

**EVERGREEN VIRTUAL ACADEMY  
(A Component Unit of the North Bend School District No. 13)**

**COOS COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2023**



**12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223**

**EVERGREEN VIRTUAL ACADEMY**  
**(A Component Unit of the North Bend School District No. 13)**

COOS COUNTY, OREGON

FINANCIAL REPORT

For the Year Ended June 30, 2023

**EVERGREEN VIRTUAL ACADEMY  
(A Component Unit of the North Bend School District No. 13)**

COOS COUNTY, OREGON

2022-2023

BOARD OF DIRECTORS

Franklin Roberts - Chair

Myk Herndon

Paul Tannahill

Emily Dray

Natalia Guerra-Hughes

Doug Bragg

Sandi Patrick

All board members receive mail at the address below:

ADMINISTRATION

Jaime Stiles, Executive Director  
400 Virginia Ave., Suite 210  
North Bend, Oregon 97459

EVERGREEN VIRTUAL ACADEMY  
(A Component Unit of the North Bend School District No. 13)

COOS COUNTY, OREGON

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**PAULY, ROGERS, AND Co., P.C.**  
12700 SW 72<sup>nd</sup> Ave. ♦ Tigard, OR 97223  
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November 27, 2023

To the Board of Directors  
Evergreen Virtual Academy  
Coos County, Oregon

### INDEPENDENT AUDITORS' REPORT

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of Evergreen Virtual Academy as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Evergreen Virtual Academy as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Evergreen Virtual 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 Evergreen Virtual 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Evergreen Virtual 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 Evergreen Virtual 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 the required supplementary information, as presented 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, as presented in the table of contents, 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.

## **Other Information**

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

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

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

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 27, 2023, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink, appearing to read "Ken Allen", written in a cursive style.

Kenneth Allen, CPA  
Municipal Auditor  
**PAULY, ROGERS AND CO., P.C**

**EVERGREEN VIRTUAL ACADEMY**  
**A COMPONENT UNIT OF THE NORTH BEND SCHOOL DISTRICT NO. 13**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the fiscal year ended June 30, 2023**

As management of Evergreen Virtual Academy (School), we offer readers of the school’s financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023.

**FINANCIAL HIGHLIGHTS**

- In the government-wide statements, the net position of the school totaled (\$4,281,626) at June 30, 2023. The school’s investments in capital assets totaled \$1,254,415 net of accumulated depreciation of \$396,438.
- The school reported total general revenue of \$13,906,688 at June 30, 2023.
- At the end of the fiscal year, the ending fund balance of the Governmental Fund (General Fund) totaled \$440,396. Of this amount, \$76,181 was classified as “Non-Spendable” and \$364,215 was classified as “Unassigned”.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the school’s basic financial statements. The school’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 school’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 school at year end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the school is improving or deteriorating.

*The Statement of Activities.* The *statement of activities* presents information showing how the net position of the school changed over the year by tracking revenues, expenses and other transactions that increase or reduce net assets. All changes in net assets 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 will only result in cash flows in future fiscal periods (e.g., uncollected funding and accrued fees).



In the government-wide financial statements, the school's activities are shown as governmental activities. All basic school functions are shown here, such as instruction and support services. These activities are primarily financed through Oregon's State School Fund and other intergovernmental revenues. The government-wide financial statements are found on pages 9 and 10 of this report.

**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 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental fund financial statements can be found on pages 11 through 12 of this report.

**Notes to the financial statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 31 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the school, the net position was (\$4,281,626) and (\$3,585,153) at June 30, 2023, and 2022, respectively. The balances are negative due to the adoption of Government Accounting Standards Board Statement No. 68 ("Accounting and Financial Reporting for Pensions") in fiscal year ending 2014-15 which added net pension asset, deferred outflows, and inflows of resources to the statement of position and affected operating expenses in the statement of activities by changing pension expense.

Capital assets, which consist of the school's website, and, equipment and hardware, including new computers for student and staff is approximately 36 percent of total assets. The remaining assets consist mainly of cash and accounts receivable.

The school's current liabilities represent 15 percent of the total liabilities, consisting entirely of payables on accounts, and payroll and benefits payable.

