MOLALLA RIVER ACADEMY

FINANCIAL STATEMENTS

June 30, 2024

KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

MOLALLA RIVER ACADEMY

FINANCIAL STATEMENTS

June 30, 2024

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MOLALLA RIVER ACADEMY

GOVERNING BOARD AND ADMINISTRATION

June 30, 2024

<u>Board of Directors:</u>

Brad Kuhn, Chair

Brandon Senn, Vice Chair

Jenny Powell, Treasurer

Mickie Meng, Secretary

All board members receive mail at the academy's address:

Molalla River Academy
16897 S. Callahan Road
Molalla, Oregon 97038
503-829-6672
Fax 503-759-6672

<u>Academy Administration:</u>

Iva Quinlan, Executive Director

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Molalla River Academy
Molalla, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Molalla River Academy as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Molalla River Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Molalla River Academy, as of June 30, 2024, 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. 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 Molalla River Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Molalla River Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Molalla River Academy

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Molalla River Academy'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 Molalla River Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information schedules (collectively, the "RSI") 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 RSI 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Report on State Legal and Regulatory Requirements

In accordance with the *Minimum Standards of Audits of Oregon Municipal Corporations*, we have issued our report dated December 11, 2024 on our consideration of Molalla River Academy'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.

KERN & THOMPSON, LLC
Certified Public Accountants

By: Richard V. Proulx, CPA – Partner
Portland, Oregon
December 11, 2024

MOLALLA RIVER ACADEMY

Management's Discussion and Analysis

Fiscal Year – July 1, 2023 – June 30, 2024

As Executive Director of Molalla River Academy, I offer readers of the 2023/2024 financial statements the overview of the year's financial activities. The Academy was established in 2009.

FINANCIAL HIGHLIGHTS

- Total net position increased by $99,865 during the year due primarily to a net decrease in the actuarial pension liabilities.
- At the end of the 2023/2024 year, the net position was $(232,782).

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Academy's financial statements. Those statements consist of three components:

1. Statement of Net Position
2. Statement of Activities
3. Notes to the Financial Statements.

The Statement of Net Position presents information on the Academy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The Statement of Activities presents information indicating how the Academy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this Statement for some items that may only result in cash flows in future periods.

The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data and details provided in the financial statements.

ACADEMY FINANCIAL ANALYSIS

The largest factor impacting the Academy in fiscal year 2023/2024 was the increase in State School Fund revenues and a decrease in the actuarial pension liabilities, which enabled sufficient resources to offset general operating costs. The result was an increase in net position for the year ended June 30, 2024. More details of the Academy's net pension liability are described in Note G to the accompanying financial statements.

	2024	2023
Molalla River Academy Financial Analysis		
Current assets	$ 703,876	$ 672,971
Noncurrent assets	506,002	632,460
Deferred outflows	1,226,258	502,762
Total assets	2,436,136	1,808,193
Total liabilities and deferred inflows	(2,668,918)	(2,123,899)
Total net position (deficit)	**$ (232,782)**	**$ (315,706)**
Revenue		
SSF Funds per Charter Contract	$ 1,875,876	$ 1,659,352
Other revenues	701,853	501,546
Total revenue	**2,577,729**	**2,160,898**
Expenses		
Instruction services	1,755,805	1,705,676
Support services	722,059	605,382
Total expenses	**2,477,864**	**2,311,058**
Change in net position	**99,865**	**(150,160)**
Net position (deficit), beginning of year	(332,647)	(165,546)
Net position (deficit), end of year	**$ (232,782)**	**$ (315,706)**

ECONOMIC FACTORS AND OTHER CONSIDERATIONS

Statewide budgets for K-12 education in Oregon are having a substantial impact on the public "bricks and mortar" Academy operations with decreasing elective options for older students, increased class sizes and fewer services. Current enrollment trends in academy alternatives across the State of Oregon suggest a growing demand for the programs offered in the Academy.

