

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021



12700 SW 72nd Ave.
Tigard, OR 97223

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

2020-2021 FINANCIAL REPORT

This Page Intentionally Left Blank

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

2020-2021 FINANCIAL REPORT

BOARD OF DIRECTORS

TERM EXPIRES

Jay Wilkins, Board Chair

June 30, 2021

Don Hedrick, Vice-Chair

June 30, 2023

Jeff Smith

June 30, 2023

David Thorsett

June 30, 2021

Edie Jones

June 30, 2021

All board members receive mail at the District Office address below.

ADMINISTRATION

Curtiss Scholl - Superintendent
Sherry Joseph - Business Manager

525 E. Cascade Avenue
Sisters, Oregon 97759

This Page Intentionally Left Blank

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

Table of Contents

PAGE
NUMBER

Independent Auditors' Report

i

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

iv

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:

Statement of Net Position

1

Statement of Activities

2

Fund Financial Statements:

Balance Sheet – Governmental Funds

3

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

4

Statement of Revenues, Expenditures and Changes in

Fund Balance – Governmental Funds

5

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund

Balance of Governmental Funds to the Statement of Activities

6

Statement of Fiduciary Net Position – Fiduciary Fund

7

Statement of Changes in Fiduciary Net Position – Fiduciary Fund

8

Notes to Basic Financial Statements

9

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Proportionate Share of the Net Pension Liability – PERS

34

Schedule of Contributions - PERS

34

Schedule of the Proportionate Share of the Net OPEB Liability – RHIA

35

Schedule of Contributions - RHIA

35

Schedule of Revenues, Expenditures and Changes in Fund Balance –

Actual and Budget – General Fund

36

Actual and Budget – Special Revenue Fund

37

SUPPLEMENTARY INFORMATION

Actual and Budget – Debt Service Fund

38

Actual and Budget – Capital Projects Fund

39

Actual and Budget – Fiduciary Fund

40

Schedule of Property Tax Transactions – General Fund

41

Schedule of Property Tax Transactions – Debt Service Fund

42

OTHER INFORMATION

Supplemental Information – Form 3211-C

43

Deschutes County – Major Taxpayers

44

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

Table of Contents

PAGE
NUMBER

REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS

Independent Auditors' Report Required by Oregon State Regulations	45
---	----

GRANT COMPLIANCE REVIEW

Schedule of Expenditures of Federal Awards (Supplementary Information)	47
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards	48
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	50
Schedule of Findings and Questioned Costs	52

This Page Intentionally Left Blank



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

December 30, 2021

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sisters School District No. 6
Sisters County, Oregon

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the remaining fund information of Sisters School District No. 6 (the District) as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion

Management has not obtained an actuarial valuation of the post-employment benefit obligation related to the implicit healthcare subsidy in accordance with GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Accounting principles generally accepted in the United States of America require that actuarially determined annual required contributions related to postemployment benefits, other than retirement benefits, attributable to employee services already rendered be recorded as expenses as employees earn the benefits, which, if not funded, would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect net position, liabilities and expenses of the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of not providing an actuarially determined liability for other postemployment benefits as described in the preceding paragraph, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sisters School District No.6 as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

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

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. The supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

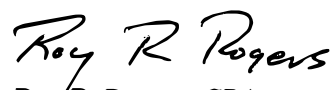
Other Information

The listing of board members containing their term expiration dates, located before the table of contents, and the other information as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our reports dated December 30, 2021 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 30, 2021, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

This Page Intentionally Left Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deschutes County School District #6

Sisters, Oregon

For the Year Ended June 30, 2021

As management of the Sisters School District #6, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. The information presented here should be read in conjunction with the District's financial statements and notes to the financial statements that follow.

FINANCIAL HIGHLIGHTS

At the close of the 2020-21 fiscal year:

- As of June 30, 2021 the District's assets exceeded its liabilities by \$14,433,991
- Government funds had a combined ending fund balance of \$4,756,253
- The General Fund had an unreserved ending fund balance of \$2,680,836 as compared to 2019-2020 ending fund balance of \$2,451,471
- Total long-term obligations decreased by \$3,074,024 during the fiscal year. From \$17,109,995 on June 30, 2020 to \$14,035,971, on June 30, 2021, due to annual payments of debt principal. The amount of long-term debt at the end of 2020-21 includes bonded indebtedness and equipment loans.
- Total value of capital assets net of depreciation, decreased from \$30,966,027 to \$30,044,604 a result of depreciation and few additional capital purchases.