The School's long-term liabilities represent 85 percent of the total liabilities, consisting entirely of the Proportionate Share of the Statewide Net Pension Liability.

**Statement of Net Position** During the current fiscal year, the school's net position decreased primarily due to an increase in the net pension liability combined with a decrease in current assets and capital assets.

Net Position at June 30, 2023 and 2022

	<u>2022-2023</u>	<u>2021-2022</u>	<u>Change</u>
Current and other assets	\$ 2,109,369	\$ 2,876,408	\$ (767,039)
Net pension asset	53,207	52,791	416
Capital asset	1,254,415	1,488,407	(233,992)
Total assets	<u>3,416,991</u>	<u>4,417,606</u>	<u>(1,000,615)</u>
Deferred outflows of resources	<u>5,670,288</u>	<u>4,898,447</u>	<u>771,841</u>
Current liabilities	1,668,973	2,432,083	(763,110)
Net pension liabilities	9,419,032	5,968,571	3,450,461
Total liabilities	<u>11,088,005</u>	<u>8,400,654</u>	<u>2,687,351</u>
Deferred inflows of resources	<u>2,280,900</u>	<u>4,500,552</u>	<u>(2,219,652)</u>
Net position			
Investment of capital assets	1,254,415	1,488,407	(233,992)
Unrestricted	(5,536,041)	(5,073,560)	(462,481)
Total net positon	<u>\$ (4,281,626)</u>	<u>\$ (3,585,153)</u>	<u>\$ (696,473)</u>

**Statement of Activities** During the current fiscal year, the school's net position decreased primarily due to a significant increase in unrestricted fund balance, which was partially offset by a decrease in net pension liability. The key elements of the components in the school's net position for the years ended June 30, 2023, and 2022 are as follows:

Changes in Net Position  
For the years ended June 30, 2023 and 2022

	2022-2023	2021-2022	Change
Revenues:			
General: Intergovernmental aide not restricted	\$ 13,903,099	\$ 18,446,084	\$ (4,542,985)
Other income	3,589	8,069	(4,480)
Program: Operating Grants	1,317,459	1,183,546	133,913
Total Revenues	<u>15,224,147</u>	<u>19,637,699</u>	<u>(4,413,552)</u>
Expenses:			
Instruction	9,904,513	16,807,769	(6,903,256)
Support Services	6,016,107	5,237,801	778,306
Total Expenses	<u>15,920,620</u>	<u>22,045,570</u>	<u>(6,124,950)</u>
Change in Net Position	(696,473)	(2,407,871)	1,711,398
Net Position - Beginning	(3,585,153)	(1,177,282)	(2,407,871)
Net Position - Ending	<u>\$ (4,281,626)</u>	<u>\$ (3,585,153)</u>	<u>\$ (696,473)</u>

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At June 30, 2023, and 2022, the School's governmental fund reported an ending fund balance of \$444,325 (surplus) and \$440,396 (surplus), respectively.

**General Fund** The General Fund is the primary operating fund of the School. As of June 30, 2023, and 2022, the unreserved fund balance was \$364,215 (surplus) and \$(415,157) (deficit), respectively.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Due to declining enrollment during the 2022-2023 school year, budgeted expenditures were decreased from 2021-2022. Instructional expenditures for 2022 were lower due to a decrease in teacher, curriculum, material, and computer costs driven by lower enrollment. Support expenditures were relatively stable between years.

## **CAPITAL ASSETS**

The School's investment in capital assets includes the website, and, equipment and hardware. As of June 30, 2023, the School had invested \$1,254,415 in capital assets, net of depreciation. This was a decrease of \$233,992 compared to the year ended June 30, 2022. The decrease was mainly due to depreciation expense in 2022-2023 exceeding the value of new assets purchased.

## **PENSION LIABILITY**

The School's Proportionate Share of the State-Wide Net Pension Liability at June 30, 2023 and 2022 was \$9,419,032 and \$5,968,571 respectively. This liability represents the amount of the total Oregon PERS obligations allocated to the School, actuarially determined.

