282,174)</u>	<u>(446,125)</u>	<u>(446,125)</u>	<u>(163,951)</u>
Net change in fund balance	435,936	(1,818,201)	(1,818,201)	(2,254,137)
Available fund balance, July 1	4,085,158	3,017,940	3,017,940	(1,067,218)
Prior period adjustment	344,096	-	-	(344,096)
Available fund balance, June 30	<u>\$ 4,865,190</u>	<u>\$ 1,199,739</u>	<u>\$ 1,199,739</u>	<u>\$ (3,665,451)</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - 200 SPECIAL REVENUE FUND
For the Year Ended
June 30, 2023

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Local sources	\$ 315,513	\$ 345,612	\$ 345,612	\$ 30,099
State sources	1,727,592	1,846,213	2,008,219	280,627
Federal sources	1,599,425	1,909,396	2,055,896	456,471
Total revenues	<u>3,642,530</u>	<u>4,101,221</u>	<u>4,409,727</u>	<u>767,197</u>
Expenditures				
1000 Instruction	2,397,947	2,356,843	2,557,849	159,902
2000 Supporting services	1,235,264	1,282,538	1,390,038	154,774
3000 Enterprise and community services	427,834	429,135	429,135	1,301
4000 Facilities acquisition and constr.	-	771,000	771,000	771,000
Total expenditures	<u>4,061,045</u>	<u>4,839,516</u>	<u>5,148,022</u>	<u>1,086,977</u>
Excess of revenues over (under) expenditures	<u>(418,515)</u>	<u>(738,295)</u>	<u>(738,295)</u>	<u>(319,780)</u>
Other financing (uses)				
Proceeds on sale of assets	12,088	-	-	(12,088)
Transfers in	351,139	446,125	446,125	94,986
Total other financing (uses)	<u>363,227</u>	<u>446,125</u>	<u>446,125</u>	<u>82,898</u>
Net change in fund balance	(55,288)	(292,170)	(292,170)	(236,882)
Available fund balance, July 1	339,270	292,170	292,170	(47,100)
Prior period adjustment	69,999	-	-	(69,999)
Available fund balance, June 30	<u>\$ 353,981</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (353,981)</u>

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HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended
June 30, 2023

Budgetary Reporting

In accordance with Oregon Revised Statutes, the board of directors annually adopts a budget following required public notice and hearing for all funds except private purpose trust and agency funds. The budget may be amended during the year through statutorily prescribed procedures. The District's budget is prepared on the modified accrual or GAAP basis of accounting. Appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon major classes of expenditures known as functions within each fund. The functions include: instruction, support services, enterprise and community services, facilities acquisition and construction, debt services, contingencies and transfers. The District adopted one budget amendment during the year as authorized by local budget law.

During the year ended June 30, 2023, disbursements in the General Fund and the Special Revenues Fund were within certified budget amounts in all functions.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
OREGON PUBLIC RETIREMENT SYSTEM
Last 10 Fiscal Years*

Year Ended, June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (asset) (NPL/A)	(c) District covered payroll	(b/c) NPL/A as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.00000000%	\$ -	\$ 5,723,061	0.00%	0.00%
2022	0.00000000%	\$ -	\$ 5,743,684	0.00%	0.00%
2021	0.00000000%	\$ -	\$ 5,327,842	0.00%	0.00%
2020	0.00000000%	\$ -	\$ 4,465,464	0.00%	0.00%
2019	0.00000000%	\$ -	\$ 4,168,909	0.00%	0.00%
2018	0.00000000%	\$ -	\$ 4,150,743	0.00%	0.00%
2017	0.00000000%	\$ -	\$ 4,085,771	0.00%	0.00%
2016	0.00000000%	\$ -	\$ 3,787,890	0.00%	0.00%
2015	0.00000000%	\$ -	\$ 3,941,408	0.00%	0.00%
2014	0.00000000%	\$ -	\$ 4,206,184	0.00%	0.00%

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

SCHEDULE OF DISTRICT CONTRIBUTIONS
OREGON PUBLIC RETIREMENT SYSTEM
Last 10 Fiscal Years*

Year Ended, June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	District covered payroll	Contributions as a percent of covered payroll
2023	\$ 235,579	\$ 235,579	\$ -	\$ 5,515,114	4.27%
2022	\$ 153,223	\$ 153,223	\$ -	\$ 5,723,061	2.68%
2021	\$ 20,998	\$ 20,998	\$ -	\$ 5,743,684	0.37%
2020	\$ 10,563	\$ 10,563	\$ -	\$ 5,327,842	0.20%
2019	\$ 28,323	\$ 28,323	\$ -	\$ 4,465,464	0.63%
2018	\$ 23,711	\$ 23,711	\$ -	\$ 4,168,909	0.57%
2017	\$ 25,338	\$ 25,338	\$ -	\$ 4,150,743	0.61%
2016	\$ 44,595	\$ 44,595	\$ -	\$ 4,085,771	1.09%
2015	\$ 25,967	\$ 25,967	\$ -	\$ 3,787,890	0.69%
2014	\$ 23,447	\$ 23,447	\$ -	\$ 3,941,408	0.59%

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

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
RETIREE HEALTH INSURANCE ACCOUNT PERS
Last 10 Fiscal Years*