OVERVIEW OF THE FINANCIAL STATEMENT

This discussion and analysis is intended to serve as an introduction to the District's basic financial statement. The basic financial statements are comprised of three components:

- 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

A. Government-Wide Financial Statements

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

- *The Statement of Net Position.* The statement of net position presents information on all of the assets and liabilities of the District at year end. The net position is the difference

MANAGEMENT’S DISCUSSION AND ANALYSIS

Deschutes County School District #6

Sisters, Oregon

For the Year Ended June 30, 2021

between assets, what the District owns, and liabilities, what the District owes. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

- *The Statement of Activities.* The statement of activities presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position.

In the government-wide financial statements, the District’s activities are categorized as governmental activities. Most of the District’s basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, technology services, facilities acquisition, construction and maintenance. These activities are primarily financed through property taxes, Oregon’s State School Fund and other intergovernmental revenues.

The government-wide financial statements can be found on pages 1-2 of this report.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds – not the District as a whole. A “fund” is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Fund accounting tracks the revenues and expenditures separately in each fund. The year-end balance of each fund reflects the amount of funds available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. All of the funds of the District are governmental funds, except for one Fiduciary Fund.

- *Governmental funds.* The governmental fund statements provide a detailed short-term view of the District’s operations and the services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Deschutes County School District #6

Sisters, Oregon

For the Year Ended June 30, 2021

The District maintains four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance for the General, Special Revenue, Debt Service and Capital Project funds.

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

- *Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government – wide financial statement, because the resources of these funds are not available to support the District’s own programs. The District holds \$112,319 in custodial funds.

The fund financial statements can be found on pages 3-8 of this report.

C. Notes to the Financial Statements

The notes included in the report provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes summarize accounting policies, provide detail on capital asset activity for the year, provide additional detail on the long-term debt of the District, provide information on the pension plan, and provide an overview of the fund structure of the district.

The notes in the basic financial statements can be found on pages 9 to 33.

ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deschutes County School District #6

Sisters, Oregon

For the Year Ended June 30, 2021

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The table below is a condensed version of the Government-Wide Statement of Net Position comparing fiscal year 2020-21 to fiscal year 2019-20.

	<u>Governmental Activities</u>		Increase (Decrease)
	2020-21	2019-20	from fiscal 2019-20
Current Assets	\$ 6,414,228	\$ 7,680,509	\$ (1,266,337)
Capital Assets	30,044,604	30,966,027	(921,423)
Total Assets	<u>36,458,832</u>	<u>38,646,536</u>	<u>(2,187,704)</u>
Deferred Outflows of Resources	<u>3,304,518</u>	<u>3,084,869</u>	<u>219,649</u>
Current Liabilities	1,361,796	1,943,386	(581,590)
Net Pension Liability	8,189,206	7,511,983	677,223
Long-term Liabilities	<u>14,051,591</u>	<u>17,131,560</u>	<u>(3,079,969)</u>
Total Liabilities	<u>23,602,593</u>	<u>26,586,929</u>	<u>(2,984,336)</u>
Deferred Inflow of Resources	<u>1,726,766</u>	<u>1,217,831</u>	<u>508,935</u>
Net Positions:			
Invested in Capital Assets	17,893,192	18,725,386	832,194
Restricted	2,242,508	3,089,625	(847,117)
Unrestricted	<u>(5,701,709)</u>	<u>(7,888,366)</u>	<u>2,186,657</u>
Total Net Position	<u>\$ 14,433,991</u>	<u>\$ 13,926,645</u>	<u>\$ 507,346</u>

The largest portion of the District's assets, 82% reflects its investment in capital assets (e.g. land, buildings and equipment). Value of these assets is offset by related debt that is still outstanding. The District uses these capital assets to provide education to the children and services to the citizens of the community. Consequently, these assets are not available for future spending. The remaining assets consist mainly of cash and cash equivalents, property taxes receivable and other receivables that are used to meet the District's ongoing obligations for service.

The District's largest liability is for the repayment of debt used for designated upgrades and projects within the Districts real property. Other liabilities of the District consist largely of, pension bond repayment, accounts payable and loans for repair and equipment.