## **CURRENT FINANCIAL ISSUES AND CONCERNS BEARING ON THE FUTURE**

The School has experienced declining enrollment in the years subsequent to the Covid-19 pandemic but expects stability going forward consistent with 2022-2023 levels.

## **REQUESTS FOR INFORMATION**

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the school's finances and demonstrate the school's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director – Evergreen Virtual Academy, 400 Virginia Avenue, Suite 210, North Bend, OR 97459.

**EVERGREEN VIRTUAL ACADEMY**  
**(A Component Unit of the North Bend School District No. 13)**

COOS COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

**EVERGREEN VIRTUAL ACADEMY**  
**(A Component Unit of the North Bend School District No. 13)**  
**COOS COUNTY, OREGON**

**STATEMENT OF NET POSITION**  
**June 30, 2023**

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**ASSETS:**

Current:

Cash and Cash Equivalents	\$ 1,508,287
Accounts Receivable	524,901
Prepaid Expenses	<u>76,181</u>
Total Current Assets	<u>2,109,369</u>

Non-Current:

Capital Assets, Net of Depreciation	1,254,415
OPEB Asset - PERS RHIA	<u>53,207</u>
Total Non-Current Assets	<u>1,307,622</u>
Total Assets	<u>3,416,991</u>

**DEFERRED OUTFLOWS:**

PERS Pension	5,669,263
PERS RHIA	<u>1,025</u>
Total Deferred Outflows	<u>5,670,288</u>

**LIABILITIES:**

Current:

Accounts Payable	1,185,336
Other Accrued expenses	<u>483,637</u>
Total Current Liabilities	<u>1,668,973</u>

Non-Current:

Proportionate Share of Net Pension Liability	<u>9,419,032</u>
Total Liabilities	<u>11,088,005</u>

**DEFERRED INFLOWS:**

PERS Pension	2,273,169
PERS RHIA	<u>7,731</u>
Total Deferred Inflows	<u>2,280,900</u>

**NET POSITION:**

Invested in Capital Assets	1,254,415
Unrestricted	<u>(5,536,041)</u>
Total Net Position:	<u>\$ (4,281,626)</u>

See accompanying notes to the basic financial statements

**EVERGREEN VIRTUAL ACADEMY**  
**(A Component Unit of the North Bend School District No. 13)**  
**COOS COUNTY, OREGON**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2023**

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 9,904,513	\$ -	\$ 1,317,459	\$ (8,587,054)
Support Services	<u>6,016,107</u>	<u>-</u>	<u>-</u>	<u>(6,016,107)</u>
Total Governmental Activities	<u>\$ 15,920,620</u>	<u>\$ -</u>	<u>\$ 1,317,459</u>	<u>(14,603,161)</u>
General Revenues				
				3,589
				13,903,099
				<u>13,906,688</u>
				(696,473)
				<u>(3,585,153)</u>
				<u>\$ (4,281,626)</u>

See accompanying notes to the basic financial statements

**EVERGREEN VIRTUAL ACADEMY**  
**(A Component Unit of the North Bend School District No. 13)**  
**COOS COUNTY, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUND**

**June 30, 2023**

**ASSETS:**

Cash and Cash Equivalents	\$ 1,508,287
Accounts Receivable	524,901
Prepaid Expenses	76,181
	Total Assets
	\$ 2,109,369

**LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:**

**Liabilities:**

Accounts Payable	\$ 1,185,336
Other Accrued Expenses	483,637
	Total Liabilities
	1,668,973

**Fund Balance:**

Nonspendable	76,181
Unassigned	364,215
	Total Fund Balance
	440,396

Total Liabilities, Deferred Inflows and Fund Balance	\$ 2,109,369
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**Reconciliation of the Governmental Fund  
Balance Sheet to the Statement of Net Position**

Total Fund Balance	\$ 440,396
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The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in the governmental fund. The statement of Net Position includes those capital assets among the assets of the School as a whole. 1,254,415

The Net Pension Liability and related Deferred Outflows and Inflows are reported on the Statement of Net Position but not on the Governmental Fund Balance Sheet

Deferred Outflows - PERS	\$ 5,670,288	
Deferred Inflows - PERS	(2,280,900)	
OPEB Asset - PERS RHIA	53,207	
Proportionate Share of Net Pension Liability	(9,419,032)	(5,976,437)