Year Ended, June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net OPEB liability (asset) (NOL/A)	(c) District covered payroll	(b/c) NOL/A as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.02990574%	\$ (106,266)	\$ 5,723,061	-1.86%	194.60%
2022	0.02105923%	\$ (72,318)	\$ 5,743,684	-1.26%	183.90%
2021	0.07333674%	\$ (149,431)	\$ 5,327,842	-2.80%	150.10%
2020	0.04075560%	\$ (78,755)	\$ 4,465,464	-1.76%	64.90%
2019	0.04116693%	\$ (45,953)	\$ 4,168,909	-1.10%	123.99%
2018	0.04314943%	\$ (18,008)	\$ 4,150,743	-0.43%	108.90%

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

SCHEDULE OF DISTRICT CONTRIBUTIONS
RETIREE HEALTH INSURANCE ACCOUNT PERS
Last 10 Fiscal Years*

Year Ended, June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	District covered payroll	Contributions as a percent of covered payroll
2023	\$ (2,910)	\$ (2,910)	\$ -	\$ 5,515,114	-0.05%
2022	\$ 8,544	\$ 8,544	\$ -	\$ 5,723,061	0.15%
2021	\$ 4,664	\$ 4,664	\$ -	\$ 5,743,684	0.08%
2020	\$ 20,221	\$ 20,221	\$ -	\$ 5,327,842	0.38%
2019	\$ 19,759	\$ 19,759	\$ -	\$ 4,465,464	0.44%
2018	\$ 21,482	\$ 21,482	\$ -	\$ 4,168,909	0.52%

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

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTH INSURANCE
Last 10 Fiscal Years*

Year Ended, June 30,	Total OPEB Liability Beginning	Service Cost	Interest	Differences Expected and Actual Experience	Changes of Assumptions
2023	\$ 636,594	\$ 38,934	\$ 22,558	\$ -	\$ -
2022	\$ 649,231	\$ 46,268	\$ 15,112	\$ 40,071	\$ (66,360)
2021	\$ 632,438	\$ 44,703	\$ 14,756	\$ -	\$ -
2020	\$ 450,698	\$ 41,149	\$ 24,809	\$ (46,908)	\$ 212,266
2019	\$ 431,383	\$ 27,329	\$ 16,235	\$ -	\$ -
2018	\$ 991,428	\$ 49,344	\$ 29,645	\$ (110,376)	\$ (472,811)

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

SCHEDULE OF DISTRICT CONTRIBUTIONS
RETIREE HEALTH INSURANCE
Last 10 Fiscal Years*

Year Ended, June 30,	Actuarially Determined Contribution	Contributions During Year	Difference	District covered payroll	Contributions as a percent of covered payroll
2023	\$ 62,053	\$ 62,053	\$ -	\$ 5,375,304	1.15%
2022	\$ 47,728	\$ 47,728	\$ -	\$ 5,218,742	0.91%
2021	\$ 42,666	\$ 42,666	\$ -	\$ 5,215,522	0.82%
2020	\$ 49,576	\$ 49,576	\$ -	\$ 5,307,852	0.93%
2019	\$ 24,249	\$ 24,249	\$ -	\$ 4,829,561	0.50%
2018	\$ 55,847	\$ 55,847	\$ -	\$ 4,918,481	1.14%

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

Benefit Payments	Total OPEB Liability Ending	Estimated Covered Payroll	Total OPEB Liability as a % of Covered Payroll
\$ (62,053)	\$ 636,033	\$ 5,375,304	11.83%
\$ (47,728)	\$ 636,594	\$ 5,218,742	12.20%
\$ (42,666)	\$ 649,231	\$ 5,215,522	12.45%
\$ (49,576)	\$ 632,438	\$ 4,829,561	13.10%
\$ (24,249)	\$ 450,698	\$ 4,918,481	9.16%
\$ (55,847)	\$ 431,383	\$ 5,091,303	8.47%

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SUPPLEMENTARY SCHEDULES

HARNEY COUNTY SCHOOL DISTRICT NO. 3
 Burns, Harney County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - 300 DEBT SERVICE FUND
 For the Year Ended
 June 30, 2023

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
1100 Taxes	\$ 216,812	\$ 214,600	\$ 214,600	\$ (2,212)
1510 Interest on investments	4,003	100	100	(3,903)
1970 Services to other funds	1,274,554	1,210,000	1,210,000	(64,554)
2199 Other intermediate sources	167	400	400	233
Total revenues	<u>1,495,536</u>	<u>1,425,100</u>	<u>1,425,100</u>	<u>(70,436)</u>
Expenditures				
5000 Debt service				
5110 Bond payment	<u>1,470,251</u>	<u>1,475,100</u>	<u>1,475,100</u>	<u>4,849</u>
Total debt service	<u>1,470,251</u>	<u>1,475,100</u>	<u>1,475,100</u>	<u>4,849</u>
Total expenditures	<u>1,470,251</u>	<u>1,475,100</u>	<u>1,475,100</u>	<u>4,849</u>
Excess of revenues over (under) expenditures and net changes in fund balance	25,285	(50,000)	(50,000)	(75,285)
Available fund balance, July 1	<u>66,742</u>	<u>50,000</u>	<u>50,000</u>	<u>(16,742)</u>
Available fund balance, June 30	<u>\$ 92,027</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (92,027)</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3