During the current fiscal year the District's net position increased by \$507,346.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deschutes County School District #6

Sisters, Oregon

For the Year Ended June 30, 2021

	<u>Governmental Activities</u>		Increase (Decrease)
	2020-21	2019-20	from fiscal 2019-20
Revenues:			
Charges for services	\$ 299,186	\$ 451,736	\$ (152,550)
Operating grants & contributions	2,062,581	1,008,563	1,054,018
Property taxes	13,541,221	13,349,997	191,224
State revenue	2,306,549	2,917,911	(611,362)
Other local revenue	1,220,005	1,261,816	(41,811)
Proceeds from TAN	471,393	462,193	9,200
Intermediate sources	30,805	16,373	14,432
Interest	73,117	195,104	(121,987)
Total Revenues	<u>20,004,857</u>	<u>19,663,693</u>	<u>341,164</u>
Expenditures:			
Instruction	10,516,911	9,593,756	923,155
Support Services	7,189,644	6,493,808	695,836
Community Services	485,585	405,800	79,785
Debt Service	<u>1,392,522</u>	<u>1,384,361</u>	<u>8,161</u>
Total Expenditures	<u>19,584,662</u>	<u>17,877,725</u>	<u>1,706,937</u>
Change in net position	<u>420,195</u>	<u>1,785,968</u>	<u>(1,365,773)</u>
Net Position Beginning	<u>13,926,645</u>	<u>12,140,677</u>	<u>1,664,635</u>
Prior Period Adjustment	<u>87,151</u>	<u>-</u>	<u>87,151</u>
Net Position Ending	<u>\$ 14,433,991</u>	<u>\$ 13,926,645</u>	<u>\$ 507,346</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

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

Governmental Funds

The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, an unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deschutes County School District #6

Sisters, Oregon

For the Year Ended June 30, 2021

General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2021 the Balance Sheet for Governmental funds shows that the District had a fund balance of \$2,680,836 which includes budgeted reserves. The ending balance of the General Fund is maintained to provide stability in the District's operations by providing a buffer in the event of temporary fluctuations in the projected tax revenue and the State School Fund and to cover anticipated rollover costs.

Special Revenue Fund. The Special Revenue Fund has a total fund balance of \$831,818 of which \$470,202 is reserved for Student Body. The majority of the remaining \$351,911 are specific designated revenues received on the basis of projects approved by authorizing agencies or state entitlements which are not budgeted in the General Fund.

Debt Service Fund. The Debt Service fund has a total fund balance of \$217,675, all of which, along with future revenue is reserved for the payment of debt service.

Capital Construction Fund. The Capital Construction Fund has a total fund balance of \$1,025,924. This amount represents the balance of the proceeds from the sale of the Lundgren Mill property as well as the General Obligation Bond issued in the 2016-17 fiscal year for various construction projects and improvements within the District.

Budgetary Highlights

The District's annual budget includes a budget for each of the significant funds. Budgetary comparison statements have been provided for each fund to demonstrate compliance with this budget (pages 36-40). Expenditure categories were within the appropriations as approved by the Board of Directors in the Adopted Budget, with the exception of the Community Service category in the General Fund. That category was overspent due to unexpected billings received after June 30, 2021 but for the 20-21 fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deschutes County School District #6

Sisters, Oregon

For the Year Ended June 30, 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets includes buildings and improvements, furniture, fixtures, vehicles and equipment. As of June 30, 2021 the District has \$30,044,604 in capital assets, net of depreciation, which is a decrease of \$921,423 from the previous year.

Capital Assets as of June 30, 2021

	<u>Governmental Activities</u>		Increase (Decrease) from fiscal 2019-20
	2020-21	2019-20	
Non Depreciable Assets	\$ 404,565	\$ 1,584,940	\$ (1,180,375)
Buildings and Improvements	44,329,511	42,562,704	1,766,807
Equipment	<u>3,809,611</u>	<u>3,791,644</u>	<u>17,967</u>
TOTALS	48,543,687	47,939,288	604,399
Accumulated Depreciation	<u>(18,499,083)</u>	<u>(16,973,261)</u>	<u>(1,525,822)</u>
Net Book Value	<u>\$ 30,044,604</u>	<u>\$ 30,966,027</u>	<u>\$ (921,423)</u>

Long-term debt

At the end of the current fiscal year, the District had total long term debt outstanding of \$14,035,971 in the form of general obligation bonds, limited tax pension obligation bonds, capital leases and notes payable. The decrease of \$3,074,024 from 2019-20, reflects the result of annual payments of principal due.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deschutes County School District #6