Total annual revenue increased approximately $417,000 or approximately 20%, primarily due to additional funding received from State School Funds.

Total annual expenses increased approximately $150,000 from the prior year. The increase is primarily from effects of increased salaries and other operating costs.

Overall, net position for fiscal year 2024 increased by $99,865 compared to a decrease of $(167,101) for fiscal year 2023.

LOOKING FORWARD

Management's plans for the next fiscal year include continued monitoring of its instruction and support services, while maximizing current levels of student enrollment. Accordingly, Management believes these actions will ensure the Academy's continued success.

Iva Quinlan, Executive Director

MOLALLA RIVER ACADEMY

STATEMENT OF NET POSITION

June 30, 2024

ASSETS

Cash and cash equivalents	$ 505,386
Accounts and grants receivable, net	192,853
Prepaid and other assets	5,637
Capital assets, net of depreciation	506,002
Total assets	**1,209,878**
Deferred outflows of resources	**1,226,258**
Total assets and deferred outflows	**2,436,136**

LIABILITIES

Accounts payable	8,801
Accrued payroll liabilities	85,409
Noncurrent liabilities, due in more than one year:	
Net pension liability	2,032,461
ROU lease liability	226,516
Total liabilities	**2,353,187**
Deferred inflows of resources	**315,731**
Total liabilities and deferred inflows	**2,668,918**

NET POSITION

Investment in capital assets, net	279,486
Unrestricted	(512,268)
Total net position	**$ (232,782)**

See notes to financial statements.

MOLALLA RIVER ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

		Program Revenues		Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Contributions	
Functions:				
Instruction	$ 1,755,805	$ -	$ 538,366	$ (1,217,439)
Support	722,059	-	-	(722,059)
Total governmental activities	**$ 2,477,864**	**$ -**	**$ 538,366**	**$ (1,939,498)**
General revenues:				
State support				1,875,876
Other local resources				163,487
Total general revenues				2,039,363
Change in net position				**99,865**
Net position (deficit), beginning				(332,647)
Net position, ending				**$ (232,782)**

See notes to financial statements.

MOLALLA RIVER ACADEMY

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2024

ASSETS

Cash and cash equivalents	$	505,386
Accounts and grants receivable, net		192,853
Prepaid and other assets		5,637
Total assets	**$**	**703,876**

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable	$	8,801
Accrued payroll liabilities		85,409
Total liabilities		**94,210**
Fund balance		
Assigned-Reserves		51,843
Assigned-Facility		22,445
Assigned-Playground		22,481
Nonspendable		5,637
Unassigned		507,260
Total fund balance		**609,666**
Total liabilities and fund balance	**$**	**703,876**

See notes to financial statements.

MOLALLA RIVER ACADEMY

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2024

Total fund balance		$ 609,666
The cost of capital assets (equipment) purchased is reported as an expenditure in the Governmental Fund. The Statement of Net Position includes those capital assets among the assets of the Academy as a whole.		
Cost	$ 908,176	
Accumulated depreciation	(402,174)	
Capital assets, net		506,002
Certain non-current assets and deferred outflows of resources recorded in the Statement of Net Position are not recognized in the government funds until actually expended.		
Deferred outflows of resources		1,226,258
All liabilities are reported in the Statement of Net Position whereas in governmental funds, liabilities not due and payable in the current period are not reported.		
Net pension liability		(2,032,461)
ROU lease liability		(226,516)
Deferred inflows of resources		(315,731)
Net position		**$ (232,782)**

See notes to financial statements.

MOLALLA RIVER ACADEMY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

Year Ended June 30, 2024

General revenues:	
Intergovernmental - State School Fund revenue	$ 1,875,876
Other local resources	701,853
Total general revenues	**2,577,729**
Expenditures:	
Instruction	1,903,579
Support	666,686
Total expenditures	**2,570,265**
Change in fund balance	**7,464**
Fund balance, beginning	602,202
Fund balance, ending	**$ 609,666**

See notes to financial statements.