Burns, Harney County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - 400 CAPITAL PROJECTS FUND**

For the Year Ended

June 30, 2023

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
1200 Revenue from local governments	\$ 53,076	\$ -	\$ -	\$ (53,076)
3299 Restricted state grants	25,000	-	-	(25,000)
Total revenues	<u>78,076</u>	<u>0</u>	<u>0</u>	<u>(78,076)</u>
Expenditures				
4000 Facilities acquisition and construction				
4150 Building construction and improvement	<u>80,534</u>	<u>111,000</u>	<u>111,000</u>	<u>30,466</u>
Total facilities acquisition and construction	<u>80,534</u>	<u>111,000</u>	<u>111,000</u>	<u>30,466</u>
5000 Other uses				
5100 Long-term debt service	<u>78,480</u>	<u>83,500</u>	<u>83,500</u>	<u>5,020</u>
Total other uses	<u>78,480</u>	<u>83,500</u>	<u>83,500</u>	<u>5,020</u>
Total expenditures	<u>159,014</u>	<u>194,500</u>	<u>194,500</u>	<u>35,486</u>
Excess of revenues over (under) expenditures and net change in fund balance	(80,938)	(194,500)	(194,500)	(113,562)
Available fund balance, July 1	<u>434,836</u>	<u>194,500</u>	<u>194,500</u>	<u>(240,336)</u>
Available fund balance, June 30	<u>\$ 353,898</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (353,898)</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
 Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended
 June 30, 2023

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services
1000 Instruction			
1111 Primary, K-3	\$ 1,073,732	\$ 706,306	\$ 13,577
1113 Elementary extracurricular	-	-	-
1121 Middle and junior high programs	611,830	404,515	9,229
1131 High school programs	834,792	502,286	9,012
1132 High school extracurricular	7,340	2,661	149
1210 Programs for talented and gifted	-	-	-
1250 Resource rooms	379,788	268,640	12,386
1271 Remediation	-	-	-
1280 Alternative education	-	-	-
1283 Alternative education	-	-	-
1291 English second language programs	-	-	-
1300 Adult/continuing education programs	-	-	27,322
Total 1000 instruction	<u>2,907,482</u>	<u>1,884,408</u>	<u>71,675</u>
2000 Support services			
2110 Attendance and social work services	-	-	2,670
2112 Attendance services	-	-	-
2119 Other attendance work and social work services	-	-	16,774
2120 Guidance services	-	-	-
2126 Placement services	3,158	1,135	-
2130 Health services	-	-	-
2140 Psychological services	-	-	41,899
2143 Psychological counseling services	-	-	-
2150 Speech pathology and audiology services	114,527	51,789	19,328
2160 Other student treatment services	-	-	34,950
2190 Student direction support	94,079	45,030	31,014
2210 Improvement of instruction	-	23,654	-
2213 Curriculum development	9,400	4,967	-
2220 Educational media	19,399	14,860	-
2230 Assessment and testing	9,400	4,967	-
2240 Instructional staff development	400	144	-
2310 Board of education	-	-	54,317
2320 Executive administration	111,543	62,133	6,519
2410 Office of the principal	575,389	371,193	19,212
2490 Other support services - school administration	-	-	3,448
2491 Other school administration	-	-	1,004
2520 Fiscal services	34,133	29,471	76,848
2540 Operation and maintenance of plant	373,359	255,083	685,574
2543 Care and upkeep of grounds	17,646	6,121	4,156
2550 Student transportation	143,539	104,338	65,168
2642 Recruitment and placement	-	-	3,460

(Continued on next page)

400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total	Budget		(Over)Under Budget
				Original	Final	
\$ 166,834	\$ -	\$ -	\$1,960,449	\$ 1,957,875	\$ 1,957,875	\$ (2,574)
-	-	-	-	300	300	300
46,468	-	-	1,072,042	1,191,015	1,191,015	118,973
67,502	-	479	1,414,071	1,554,625	1,554,625	140,554
-	-	-	10,150	20,210	20,210	10,060
150	-	-	150	23,570	23,570	23,420
2,640	-	-	663,454	915,090	915,090	251,636
-	-	-	-	50,695	50,695	50,695
137	-	200	337	150	150	(187)
-	-	-	-	10,000	10,000	10,000
-	-	-	-	1,910	1,910	1,910
-	-	-	27,322	30,000	30,000	2,678
<u>283,731</u>	<u>0</u>	<u>679</u>	<u>5,147,975</u>	<u>5,755,440</u>	<u>5,755,440</u>	<u>607,465</u>
4,898	-	-	7,568	4,500	4,500	(3,068)
-	-	-	-	200	200	200
-	-	-	16,774	20,000	20,000	3,226
-	-	-	-	1,400	1,400	1,400
-	-	-	4,293	3,480	3,480	(813)
332	-	-	332	800	800	468
-	-	-	41,899	30,000	30,000	(11,899)
3,938	-	-	3,938	500	500	(3,438)
1,571	-	854	188,069	192,415	192,415	4,346
-	-	-	34,950	55,000	55,000	20,050
1,281	-	-	171,404	167,330	167,330	(4,074)
-	-	-	23,654	14,000	14,000	(9,654)
-	-	-	14,367	17,775	17,775	3,408
1,337	-	2,826	38,422	101,935	101,935	63,513
-	-	-	14,367	18,075	18,075	3,708
-	-	-	544	41,770	41,770	41,226
988	-	3,952	59,257	62,600	62,600	3,343
4,872	-	-	185,067	295,300	295,300	110,233
12,166	-	5,885	983,845	971,665	971,665	(12,180)
-	-	-	3,448	5,000	5,000	1,552
-	-	-	1,004	1,000	1,000	(4)
17,986	-	1,742	160,180	158,011	158,011	(2,169)
99,895	13,500	149,807	1,577,218	1,766,075	1,766,075	188,857
11,498	6,500	132	46,053	108,800	108,800	62,747
45,957	12,032	21,565	392,599	491,950	491,950	99,351
-	-	-	3,460	1,500	1,500	(1,960)