Net Position	\$ (4,281,626)
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See accompanying notes to the basic financial statements



**EVERGREEN VIRTUAL ACADEMY**  
**(A Component Unit of the North Bend School District No. 13)**  
**COOS COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**For the Year Ended June 30, 2023**

REVENUES:		
Miscellaneous	\$	3,589
State School Fund		13,903,099
Other Restricted State Grants		978,926
Federal Grants		338,533
		15,224,147
Total Revenues		15,224,147
EXPENDITURES:		
Current:		
Instruction		9,595,993
Support Services		5,614,621
Capital Outlay		17,462
		15,228,076
Total Expenditures		15,228,076
Net Change in Fund Balance		(3,929)
Beginning Fund Balance		444,325
Ending Fund Balance	\$	440,396
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities		
Net Change in Fund Balance	\$	(3,929)
<p>Capital Outlays are reported in the governmental fund as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. In addition, the disposal of capital assets creates a gain or loss on the Statement of Activities that is not recognized in the governmental fund.</p>		
Capital Outlay	\$	17,462
Capital Asset Disposals		(3,554)
Depreciation Expense		(247,900)
		(233,992)
Changes in the Net Pension Liability and related Deferred Outflows and Inflows are recorded as an increase or reduction of expenses on the Statement of Activities, but are not recognized in the Governmental Fund		(458,552)
Changes in Net Position	\$	(696,473)

See accompanying notes to the basic financial statement.

**EVERGREEN VIRTUAL ACADEMY  
(A Component Unit of the North Bend School District No. 13)  
COOS COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. THE FINANCIAL REPORTING ENTITY**

Evergreen Virtual Academy, (School) was formed in September 2008 as a not-for-profit corporation under Section 501 (c)(3) of the Internal Revenue Code, and operates under the laws of the State of Oregon as part of, and under a formal agreement with, the North Bend Public School District (School District). The School is governed by a Board of Directors.

The School was organized under provisions of Oregon Revised Statutes Chapter 338 for the purpose of operating a charter school. That statute requires that the Charter School be considered a governmental unit and is also subject to the Minimum Standards of Audits of Oregon Municipal Corporations.

The School's contract with the School District expires on June 30, 2028 with an optional extension to be agreed upon by both parties.

The School provides internet-based curriculum to students from grades kindergarten through grade twelve. The major source of revenue is the State of Oregon, via the School District. The School contracted with K12, Inc., a national on-line curriculum provider, for on-line curriculum, instructional materials and technology services.

The School has a financial benefit/burden relationship with the North Bend School District. Therefore, in accordance with GASB Statement No. 61, the School is considered a component unit of the School District. The School does not meet the criteria for blending of the financial data with that of the School District; therefore the School is presented within the financial statements of the School District as a discretely presented component unit. The School does not have any component units.

In evaluating how to define the School for financial reporting purposes, management has considered all potential component units of the School. Based on the application of the criteria established by the Governmental Accounting Standards Board (GASB), there are no potential component units of the School.

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION**

**SCHOOL-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities display information about the School as a whole. These statements include the financial activities of the School. All of the School activities are categorized as governmental activities.

Governmental activities- The School programs are reported in this category. State funding is the primary funding for these activities.

**EVERGREEN VIRTUAL ACADEMY**  
**(A Component Unit of the North Bend School District No. 13)**  
**COOS COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)**

**SCHOOL-WIDE FINANCIAL STATEMENTS (CONTINUED)**

The School-wide statements are prepared using the economic resources measurement focus and reported on the accrual basis.

The School-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Indirect expenses such as interest and depreciation are not allocated across functions, if they are not specifically associated with a particular service, program or department. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

**FUND FINANCIAL STATEMENTS**

The accounts of the School are organized and operated on the basis of funds. 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. A minimum number of funds are maintained consistent with legal and managerial requirements.

**GOVERNMENTAL FUND TYPES**

Governmental funds are used to account for the School's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims of judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the School; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditures and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the "susceptible to accrual" criteria are met.