MOLALLA RIVER ACADEMY

RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

Net change in fund balance – governmental fund		$ 7,464
Capital asset additions are reported as capital outlay expenditures in governmental funds. However, the Statement of Activities allocates the cost of those assets over their estimated useful lives as depreciation expense.		
Capital asset additions	-	
Depreciation	$ (55,373)	
		(55,373)
Changes in pension assets and liabilities are not reported in governmental funds as they do not require the current use of financial resources. However, the Statement of Activities reports such changes as increases or decreases in the related expense accounts.		147,774
Change in net position		**$ 99,865**

See notes to financial statements.

MOLALLA RIVER ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Molalla River Academy (the Academy) is a non-profit corporation established in accordance to Chapter 338 (Public Charter Schools) and Chapter 65 (The Oregon Nonprofit Corporation Act) of the Oregon Revised Statutes. The Academy provides education and services to students in grades K through 8.

The Academy is governed by a 5-member board of directors. Changes to the board of directors are approved by a majority vote of the existing board members.

The Academy operates under a charter granted by its sponsoring school district, Molalla River School District #35 (the "District"). The initial charter was granted in 2009 for a period of 5 school years, and its continuation is contingent upon the Academy's compliance with various requirements as specified in both the charter and Chapter 338 of the Oregon Revised Statutes (ORS). The Academy's charter has been renewed and expires June 30, 2030.

The Academy has no other organizations for which it is financially accountable or for which the nature and significance of their relationship with the Academy are such that exclusion would cause the Academy's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Academy.

Method of Reporting

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to government units as required by Oregon law for charter schools.

Government-wide and Fund Financial Statements

Government-wide financial statements display information about the Academy as a whole. These statements focus on the sustainability of the Academy as an entity and the change in financial position resulting from the activities of the fiscal period, and consist of the Statement of Net Position and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include charges to applicants who use or directly benefit from a particular function, and grants and contributions that are restricted to meeting operational or capital requirements of a given function.

Fund financial statements are presented separately for the Academy's governmental fund, which consists solely of the General Fund.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The Statement of Net Position and Statement of Activities (the "*government-wide financial statements*") are required to display information about the reporting entity as a whole. The government-wide financial statements were prepared using the "economic resources measurement focus" and the accrual basis of accounting. Revenues, expenses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange occurs, regardless of when the related cash flows take place. Revenues, expenses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions.* On the accrual basis of accounting, these transactions are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The balance sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance (the "*governmental fund financial statements*") are required to be reported using the "current financial resources measurement focus" and "modified" accrual basis of accounting. Under this method, financial resources are recognized when measurable and available. The Academy considers receivables reported in the governmental fund to be available if the related revenues are collected within sixty days after year-end. Liabilities are reported when the related expenditure is incurred.

The accounts of the Academy are organized and operated as a fund. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Academy reports only one governmental fund (the general fund). This fund accounts for all financial resources and expenditures of the Academy unless required to be accounted for in another fund. Principal revenue sources are state Academy support payments from the sponsoring district.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses. Actual results may differ from such estimates.

Net Position

In the governmental-wide financial statements, equity is classified as net position, and displayed in three components:

a. Invested in capital assets – consists of capital assets net of accumulated depreciation.
b. Restricted net assets – consists of net assets with constraints placed on them regarding plans for future capital improvements.
c. Unrestricted net assets – all other net assets that do not meet either of the above criteria.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* fund balance is divided into five components:

a. Nonspendable fund balance – consists of fund balances that cannot be spent because they must be maintained intact.
b. Restricted fund balance – consists of fund balances with externally enforceable limitations on use.
c. Committed fund balance – consists of fund balances with self-imposed limitations imposed at the highest level of decision-making that require formal actions at the same level to remove. The Academy has no committed fund balances.
d. Assigned fund balance – consists of fund balance limited as to the intended use that does not require the action of the highest level of decision-making to impose, remove, or modify the constraint. The Academy has no assigned fund balances.
e. Unassigned fund balance – consists of the total fund balance in the general fund in excess of the four prior limitations.