HARNEY COUNTY SCHOOL DISTRICT NO. 3
 Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended
 June 30, 2023

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services
2000 Support services (continued)			
2649 Other staff services	\$ 5,315	\$ 5,539	\$ 815
2660 Technology services	119,421	75,256	35,297
2690 Other central support	-	-	-
Total 2000 support services	<u>1,630,708</u>	<u>1,055,680</u>	<u>1,102,453</u>
6000 Contingency			
6110 Contingency	-	-	-
Total 6000 contingency	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>\$ 4,538,190</u>	<u>\$ 2,940,088</u>	<u>\$ 1,174,128</u>

400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total	Budget		(Over)Under Budget
				Original	Final	
\$ -	\$ -	\$ 7,375	\$ 19,044	\$ 33,685	\$ 33,685	\$ 14,641
99,734	109,376	393	439,477	493,320	493,320	53,843
566	-	-	566	500	500	(66)
<u>307,019</u>	<u>141,408</u>	<u>194,531</u>	<u>4,431,799</u>	<u>5,058,586</u>	<u>5,058,586</u>	<u>626,787</u>
-	-	-	-	152,500	152,500	152,500
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>152,500</u>	<u>152,500</u>	<u>152,500</u>
<u>\$ 590,750</u>	<u>\$ 141,408</u>	<u>\$ 195,210</u>	<u>\$9,579,774</u>	<u>\$10,966,526</u>	<u>\$10,966,526</u>	<u>\$ (1,386,752)</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended
June 30, 2023

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services
1000 Instruction			
1111 Primary, K-3	\$ 95,057	\$ 71,494	\$ 2,000
1113 Elementary extracurricular	945	343	-
1121 Middle and junior high programs	25,718	18,693	2,350
1122 Middle and junior high school extracurricular	39,484	13,591	20,510
1131 High school programs	80,585	49,044	7,855
1132 High school extracurricular	99,928	29,472	75,165
1250 Resource rooms	175,620	122,435	-
1271 Remediation	750	223	-
1272 Remediation	140,790	99,496	-
1294 Youth corrections programs	223,453	128,182	16,835
1300 Adult/continuing education programs	37,930	29,870	1,281
1400 Summer school programs	34,744	11,834	-
Total 1000 instruction	955,004	574,677	125,996
2000 Support services			
2110 Attendance services	83,134	57,474	678
2126 Placement services	3,251	973	-
2129 Other guidance services	16,074	12,460	-
2134 Nurse services	28,714	16,305	-
2143 Psychological counseling	83,897	50,191	147
2150 Speech pathology and audio services	1,000	422	120
2190 Student direction support	1,000	359	5,440
2210 Improvement of instruction	-	18,721	-
2220 Educational media	5,170	8,688	4,800
2230 Assessment and Testing	-	-	-
2240 Instructional staff development	7,000	4,187	41,904
2300 General administration	500	350	9,812
2410 Office of the principal services	51,472	21,871	7,226
2491 Activities Director	21,750	12,227	196
2520 Fiscal services	-	-	-
2540 Operation and maintenance of plant	4,250	2,912	-
2546 Security	-	-	-
2550 Student transportation	23,081	8,973	2,001
2559 Other student transportation	-	-	58,102
2640 Staff services	-	-	600
2642 Recruitment	-	-	-
2660 Technology services	1,000	565	3,859
Total 2000 support services	331,293	216,678	134,885