Sisters, Oregon

For the Year Ended June 30, 2021

Debt Outstanding as of June 30, 2021

	<u>Governmental Activities</u>		Increase (Decrease) from fiscal 2018-19
	2020-21	2019-20	
General Obligation Bonds	\$ 8,215,000	\$ 10,795,000	\$ (2,580,000)
Limited Tax Pension Obligation Bonds	4,624,883	4,869,354	(244,471)
Other Long-Term Debt	<u>1,196,088</u>	<u>1,445,641</u>	<u>(249,553)</u>
TOTALS	<u>\$ 14,035,971</u>	<u>\$ 17,109,995</u>	<u>\$ (3,074,024)</u>

D. Economic Factors and Next Year's Budget

The most significant economic factor for the School District is property tax revenue. For the 20-21 academic year, property taxes (including local option taxes) accounted for approximately 78% of the General Fund revenue. Net assessed property tax values increased 4.57 percent from 19-20, a total net increase of approximately \$100.7 million. Anticipated increases in assessed property values and an increase in construction will see these revenues continue to increase.

The District entered into a two year negotiated salary and benefit increase in 19-20. A three percent COLA adjustment for each year (19/20 and 20/21) was negotiated with both labor groups. An extra contract day was also negotiated for certified staff, the salary schedule was adjusted by approximately ½ percent to reflect the extra day.

The District paid insurance cap increased to \$1,400 for the 20-21 school year from \$1,325 in 2019-20.

Enrollment for 20-21 was up slightly. We were able to provide in person school for our K-4 students for most of the year and grades 5-12 used a hybrid model for the majority of the school year. We anticipated more growth in 21-22, but because of continued mandates due to the Global Pandemic, 21-22 enrollment is down slightly from our projection. We anticipate a similar enrollment in 22-23.

Because of the unknown future due to COVID, the District will likely take a more conservative approach when preparing the budget for 22-23.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deschutes County School District #6

Sisters, Oregon

For the Year Ended June 30, 2021

Generous voters approved a five-year local option tax starting with the 18-19 academic year. This Local Option tax has allowed us to keep our small class sizes which set us apart from other school districts in the state.

The Sisters School District is one of the best school districts in the State of Oregon by almost any measure used. We have high test scores, a good graduation rate and most of our graduates go on to successful post high school placements in colleges, community colleges, the military, or trade schools. The District continues to focus on maintaining our low student to staff ratios and maintaining programs that Sisters School District is noted for. We have been able to keep average class sizes low at all three District schools.

Requests for Information

This financial report is designated to provide citizens, taxpayers, creditors and others with a general overview of the Sisters School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sisters School District Business Manager, Sherry Joseph at 525 E Cascade Ave, Sisters, OR 97759.

This Page Intentionally Left Blank

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

This Page Intentionally Left Blank

**SISTERS SCHOOL DISTRICT
DESCHUTES COUNTY, OREGON
STATEMENT OF NET POSITION
June 30, 2021**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,217,632
Accounts Receivable	775,965
Property Taxes Receivable	234,074
Inventory	9,705
Due From Fiduciary Fund	56
Net OPEB Asset - RHIA	176,796
Capital Assets, Net:	
Assets not being depreciated	404,565
Assets being depreciated - net of depreciation	29,640,039
Total Assets	<u>36,458,832</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Related Deferrals - PERS	3,284,000
OPEB Related Deferrals - RHIA	20,518
Total Deferred Outflows of Resources	<u>3,304,518</u>
TOTAL ASSETS AND PENSION RELATED DEFERRALS	<u>39,763,350</u>
LIABILITIES	
Accounts Payable	539,340
Payroll Liabilities Payable	661,825
Due to Fiduciary Fund	66,194
Compensated Absences	94,437
Net Pension Liability - PERS	8,189,206
Interest Payable	15,620
Long-Term Liabilities Due Within One Year	901,298
Long-Term Liabilities Due In More Than One Year	13,134,673
Total Liabilities	<u>23,602,593</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferrals - PERS	1,666,899
OPEB Related Deferrals - RHIA	59,867
Total Deferred Inflow of Resources	<u>1,726,766</u>
TOTAL LIABILITIES AND PENSION RELATED DEFERRALS	<u>25,329,359</u>
NET POSITION	
Net Investment in Capital Assets	17,893,192
Restricted For:	
OPEB - RHIA Asset	176,796
Special revenues	351,911
Debt service	217,675
Capital projects	1,025,924
Unrestricted	(5,231,507)
Total Net Position	<u>\$ 14,433,991</u>

See accompanying notes to basic financial statements.