The details of the fund balances are included in the Governmental Fund Balance Sheet. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Academy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits in bank accounts.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to the Academy. The Academy does not have a deposit policy for custodial credit risk. As of June 30, 2024, all but $11,186 of the Academy's bank balances were covered by the Federal Deposit Insurance Corporation (FDIC).

Receivables

Receivables are recognized from unconditional promises to give (contributions receivable). Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. There were no conditional promises to give as of June 30, 2024.

Amounts due from the District are recorded monthly based on pupil counts as the related educational services are provided. Management periodically assesses the allowance for doubtful accounts based on historical experience and existing conditions affecting probable collection. Receivables are considered impaired if unpaid balances are not received in accordance with the contractual terms.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables (Continued)

It is the Academy's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Related revenues are subject to complex requirements and program audits by government agencies. Receivables are adjusted for probable and known disallowances as soon as such determinations are made. Advances, if any, from state and local agencies for expected contractual services to be performed are recorded as deferred revenues until the related services are rendered or any excess amounts advanced are returned to the respective agencies.

Capital Assets

The Academy capitalizes assets with an initial cost of more than $2,500 and estimated useful lives of more than one year. Purchased assets are recorded at historical cost; donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Capital assets are depreciated using the straight line method over their useful life. The Academy's furniture and equipment are being depreciated over five years.

State School Fund

Pursuant to ORS 338.155, students of a public school are considered to be residents of the school district in which the public school is located. The Academy reports the number of full-time equivalent students and related data to the District. The District reports the number of full-time equivalent students and related data to the State of Oregon for computation of their share of the State School Fund payment. Within 10 days of receipt from the State of Oregon, the District is required to send a percentage of the funds they receive for those students to the Academy. The percentage reduction is limited by state statute and is established by the District's policy on academies.

Compensated Absences

The Academy compensates employees for unused accumulations upon termination of employment. At June 30, 2024, the Academy has no accrued balance for prior years' paid-time-off earned by employees.

Income Taxes

Molalla River Academy is classified as a tax exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of $1,000.

Budget

The Academy is not subject to local budget law. While not required, the Academy prepares an annual budget for management purposes.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, *deferred outflows of resources*, represents a consumption of net position that apply to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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, *deferred inflows of resources*, represents an acquisition of net position that apply to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Pension Retirement Plan

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

NOTE B – CASH AND INVESTMENTS

State statutes govern the Academy's cash management policies, because the Academy does not have an official investment policy. Statutes authorize the Academy to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. All cash was held in FDIC insured qualified bank depository institutions included on the Oregon State Treasurer's Depository listing as of June 30, 2024.

NOTE C – CONCENTRATIONS AND CONTINGENCIES

Almost all operating funding is received from the State of Oregon through the District. State funding is determined through statewide revenue projections that are paid to individual Academy districts based on pupil counts and other factors in the state Academy fund revenue formula. Since these projections and pupil counts fluctuate, they can cause increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect of the Academy's operations cannot be determined.

Management believes that there are no contingent liabilities that require disclosure or recognition. Such contingent liabilities would include, but not be confined to: pending suits; proceedings, or negotiations possibly involving retroactive adjustments, unsatisfied judgments or claims; taxes in dispute; endorsements or guarantees; and options.

NOTE D – CONCENTRATIONS AND CONTINGENCIES

The Academy operates under authority of the District, who grants a charter to the Academy and exercises oversight as required by Oregon law. The effects on the Academy's financial statements, in the event of non-renewal of the academy, are not determinable.