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400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total	Budget		(Over)Under Budget
				Original	Final	
\$ 49,722	\$ -	\$ -	\$ 218,273	\$ 146,447	\$ 180,653	\$ (37,620)
-	-	-	1,288	100,035	100,035	98,747
105,847	-	-	152,608	105,560	105,560	(47,048)
10,865	5,700	12,858	103,008	112,188	112,188	9,180
161,313	32,753	-	331,550	210,748	210,748	(120,802)
149,933	10,140	26,549	391,187	621,025	621,025	229,838
16,185	-	-	314,240	303,920	303,920	(10,320)
5,225	-	-	6,198	-	-	(6,198)
-	-	-	240,286	200,440	200,440	(39,846)
72,744	64,851	-	506,065	423,129	589,929	83,864
5,635	-	-	74,716	78,617	78,617	3,901
11,950	-	-	58,528	54,734	54,734	(3,794)
<u>589,419</u>	<u>113,444</u>	<u>39,407</u>	<u>2,397,947</u>	<u>2,356,843</u>	<u>2,557,849</u>	<u>159,902</u>
2,944	-	2,001	146,231	202,465	276,965	130,734
-	-	-	4,224	39,795	39,795	35,571
2,259	-	-	30,793	55,500	55,500	24,707
3,865	-	-	48,884	109,980	109,980	61,096
14,676	-	-	148,911	189,350	189,350	40,439
-	-	-	1,542	-	-	(1,542)
-	-	645	7,444	3,110	3,110	(4,334)
-	-	-	18,721	-	-	(18,721)
989	-	-	19,647	55,340	55,340	35,693
-	-	3,528	3,528	-	-	(3,528)
4,657	-	-	57,748	26,270	36,270	(21,478)
920	-	995	12,577	1,100	1,100	(11,477)
13,244	-	5,875	99,688	141,615	159,615	59,927
-	-	-	34,173	32,050	32,050	(2,123)
266	-	117,746	118,012	93,169	93,169	(24,843)
-	-	-	7,162	20,199	20,199	13,037
14,693	5,963	-	20,656	69,207	69,207	48,551
25,465	5,152	51,531	116,203	177,578	177,578	61,375
-	-	-	58,102	37,700	37,700	(20,402)
-	-	-	600	-	-	(600)
6,089	-	-	6,089	6,000	6,000	(89)
24,100	244,805	-	274,329	22,110	27,110	(247,219)
<u>114,167</u>	<u>255,920</u>	<u>182,321</u>	<u>1,235,264</u>	<u>1,282,538</u>	<u>1,390,038</u>	<u>154,774</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
 Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
 For the Year Ended
 June 30, 2023

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services
3000 Enterprise and community services			
3100 Food services	\$ 104,838	\$ 104,374	\$ 1,060
3300 Community services	18,099	19,294	-
Total 3000 enterprise and community services	<u>122,937</u>	<u>123,668</u>	<u>1,060</u>
4000 Facilities acquisition and construction			
4150 Building acquisition, construction, and improvement	-	-	-
Total 4000 facilities acquisition and construction	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>\$ 1,409,234</u>	<u>\$ 915,023</u>	<u>\$ 261,941</u>

400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total	Budget		(Over)Under Budget
				Original	Final	
\$ 177,527	\$ -	\$ 2,642	\$ 390,441	\$ 390,575	\$ 390,575	\$ 134
-	-	-	37,393	38,560	38,560	1,167
<u>177,527</u>	<u>0</u>	<u>2,642</u>	<u>427,834</u>	<u>429,135</u>	<u>429,135</u>	<u>1,301</u>
-	-	-	-	771,000	771,000	771,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>771,000</u>	<u>771,000</u>	<u>771,000</u>
<u>\$ 881,113</u>	<u>\$ 369,364</u>	<u>\$ 224,370</u>	<u>\$ 4,061,045</u>	<u>\$4,839,516</u>	<u>\$5,148,022</u>	<u>\$ 1,086,977</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
 Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - DEBT SERVICE FUND
 For the Year Ended
 June 30, 2023

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services
5000 Debt service			
5110 Bond payment	\$ -	\$ -	\$ -
Total 5000 debt service	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total	Budget		(Over)Under Budget
				Original	Final	
\$ -	\$ -	\$ 1,470,251	\$ 1,470,251	\$ 1,475,100	\$ 1,475,100	\$ 4,849
0	0	1,470,251	1,470,251	1,475,100	1,475,100	4,849
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,470,251</u>	<u>\$ 1,470,251</u>	<u>\$ 1,475,100</u>	<u>\$ 1,475,100</u>	<u>\$ 4,849</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
 Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - CAPITAL PROJECT FUND
 For the Year Ended
 June 30, 2023

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services
4000 Facilities acquisition and construction			
4150 Building acquisition, construction, and improvement	\$ -	\$ -	\$ 25,016
Total 4000 facilities acquisition and construction	<u>0</u>	<u>0</u>	<u>25,016</u>
5000 Other uses			
5110 Long-term debt service	-	-	-
Total 5000 other uses	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,016</u>

400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total	Budget		(Over)Under Budget
				Original	Final	
\$ 255	\$ 55,263	\$ -	\$ 80,534	\$ 111,000	\$ 111,000	\$ 30,466
<u>255</u>	<u>55,263</u>	<u>0</u>	<u>80,534</u>	<u>111,000</u>	<u>111,000</u>	<u>30,466</u>
-	-	78,480	78,480	83,500	83,500	5,020
<u>0</u>	<u>0</u>	<u>78,480</u>	<u>78,480</u>	<u>83,500</u>	<u>83,500</u>	<u>5,020</u>
<u>\$ 255</u>	<u>\$ 55,263</u>	<u>\$ 78,480</u>	<u>\$ 159,014</u>	<u>\$ 194,500</u>	<u>\$ 194,500</u>	<u>\$ 35,486</u>

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CONTINUING DISCLOSURE REQUIREMENTS
FOR BONDED DEBT

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
For the Year Ended
June 30, 2023