**EVERGREEN VIRTUAL ACADEMY**  
**(A Component Unit of the North Bend School District No. 13)**  
**COOS COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)**

**GOVERNMENTAL FUND TYPES (CONTINUED)**

Grants and charges for services are susceptible to accrual if received within 60 days of fiscal year end. Other receipts become measurable and available when cash is received by the School and are recognized as revenue at that time.

Amounts reported as program revenues include operating grants and contributions where their use is restricted to certain purposes within the School.

This is the major governmental fund:

**GENERAL FUND**

This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund (there are no other funds). The principal revenue sources are payments of state school support from North Bend School District. Charter Schools in Oregon are not required to have a legally adopted budget, thus eliminating the requirement to present budgetary comparison information.

**FUND EQUITY**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. No assignments have been made by management.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)**

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

**CASH AND CASH EQUIVALENTS**

The School's cash and cash equivalents are considered to be cash on hand and demand deposits.

**RECEIVABLES AND PAYABLES**

Receivables and payables are recorded on the Statement of Net Position in accordance with the policies enumerated above. Management believes that the amount of any uncollectible accounts included in the receivable balance is not significant. Therefore, no provision for uncollectible accounts has been made.

**CAPITAL ASSETS**

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the School-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Capital assets are defined by the District as assets with an initial individual cost of \$1,000 or more and an initial estimated useful life extending beyond a single reporting period. The District does not possess any infrastructure or own any buildings. All reported capital assets are for equipment and website design (intangible asset).

All reported equipment and intangible assets are depreciated/amortized over a period of 5 years.

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position may 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 applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Under the accrual basis of accounting, deferred amounts related to pensions, are reported only on the Statement of Net Position, and represent benefits that apply to future periods and so will not be recognized until that time.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)**

**COMPENSATED ABSENCES**

School employees do not accrue compensable time off.

**ESTIMATES**

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

**PENSIONS**

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

**ACCOMMODATION CREDIT**

K12, Inc., has committed to issue "Balanced Budget Credits" as necessary to ensure the School would not end the year with an accumulated deficit. It is not unusual for a school to incur costs in excess of funding received. If deficits accumulate to the extent that the School ends the year with a negative ending fund balance, credits will be issued in an amount sufficient to eliminate any deficit at the budgetary level (except for any amount offset by net capital assets).

**NET POSITION**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the Academy's financial statements. Government-wide net position is divided into three components:

Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position - consists of assets that are restricted by the School's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

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**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED)**

**NET POSITION (CONTINUED)**

Unrestricted - all other net position is reported in this category. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**BUDGETARY INFORMATION**

The School is exempt from Oregon Budget Law, however, the Board adopts an annual budget. The budget is prepared on the accrual basis of accounting and in the main program categories as listed below. Expenditure budgets are made at the following levels:

Instruction- Teacher  
Instruction - Students  
Student and Family Services  
School Administration & Governance  
Technology  
Insurance/Facilities/Other

**3. CASH AND CASH EQUIVALENTS**

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the District at year end. If bank deposits at year end are not entirely insured or collateralized with securities held by the School or by its agent in the School's name, the School must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to participate in the Public Funds Collateralization Program. The Public Funds Collateralization Program is a multiple financial institution collateral pool administered by the Oregon State Treasurer's Office.

For the fiscal year ended June 30, 2023, the carrying amount of the School's deposits was \$1,508,287 and the financial institutions' balances totaled \$1,555,260. All deposits are held in the name of the School. Of the bank balance, \$250,000 was insured by the Federal Depository Insurance Corporation and the remainder was covered by the Public Funds Collateralization Program. Deposits in the Public Funds Collateralization Pool are not 100% guaranteed.

**CUSTODIAL CREDIT RISK**

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

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**3. CASH AND CASH EQUIVALENTS (CONTINUED)**

**DEPOSIT AND INVESTMENT RISK**

The School has not formally adopted deposit and investment policies that limit the allowable deposits or investments. The School had no investments during the year.