NOTE E – CAPITAL ASSETS

During the year ended June 30, 2024, capital assets changed as follows:

	Balance 6/30/23	Additions	Disposals	Balance 6/30/24
Depreciable Assets:				
Office equipment	$ 9,780	$ -	$ -	$ 9,780
Computer equipment	21,003	-	-	21,003
Furniture and equipment	42,334	-	-	42,334
Building-operating	468,444	-	-	468,444
ROU - leased building	366,615	-	-	366,615
	908,176	-	-	908,176
Accumulated depreciation				
Owned assets	(206,702)	(55,373)	-	(262,075)
ROU - leased building	(69,014)	(71,085)	-	(140,099)
	(275,716)	(126,458)	-	(402,174)
Governmental activities capital assets, net	$ 632,460	$ (126,458)	$ -	$ 506,002

Depreciation expense for governmental activities of $126,458 was charged to Support Services for the year ended June 30, 2024. Depreciation was fully allocated to Support Services.

NOTE F – OPERATING ROU LEASE ASSET AND LIABILITY

Nature of Leases

The Academy has entered into the following lease arrangements:

- **Operating Lease**

  The Academy leases its school buildings and grounds from the Molalla River School District, expiring in June 2027. This lease requires annual rent of $5,000 due on July 1 of each year, requires the Academy to pay all executory costs (maintenance, repairs, and insurance), and requires the Academy to expend $75,000 for major capital repairs and improvements (as defined) during each year of the term. The lease provides for an optional 12-month renewal at the end of the term and allows the Academy to negotiate with the District to purchase the premises. It is not Management's intent to do so.

NOTE F – OPERATING ROU LEASE ASSET AND LIABILITY (CONTINUED)

Nature of Leases (Continued)

- **Operating Lease (continued)**

  There is no implicit interest rate stated in the lease, nor does the Academy have an incremental borrowing rate from other financing activity. Accordingly, the present value of the minimum lease costs has been calculated using the risk-free rate of 3.0% as of the inception of the lease to arrive at the value of the right-of-use ("ROU") asset and corresponding lease liability.

- **Short-term Leases**

  Short-term leases are leases that are for a period of 12 months or less or contain renewals for periods of 12 months or less. The Academy did not have any material short-term leases during the year ending June 30, 2024.

Summary of Lease Accounting

Description	Initial Liability	Balance 6/30/23	Additions	Reductions	Balance 6/30/24
Right-of-use lease liability:					
ROU - leased building	$ 297,601	$ 297,601	$ -	$ (71,085)	$ 226,516

Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2024, are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 73,251	$ 6,749	$ 80,000
2026	75,483	4,517	80,000
2027	77,782	2,218	80,000
Total	$ 226,516	$ 13,484	$ 240,000

NOTE G – PENSION RETIREMENT PLAN

<u>Defined Benefit Pension Plan</u>

General Information about the Pension Plan:

Name of the pension plan: The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit plan.

Plan description. Employees of the Academy are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. OPERS issues a publicly available financial report that can be obtained at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Benefits provided under Chapter 238-Tier One / Tier Two

1. *Pension Benefits.* The ORS 238 Defined Benefit Pension Plan provides benefits to members hired *before* August 29, 2003.

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

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

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

NOTE G – PENSION RETIREMENT PLAN (CONTINUED)

<u>Defined Benefit Pension Plan</u> (Continued)

General Information about the Pension Plan: (Continued)

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 OPERS-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.

Benefits provided under Chapter 238A-OPSRP Pension Program (OPSRP DB).

1. *Pension Benefits.* The ORS 238A Defined Benefit Pension Program provides benefits to members hired *on or after* August 29, 2003.

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

   General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

   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. Under current law, the cap on the COLA in fiscal year 2018 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

NOTE G – PENSION RETIREMENT PLAN (CONTINUED)

Contributions:

OPERS 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 Post Employment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2021, actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2022. The state of Oregon and certain Academies, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced. The Academy has not established any such side accounts.

Employer contributions for the year ended June 30, 2024, were $151,687, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2024, were: (1) Tier1/Tier 2 – 25.86% and (2) OPSRP general service – 22.75%.

Actuarial Valuations:

The employer contribution rates effective July 1, 2023, through June 30, 2024, 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, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2020 Experience Study which reviewed experience for the four-year period ending on December 31, 2020.