2022-23 Assessed valuation of taxable property \$ 479,453,099

Tax rate (Dollars per \$1,000 assessed value) \$ 4.8662

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Bonded Debt Service</u>	<u>General Fund Expenditures and Transfers</u>	<u>Ratio of Debt Service to General Fund Expenditures and Transfers</u>
2022-23	\$ 750,758	\$ 719,493	\$ 1,470,251	\$ 9,930,913	14.80%

Ratio of Net Bonded Debt to Assessed Value:

	<u>Assessed Valuation</u>	<u>Net Bonded Debt*</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>
2022-23	\$ 479,453,099	\$ 5,858,182	1.22%

* Computed as gross bonded debt less amount available for retirement of debt in Debt Service Fund

Principal Taxpayers for Harney County School District No. 3

	<u>Assessed Valuation</u>	<u>Percent of Total County Value</u>
Private Enterprises		
Biodynamics LLC	\$ 38,068,760	7.94%
Starvation Solar 1, LLC	16,000,000	3.34%
West Hines Solar, LLC	15,180,000	3.17%
ATM Holdings, LLC	3,176,120	0.66%
Rattlesnake Creek Land & Cattle, Co	3,102,524	0.65%
Rory & Ryan, LLC	2,557,060	
Public Utilities		
Centurylink/Lumen	9,898,000	2.06%
PacifiCorp (PP&L)	19,056,000	3.97%
Idaho Power Company	12,579,000	2.62%
Charter Communications	4,240,000	0.88%
All other taxpayers	355,595,635	74.18%
Total	\$ 479,453,099	100.00%

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
For the Year Ended
June 30, 2023

Summary of General Fund State Revenue:

	State Sources	State Sources as % of Total Revenues	Total Revenues
2022-23	\$ 7,065,402	68.15%	\$ 10,366,849

Computation of Legal Debt Margin:

Real Market Value	\$ 894,798,034
Allowable proportion	0.0795
Debt limit: 7.95% of real market value**	71,136,444
Amount of debt applicable to debt limit:	
Bonded debt	5,950,209
Less: amount available in debt service funds	(92,027)
Amount of debt applicable to debt limit	5,858,182
Legal debt margin	\$ 65,278,262

** ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Aggregates are governed by real market values of all taxable properties within the district based on the following:

- A. For each grade from kindergarten to eighth for which the district operates schools, fifty-five one-hundredths of one percent of the real market value.

- B. For each grade from ninth to twelfth for which the district operates schools, seventy-five one-hundredths of one percent of the real market value.

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INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS**

Board of Directors
Harney County School District No. 3
Burns, Oregon

We have audited, in accordance with 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 Harney County School District No. 3 (the district) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 18, 2023.

COMPLIANCE

As part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe the district was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

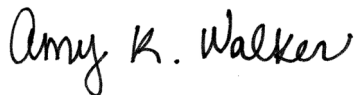
OAR 162-10-0230 INTERNAL CONTROL

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

Our Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 18, 2023, is presented under separate cover.

RESTRICTIONS ON USE

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



For Solutions, CPAs PC
John Day, Oregon
December 18, 2023



Oregon Secretary of State – Audits Division

Summary of Revenues and Expenditures

A. Municipal corporation information			
Municipality name: <u>Harney County School District 3</u>			
Address line 1:	<u>190 Hines Blvd</u>	Reporting period: From	<u>07/01/2022</u>
Address line 2:		To	<u>06/30/2023</u>
City, state, ZIP:	<u>Burns</u>	<u>OR</u>	<u>97720</u>
Check if new address: <input type="checkbox"/>		Report type:	<u>Audit</u>
If this is the final report, please enter the last date of operations:			Opinion issued: <u>Unmodified</u>
			Basis of accounting: <u>GAAP</u>

B. Financial statement audit – Reported deficiencies	
<p>1. Regarding internal controls over financial reporting, how many significant deficiencies and material weaknesses were reported? <u>0</u></p> <p>2. Of those control deficiencies reported, how many resulted in the following: Accounting errors/Misstatements: _____ Noncompliance: _____</p>	<p>3. How were deficiencies communicated? Check all that apply.</p> <p><input type="checkbox"/> Report issued in accordance with Government Auditing Standards</p> <p><input type="checkbox"/> Communication in accordance with Statements on Auditing Standards AU-C 265 "Communicating Internal Control Related Matters Identified in an Audit"</p> <p><input type="checkbox"/> Other (specify communication): _____</p> <p><input checked="" type="checkbox"/> No deficiencies</p> <p>Per OAR 162-010-0230, a copy must be filed with Secretary of State.</p>

C. Summary of revenues and expenditures

Revenues and/or receipts		Expenditures and/or disbursements	
a. Revenues from government-wide statement of activities:	\$ 15,731,014	a. Expenditures from government-wide statement of activities:	\$ 14,218,431
b. Fiduciary fund additions:		b. Fiduciary fund deductions:	
c. Gross revenues subtotal (a + b):	\$ 15,731,014	c. Gross expenditures subtotal (a + b):	\$ 14,218,431
d. Revenues of component units:		d. Component unit expenditures reported with primary government:	
e. Taxes, assessments and other collections to be distributed to other governments:		e. Turnovers to other municipal corporations:	
f. Exempt revenue subtotal (d + e):	\$ 0	f. Exempt expenditures subtotal (d + e):	\$ 0
g. Net revenues (c – f):	\$ 15,731,014	g. Net expenditures (c – f):	\$ 14,218,431