**4. CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2023 are as follows:

	Capital Assets June 30, 2022	Additions	Deletions	Capital Assets June 30, 2023
Intangible Asset - Website	\$ 48,249	\$ 13,250	\$ -	\$ 61,499
Equipment and Hardware	1,588,696	4,212	(3,554)	1,589,354
Total	1,636,945	17,462	(3,554)	1,650,853
Accumulated Depreciation				
Intangible Asset - Website	-	11,754	-	11,754
Equipment and Hardware	148,538	236,146	-	384,684
Total	148,538	247,900	-	396,438
Net Capital Assets	<u>\$ 1,488,407</u>	<u>\$ (230,438)</u>	<u>\$ (3,554)</u>	<u>\$ 1,254,415</u>

Depreciation was allocated to Support Services on the Statement of Activities.

**5. DEFINED BENEFIT PENSION PLAN**

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

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2022-Annual-Comprehensive-Financial-Report.pdf>

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

a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.

i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2



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**NOTES TO BASIC FINANCIAL STATEMENTS**

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**5. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member’s salary determined as of the last full month of employment before the disability occurred.

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

Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation, which became effective July 1, 2021. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2023 were \$1,479,299, excluding amounts to fund employer specific liabilities. In addition approximately \$365,838 in employee contributions were paid or picked up by the Academy in fiscal 2023. At June 30, 2023, the Academy reported a net pension liability of \$9,419,032 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2020. The Academy’s proportion of the net pension liability was based on a projection of the Academy’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2022 and 2021, the Academy’s proportion was .06 percent and .05 percent, respectively. Pension expense for the year ended June 30, 2023 was \$454,642.

The rates in effect for the year ended June 30, 2023 were:

- (1) Tier 1/Tier 2 – 26.83%
- (2) OPSRP general services – 23.72%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 457,218	\$ 58,739
Changes in assumptions	1,477,897	13,502
Net difference between projected and actual earnings on pension plan investments		1,683,941
Net changes in proportionate share	1,869,334	
Differences between contributions and proportionate share of contributions	385,515	516,987
Subtotal - Amortized Deferrals (below)	4,189,964	2,273,169
Contributions subsequent to measuring date	1,479,299	-
Deferred outflow (inflow) of resources	<u>\$ 5,669,263</u>	<u>\$ 2,273,169</u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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**5. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

Year ending June 30,	Amount
2024	\$ 629,018
2025	303,933
2026	(279,566)
2027	1,118,970
2028	144,441
Thereafter	-
Total	\$ 1,916,796

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 2, 2023. Oregon PERS produces an independently audited ACFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2022-Annual-Comprehensive-Financial-Report.pdf>

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

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Actuarial Methods and Assumptions:**

Valuation date	December 31, 2020
Experience Study Report	2020, Published July 20, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value of assets
Inflation rate	2.40 percent
Investment rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increase	3.40 percent
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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

**Assumed Asset Allocation:**

<b>Asset Class/Strategy</b>	<b>Low Range</b>	<b>High Range</b>	<b>OIC Target</b>
Debt Securities	15.0%	25.0%	20.0%
Public Equity	25.0%	35.0%	30.0%
Real Estate	7.5%	17.5%	12.5%
Private Equity	15.0%	27.5%	20.0%
Risk Parity	0.0%	3.5%	2.5%
Real Assets	2.5%	10.0%	7.5%
Diversifying Strategies	2.5%	10.0%	7.5%
Opportunity Portfolio	0.0%	5.0%	0.0%
Total			100.0%

(Source: June 30, 2022 PERS ACFR; p. 104)

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Long-Term Expected Rate of Return:**

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

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

*(Source: June 30, 2022 PERS ACFR; p. 74)*

**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 the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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**5. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net pension liability	\$ 16,703,839	\$ 9,419,032	\$ 3,321,985

**Changes Subsequent to the Measurement Date**

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

There are no changes subsequent to the June 30, 2022 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

**Deferred Compensation Plan**

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the Academy for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of resignation, death, disability, or retirement; unforeseeable emergency; or by requesting a de minimis distribution from inactive accounts valued less than \$5,000. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the Academy.