NOTE G – PENSION RETIREMENT PLAN (CONTINUED)

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2021
Experience Study Report	2020, published July 20, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.40 percent
Investment Rate of Return	6.90 percent
Projected Salary Increases	3.40 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	**Healthy retirees and beneficiaries:** Pub-2010 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. **Active members:** Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. **Disabled retirees:** Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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.

NOTE G – PENSION RETIREMENT PLAN (CONTINUED)

Assumed Asset Allocation:

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

Long-term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target		Compound Annual Return (Geometric)	
Global Equity	30.62	%	5.85	%
Private Equity	25.50		7.71	
Core Fixed Income	23.75		2.73	
Real Estate	12.25		5.66	
Master Limited Partnerships	0.75		5.71	
Infrastructure	1.50		6.26	
Commodities	0.63		3.10	
Hedge Fund of Funds - Multistrategy	1.25		5.11	
Hedge Fund Equity - Hedge	0.63		5.31	
Hedge Fund - Macro	5.62		5.06	
US Cash	-2.50		1.76	
Assumed Inflation – Mean			0.00	

NOTE G – PENSION RETIREMENT PLAN (CONTINUED)

Sensitivity of the Academy's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease 5.90%	Current Rate 6.90%	1% Increase 7.90%
Proportionate share of the net pension (liability)/asset	$ 3,357,243	$ 2,032,461	$ 923,759

Pension plan fiduciary net position

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2024, the Academy reported a liability of $2,032,461 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021 and rolled forward to June 30, 2024. The Academy's proportion of the net pension asset was based on the Academy's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers.

Rates of every employer have at least two major components:

1. Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

2. UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is simply the Unfunded Actuarial Liability (UAL) itself. The UAL represents the portion of the projected long-term contribution effort related to past service.

NOTE G – PENSION RETIREMENT PLAN (CONTINUED)

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

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier 1/Tier 2 payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

Analyzing both rate components, the projected long-term contribution effort is simply the sum of the PVFNC and UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At June 30, 2024, the Academy's proportion was 0.01085097 percent, which changed from its proportion measured as of June 30, 2023 of 0.00758427 percent.

For the year ended June 30, 2024, the Academy recognized pension expense of $468,774. At June 30, 2024, the Academy 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	$ 99,394	$ 8,059
Changes of assumptions	180,552	1,346
Net difference between projected and actual earnings on investments	36,532	-
Changes in proportionate share	513,028	280,938
Differences between employer contributions and proportionate share of contributions	80,165	25,388
Contributions made subsequent to the measurement date	316,587	-
Net deferred outflow/(inflow) of resources	$ 1,226,258	$ 315,731

NOTE G – PENSION RETIREMENT PLAN (CONTINUED)

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

Deferred outflows of resources related to pensions resulting from Academy contributions subsequent to the measurement date are recognized as deferred outflows and will be a reduction of the net pension liability in the year ended June 30, 2024. Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Employer subsequent fiscal years	Deferred outflows/(inflows) of resources (prior to post-measurement date contributions)
2025	$ 462,837
2026	24,312
2027	247,827
2028	131,103
2029	44,448
Thereafter	-
Total	$ 910,527

Changes in Plan Provisions Subsequent to Measurement Date:

There were no changes in plan provisions subsequent to the June 30, 2023 measurement date.

Changes in Assumptions:

No significant changes were implemented since the December 31, 2021, valuation. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2020 Experience Study for the System, which was published in July 2021.

Changes in Benefit Terms:

There were no changes in benefit terms affecting the June 30, 2023 measurement date or thereafter.

NOTE G – PENSION RETIREMENT PLAN (CONTINUED)

Defined Contribution Plan

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

Upon retirement, a member of the OPSRP 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.

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.

Contributions

The Academy has chosen to pay the employees' contributions to the plan. Six percent of covered payroll is paid for general service employees. For fiscal year 2024, the Academy paid $67,220. OPERS contracts with VOYA Financial to maintain IAP participant records.