D. Filing fee: **\$ 350**

E. Submitted by	
Auditor name: <u>Amy K. Walker, CPA</u>	Municipal license number: <u>1604</u>
Firm name: <u>Solutions, CPAs PC</u>	Date: <u>12/18/2023</u>
Municipal contact name, title: <u>Cara Wilber, Business Manager (OPG)</u> Municipal phone: <u>(541) 573-6151</u>	

Within 30 days of delivering the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Audits Division, and one copy must be delivered to the municipal corporation. If deficiencies are communicated in a separate letter or in a report issued in accordance with *Government Auditing Standards*, a copy of that communication must also be filed. (OAR 162-010-0230)

OREGON DEPARTMENT OF EDUCATION
REQUIRED INFORMATION

FORM 581-3211 - SUPPLEMENTAL INFORMATION

HARNEY COUNTY SCHOOL DISTRICT NO. 3
 Burns, Harney County, Oregon
OREGON DEPARTMENT OF EDUCATION REQUIRED INFORMATION
FORM 581-3211 - SUPPLEMENTAL INFORMATION
 June 30, 2023

A. ENERGY BILLS FOR HEATING - Enter **all funds** total expenditures for electricity and fuel (gas, oil, and coal) for the following two functions.

Function	Objects 325, 326, and 327
2540	\$ 525,109
2550	\$ 9,154

B. EQUIPMENT REPLACEMENT - Enter **general fund** expenditures for replacement of equipment and vehicles (Objects 542) for all functions **excluding** the functions listed below.

\$	14,500
----	--------

- 1113 Cocurricular activities
- 1122 Cocurricular activities
- 1132 Cocurricular activities
- 1140 Prekindergarten
- 1300 Adult/continuing education
- 1400 Summer school
- 2550 Pupil transportation
- 3100 Food services
- 3300 Community services
- 4150 Construction

HARNEY COUNTY SCHOOL DISTRICT NO. 3

SINGLE AUDIT

For the Year Ended June 30, 2023

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HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SINGLE AUDIT
June 30, 2023

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HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Period Covered</u>	<u>Expenditures</u>
U.S. Department of Agriculture				
Passed through the Oregon Department of Education				
School Breakfast Program	10.553	1308001	7/1/22-6/30/23	\$ 74,863
Child Nutrition Programs - Commodity Distribution	10.555	1308001	7/1/22-6/30/23	18,801
Nation School Lunch Program	10.555	1308001	7/1/22-6/30/23	135,159
National School Lunch Program - Supply Chain	10.555	1308001	7/1/22-6/30/23	18,667
Summer Food Service Program	10.555	1308001	7/1/22-6/30/23	16,218
Commodities	10.559	1308001	7/1/22-6/30/23	<u>2,611</u>
Total Child Nutrition Cluster				<u>266,319</u>
Passed through Harney County, Oregon				
Schools and Roads - Grants to Counties	10.666	NA	7/1/22-6/30/23	<u>94,924</u>
Total Forest Service Schools and Roads Cluster				<u>94,924</u>
Total U.S. Department of Agriculture				<u>361,243</u>
U.S. Department of Education				
Passed through the Oregon Department of Education				
		58272/66981/		
Title I Grants to Local Educational Agencies	84.010	72521	7/1/22-6/30/23	311,073
Title I Grants to Local Educational Agencies - Part A Program	84.010	65113/60390/ 67972	7/1/22-6/30/23	<u>76,482</u>
Total Title I Grants to Local Educational Agencies				<u>387,555</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	15604	7/1/22-6/30/23	37,092
Special Education Grants to States - Part B	84.027	74025/75323	7/1/22-6/30/23	192,868
Special Education Grants to States - YCEP	84.027	15604	7/1/22-6/30/23	27,200
		68915/69159/		
Special Education Grants to States - Sect 619	84.173	74217	7/1/22-6/30/23	<u>1,719</u>
Total Special Education Cluster (IDEA)				<u>221,787</u>
Rural Education	84.358	67325/60326	7/1/22-6/30/23	11,255
Supporting Effective Instruction State Grants	84.367	67414/72718	7/1/22-6/30/23	46,261
Student Support and Academic Enrichment Program	84.424	58582/72915	7/1/22-6/30/23	22,335
COVID-19 ESSER Fund - II	* 84.425D	64589	7/1/22-6/30/23	270,296
COVID-19 ESSER Fund - III	* 84.425U	64894	7/1/22-6/30/23	198,635
COVID-19 ESSER Fund - YCEP II	* 84.425D	64783	7/1/22-6/30/23	36,454
COVID-19 ESSER Fund - YCEP III	* 84.425U	75924	7/1/22-6/30/23	<u>1,853</u>
Total Education Stabilization Fund				<u>507,238</u>
Passed through Oregon Department of Human Services				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	160718	7/1/22-6/30/23	87,060
Passed through High Desert Education Service District				
Education for Homeless Children and Youth Direct Programs	84.196	46122	7/1/22-6/30/23	3,750
Indian Education Grants to Local Educational Agencies	84.060	SO60A210418	7/1/22-6/30/23	<u>14,242</u>
Total U.S. Department of Education				<u>1,338,575</u>
Total federal assistance				<u>\$ 1,699,818</u>

* Major Program

See accompanying notes to the schedule of expenditures of federal awards

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

Purpose of the schedule

The accompanying schedule of expenditures of federal awards (SEFA) is a supplementary schedule to the district financial statements and is presented for purposes of additional analysis. Because the schedule presents only a selected portion of the activities of the district, it is not intended to and does not present the financial position or changes in fund balances of the district.