**OPSRP Individual Account Program (OPSRP IAP)**

*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. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member’s IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

*Pension Benefits:*

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was

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**5. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

*Death Benefits:*

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

*Contributions:*

Employees of the Academy pay six (6) percent of their covered payroll. Effective July 1, 2020, currently employed Tier 1/Tier 2 and OPSRP members earning \$2,500 or more per month (increased to \$3,333 per month in 2022) will have a portion of their 6 percent monthly IAP contributions redirected to an Employee Pension Stability Account. The Employee Pension Stability Account will be used to pay part of the member's future benefit. Of the 6 percent monthly IAP contribution, Tier 1/Tier 2 will have 2.5 percent redirected to the Employee Pension Stability Account and OPSRP will have 0.75 percent redirected to the Employee Pension Stability Account, with the remaining going to the member's existing IAP account. Members may voluntarily choose to make additional after-tax contributions into their IAP account to make a full 6 percent contribution to the IAP. The Academy made approximately \$365,838 of optional contributions to member IAP accounts for the year ended June 30, 2023.

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

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

**6. OTHER POST-EMPLOYMENT BENEFIT PLAN – (RHIA)**

**Plan Description:**

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

**EVERGREEN VIRTUAL ACADEMY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**Funding Policy:**

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

Participating Academics are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the Academy currently contributes 0.06% of annual covered OPERF payroll and 0.00% of OPSRP payroll under a contractual requirement in effect until June 30, 2023. Consistent with GASB Statement 75, the OPERS Board of Trustees sets the employer contribution rates as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined. The basis for the employer's portion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the plan with the total actual contributions made in the fiscal year of all employers. The Academy's contributions to RHIA for the years ended June 30, 2022 and 2023 were \$369, and \$0, respectively, which equaled the required contributions each year.

At June 30, 2023, the Academy reported a net OPEB liability/(asset) of (\$53,207) for its proportionate share of the net OPEB liability/(asset). The OPEB liability/(asset) was measured as of June 30, 2022, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2020. Consistent with GASB Statement No. 75, paragraph 59(a), the Academy's proportion of the net OPEB liability/(asset) is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. As of the measurement date of June 30, 2022 and 2021, the Academy's proportion was .015 percent and .015 percent, respectively. OPEB expense for the year ended June 30, 2023 was \$3,909.

**Components of OPEB Expense/(Income):**

Employer's proportionate share of collective system OPEB Expense/(Income)	\$ (7,966)
Net amortization of employer-specific deferred amounts from:	
- Changes in proportionate share (per paragraph 64 of GASB 75)	11,875
- Differences between employer contributions and employer's proportionate share of system contributions (per paragraph 65 of GASB 75)	-
Employer's Total OPEB Expense/(Income)	<u>\$ 3,909</u>



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

**Components of Deferred Outflows/Inflows of Resources:**

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 1,442
Changes in assumptions	417	1,774
Net difference between projected and actual earnings on pension plan investments	-	4,058
Net changes in proportionate share	608	457
Differences between contributions and proportionate share of contributions	-	-
Subtotal - Amortized Deferrals (below)	1,025	7,731
Contributions subsequent to measuring date	-	-
Deferred outflow (inflow) of resources	\$ 1,025	\$ 7,731

The amount of contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability/(asset) in the fiscal year ended June 30, 2024.

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

Year ending June 30,	Amount
2024	\$ (3,176)
2025	(2,268)
2026	(2,561)
2027	1,299
2028	-
Thereafter	-
Total	\$ (6,706)

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS Retirement Health Insurance Account Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the Year Ended June 30, 2022. That independently audited report was dated February 2, 2023 and can be found at:

<https://www.oregon.gov/pers/EMP/Documents/GASB/2022/GASB-75-RHIA-2022.pdf>

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**Actuarial Methods and Assumptions:**

Valuation Date	December 31, 2020
Experience Study Report	2020, Published July 20, 2021
Actuarial cost method	Entry Age Normal
Inflation rate	2.40 percent
Investment rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increase	3.40 percent
Retiree healthcare participation	Healthy retirees: 27.5%; Disabled retirees: 15%
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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

**Discount Rate:**

The discount rate used to measure the total OPEB liability as of the measurement date of June 30, 2022 was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB 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. The table below shows Milliman’s assumptions

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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

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.