Other Post-Employment Benefits

The actuarial valuation of the Academy's proportionate share of the liability for post-employment benefits as of June 30, 2024 was $17,973, which was not material to the Academy's financial statements.

NOTE H – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

Subscription-based information technology arrangements (SBITAs) are recognized in accordance with *GASB Statement No. 96, Subscription-Based Information Technology Arrangements* ("GASB 96", "SBITA"). GASB 96 defines a SBITA as a contract that conveys control of the right to use another party's (the SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a period of time in an exchange or exchange-like transaction.

NOTE H – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs) (CONTINUED)

The School's SBITAs consist of accounting and curriculum software which are subscribed from commercial vendors. The SBITAs are renewable annually at the discretion of the School and therefore is not subject to capitalization in the financial statements.

NOTE I – RESTATEMENT

Net position and fund balance as of July 1, 2023 have been restated to correct prior year errors in fundraising expenses as follows:

	Net Position (Deficit)	Fund Balance
June 30, 2023 as previously reported	$ (315,706)	$ 619,143
Correction to fundraising activites	(16,941)	(16,941)
July 1, 2023, as restated	$ (332,647)	$ 602,202

REQUIRED SUPPLEMENTARY INFORMATION

MOLALLA RIVER ACADEMY
Schedules of Required Supplementary Information

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.011%	0.008%	0.010%	0.009%	0.009%	0.008%	0.008%	0.008%	0.009%	0.007%
Proportionate share of the net pension liability (asset)	$ 2,032,461	$ 1,161,304	$ 1,223,137	$ 1,952,246	$ 1,491,595	$ 1,158,888	$ 1,058,358	$ 1,238,902	$ 528,506	$ (166,123)
Covered-employee payroll	1,175,182	764,129	981,551	796,429	769,161	724,933	700,043	591,914	417,549	504,338
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	172.9%	152.0%	124.6%	245.1%	193.9%	159.9%	151.2%	209.3%	126.6%	32.9%
Plan fiduciary net position as a percentage of the total pension liability	81.7%	84.5%	87.6%	75.8%	80.2%	82.1%	83.1%	80.5%	91.9%	103.6%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 106,345	$ 305,658	$ 220,930	$ 205,661	$ 204,576	$ 154,111	$ 128,643	$ 121,236	$ 101,767	$ 109,601
Contributions in relation to the contractually required contribution	151,687	265,764	263,422	320,916	204,576	154,111	128,643	121,236	101,767	109,601
Contribution deficiency (excess)	(45,342)	39,894	(42,492)	(115,255)	-	-	-	-	-	-
Covered-employee payroll	1,175,182	764,129	981,551	796,429	769,161	724,933	700,043	591,914	417,549	504,338
Contributions as a percentage of covered-employee payroll	12.9%	34.8%	26.8%	40.3%	26.6%	21.3%	18.4%	20.5%	24.4%	21.7%

* GASB # 68 requires ten-year trend information.

The accompanying notes and independent auditor's report should be read with the supplemental schedules.

MOLALLA RIVER ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2024

Changes in Assumptions:

Actuarial assumptions and other changes are described in the notes to the accompanying financial statements.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
OREGON MINIMUM STANDARDS FOR AUDITS OF
OREGON MUNICIPAL CORPORATIONS**

To the Board of Directors of
Molalla River Academy
Molalla, Oregon

We have audited the basic financial statements of Molalla River Academy as of June 30, 2024, and have issued our report thereon dated December 11, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Academy'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:

Insurance and fidelity bonds in force or required by law.
Programs funded from outside sources.
Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the Academy 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 basic financial statements of the Academy as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency* on 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 function, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Molalla River Academy

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

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

KERN & THOMPSON, LLC
Certified Public Accountants

By: Richard V. Proulx, CPA - Partner
Portland, Oregon
December 11, 2024