Significant accounting policies

Basis of presentation

The SEFA includes the federal grant activity for the district and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

Federal financial assistance

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Federal Forest Fees

Federal forest fees considered federal revenues are included in the schedule due to requirements of the Oregon Department of Education. However, these expenditures are not subject to Uniform Guidance and there are no applicable compliance requirements once these funds are passed to the district. Based on guidance from the oversight agency, the Oregon Department of Education, and the United States Department of Agriculture, the federal forest fees have not been included in the scope of the single audit.

Major programs

The Uniform Guidance establishes criteria to be used in defining major federal financial assistance programs. Major programs for the district are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting entity

The reporting entity is fully described in the notes to financial statements. The schedule includes all federal programs administered by the district for the year ended June 30, 2023.

Indirect Cost Rate

The district has not elected to use the 10% de minimis indirect cost rate.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

SUMMARY OF AUDITOR'S RESULTS

Type of Report Issued

In our report for the district, our opinion was unmodified.

Material Weakness in Internal Control

Our audit of the financial statements of the district did not identify any material weakness in internal control over financial reporting.

Significant Deficiencies in Internal Control

Our audit of the financial statements of the district did not identify any significant deficiencies in internal control over financial reporting.

Noncompliance Material to Financial Statements

Our audit of the financial statements of the district did not disclose any noncompliance which is material to the financial statements.

Material Weakness in Internal Control Over Major Programs

Our audit of the district did not identify any material weaknesses in internal control over major federal programs.

Significant Deficiencies in Internal Control Over Major Programs

Our audit of the district did not identify any significant deficiencies in internal control over major programs.

Type of Report Issued on Compliance for Major Programs

We have issued an unmodified opinion on compliance with requirements that have a direct and material effect on each major federal program.

Audit Findings

Our audit of the district did not disclose any audit findings we are required to report in accordance with 2 CFR 200.516(a).

Identification of Major Programs

For the identification of major programs see the preceding Schedule of Expenditures of Federal Awards.

Dollar Threshold Used to Distinguish Between Type A and Type B Programs

Type A programs are the programs with total program expended funds of \$750,000 or more.

Risk Classification of Auditee

We have determined that the district qualifies as a low-risk auditee.

Classification of Federal Awards Expended

We have determined that the district has expended federal funds in the following forms:

1. Non-cash assistance – USDA Commodities – 10.555 - \$18,801 and 10.559 - \$2,611
2. Insurance in effect during the period – \$0
3. Loans or loan guarantees, including interest subsidies, outstanding at year end – \$0

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

MATERIAL WEAKNESSES IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

CURRENT YEAR

The audit for the year ended June 30, 2023 did not report any material weaknesses in accordance with *Government Auditing Standards*.

PRIOR YEAR

The audit for the year ended June 30, 2022 did not report any material weaknesses in accordance with *Government Auditing Standards*.

SIGNIFICANT DEFICIENCIES IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

CURRENT YEAR

The audit for the year ended June 30, 2023 did not report any significant deficiencies in accordance with *Government Auditing Standards*.

PRIOR YEAR

The audit for the year ended June 30, 2022 did not report any significant deficiencies in accordance with *Government Auditing Standards*.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CURRENT YEAR FINDINGS

Our audit did not disclose any findings and questioned costs as defined by 2 CFR 200.516(a) for the year ended June 30, 2023.

PRIOR YEAR FINDINGS

Our audit did not disclose any findings and questioned costs as defined by 2 CFR 200.516(a) for the year ended June 30, 2022.

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

Board of Directors
Harney County School District No. 3
Burns, Harney County, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining funds of Harney County School District No. 3 (the district), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the district's basic financial statements, and have issued our report thereon dated December 18, 2023.

Internal Control Over Financial Reporting

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

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

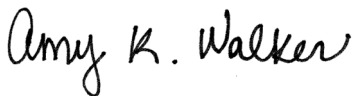
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial 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 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 district's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Solutions, CPAs PC
John Day, Oregon
December 18, 2023



Mitch T. Saul, CPA
Amy K. Walker, CPA
Harmony S. Piazza, CPA
Anna K. Bass

Robert M. Armstrong, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
UNIFORM GUIDANCE**

Board of Directors
Harney County School District No. 3
Burns, Oregon

Report on Compliance for Each Major Federal Program

We have audited Harney County School District No. 3's (the district) compliance with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the district's major federal programs for the year ended June 30, 2023. The district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the district's major federal programs based on our audit of the types of compliance requirements referred to above. 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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 the district's compliance.

Opinion on Each Major Federal Program

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, 2023.

Report on Internal Control over Compliance

Management of the district is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the district's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the district's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



For Solutions, CPAs PC
John Day, Oregon
December 18, 2023