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

*(Source: June 30, 2022 PERS ACFR; p. 74)*

Sensitivity of the Academy’s proportionate share of the net OPEB liability/(asset) to changes in the discount rate – The following presents the Academy’s proportionate share of the net OPEB liability/(asset) 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 one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate.

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net OPEB liability (asset)	\$ (47,954)	\$ (53,207)	\$ (57,709)

**Changes Subsequent to the Measurement Date**

There are no changes subsequent to the June 30, 2022 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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**7. RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Worker's compensation insurance is provided through the outsourced payroll service provider. There has been no significant reduction in insurance coverage from the prior year and the School has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

**8. CONTINGENT LIABILITIES**

Evergreen Virtual Academy receives the majority of its support from other governmental entities. These amounts are subject to audit and adjustment by these governments and any ineligible costs may constitute a liability of Evergreen Virtual Academy. As of June 30, 2023, management was not aware of any ineligible costs.

**9. TAX STATUS**

The School is qualified pursuant to Section 501(c)(3) of the Internal Revenue Code, and, accordingly, the School's net investment income is exempt from income taxes. The School has obtained a favorable determination letter from the Internal Revenue Service and the Board of Directors believes that the School continues to qualify and to operate in accordance with applicable provisions of the Internal Revenue Code.

U.S. Generally Accepted Accounting Principles require School management to evaluate tax positions taken by the School and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**EVERGREEN VIRTUAL ACADEMY**  
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**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2023**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) School's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.06 %	\$ 9,419,032	\$ 7,455,161	126.3 %	84.5 %
2022	0.05	5,968,571	6,111,317	97.7	87.6
2021	0.05	10,680,158	4,048,661	263.8	75.8
2020	0.05	8,185,164	4,528,324	180.8	80.2
2019	0.04	6,778,305	3,913,151	173.2	82.1
2018	0.04	5,956,492	3,403,831	175.0	83.1
2017	0.04	6,195,839	3,208,819	193.1	80.5
2016	0.04	2,076,773	2,471,630	84.0	91.9
2015	0.03	(676,911)	2,096,764	(32.3)	103.6
2014	0.03	1,523,958	1,889,756	80.6	92.0

**SCHEDULE OF CONTRIBUTIONS**

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2023	\$ 1,479,299	\$ 1,479,299	\$ -	\$ 6,053,422	24.4 %
2022	1,826,514	1,826,514	-	7,455,161	24.5
2021	1,650,056	1,650,056	-	6,111,317	27.0
2020	1,113,382	1,113,382	-	4,048,661	27.5
2019	1,032,877	1,032,877	-	4,528,324	22.8
2018	866,697	866,697	-	3,913,151	22.1
2017	612,690	612,690	-	3,403,831	18.0
2016	677,679	677,679	-	3,208,819	21.1
2015	606,783	606,783	-	2,471,630	24.5
2014	497,581	497,581	-	2,096,764	23.7

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

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

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**COOS COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2023**

SCHEDULE OF THE PROPORTIONATE SHARE OF THE OPEB ASSET - OREGON RHIA

Year Ended June 30,	(a) Employer's proportion of the net opeb asset (NPA)	(b) Employer's proportionate share of the net opeb asset (NPA)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.01%	\$ (53,207)	\$ 7,455,161	-0.71%	194.60%
2022	0.01%	(52,791)	6,111,317	-0.86%	183.90%

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

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

SCHEDULE OF CONTRIBUTIONS - OREGON RHIA

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2023	\$ 0	\$ 0	\$ 0	6,053,422	0%
2022	\$ 175	\$ 175	\$ 0	7,455,161	0%

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

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

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COOS COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS



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### **Independent Auditors' Report Required by Oregon State Regulations**

We have audited the basic financial statements of Evergreen Virtual Academy, a component unit of the North Bend School District No. 13, as of and for the year ended June 30, 2023, and have issued our report thereon dated November 27, 2023. 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 Evergreen Virtual 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.**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe Evergreen Virtual 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, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

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

Kenneth Allen, CPA  
Municipal Auditor  
**PAULY, ROGERS AND CO., P.C.**