**SISTERS SCHOOL DISTRICT
DESCHUTES COUNTY, OREGON
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021**

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 10,516,911	\$ 298,912	\$ 1,544,309	\$ (8,673,690)
Support Services	7,189,644	-	373,197	(6,816,447)
Community Services	485,585	274	145,075	(340,236)
Debt Service	<u>1,392,522</u>	<u>-</u>	<u>-</u>	<u>(1,392,522)</u>
Total Governmental Activities	<u>\$ 19,584,662</u>	<u>\$ 299,186</u>	<u>\$ 2,062,581</u>	<u>(17,222,895)</u>
General Revenues:				
	Property Taxes - General			10,585,849
	Property Taxes - Debt Service			2,955,372
	State Revenue			2,306,549
	Other Local Revenue			1,220,005
	Proceeds from TAN			471,393
	Intermediate Sources			30,805
	Interest and Investment Earnings			<u>73,117</u>
	Total General Revenues			<u>17,643,090</u>
	Changes in Net Position			420,195
	Net Position - Beginning as Restated			<u>14,013,796</u>
	Net Position - Ending			<u>\$ 14,433,991</u>

See accompanying notes to basic financial statements.

**SISTERS SCHOOL DISTRICT
DESCHUTES, COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021**

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPTIAL PROJECTS FUND	TOTALS
ASSETS:					
Cash and Cash Equivalents	\$ 4,320,075	\$ -	\$ 62,457	\$ 835,100	\$ 5,217,632
Inventory	-	9,705	-	-	9,705
Receivables:					
Taxes	181,988	-	52,086	-	234,074
Accounts	473,226	302,739	-	-	775,965
Due From Other Funds	71,259	1,035,575	222,387	214,275	1,543,496
Total Assets	<u>\$ 5,046,548</u>	<u>\$ 1,348,019</u>	<u>\$ 336,930</u>	<u>\$ 1,049,375</u>	<u>\$ 7,780,872</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:					
Accounts Payable	\$ 461,201	\$ 66,184	\$ -	\$ 11,955	\$ 539,340
Payroll Liabilities	558,071	103,754	-	-	661,825
Due To Other Funds	1,180,212	346,263	71,663	11,496	1,609,634
Total Liabilities	<u>2,199,484</u>	<u>516,201</u>	<u>71,663</u>	<u>23,451</u>	<u>2,810,799</u>
Deferred Inflows of Resources:					
Unavailable Revenue-Property Taxes	166,228	-	47,592	-	213,820
Total Deferred Inflows of Resources	<u>166,228</u>	<u>-</u>	<u>47,592</u>	<u>-</u>	<u>213,820</u>
Fund Balance:					
Non-spendable	-	9,705	-	-	9,705
Restricted:					
Student Body	-	470,202	-	-	470,202
Special Revenue	-	351,911	-	-	351,911
Debt Service	-	-	217,675	-	217,675
Capital Construction	-	-	-	1,025,924	1,025,924
Unassigned	2,680,836	-	-	-	2,680,836
Total Fund Balance	<u>2,680,836</u>	<u>831,818</u>	<u>217,675</u>	<u>1,025,924</u>	<u>4,756,253</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 5,046,548</u>	<u>\$ 1,348,019</u>	<u>\$ 336,930</u>	<u>\$ 1,049,375</u>	<u>\$ 7,780,872</u>

See accompanying notes to basic financial statements.

**SISTERS SCHOOL DISTRICT
DESCHUTES, COUNTY**

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2021**

Total Fund Balances - Governmental Funds		\$	4,756,253
The Net Pension Asset is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.			
Net Pension Liability - PERS			(8,189,206)
Net OPEB Asset - RHIA			176,796
Deferred inflows and outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.			
Deferred Outflows - PERS	3,284,000		
Deferred Inflows - PERS	(1,666,899)		
Deferred Outflows - OPEB RHIA	20,518		
Deferred Inflows - OPEB RHIA	<u>(59,867)</u>		1,577,752
The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole.			
Net Capital Assets			30,044,604
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Position.			
Accrued Vacation	\$	(94,437)	
Bonds Payable		(12,839,883)	
Premium on Bonds Payable		(820,213)	
Capital Leases		(375,875)	
Accrued Interest		<u>(15,620)</u>	(14,146,028)
Unavailable Revenue Related to Property Taxes			<u>213,820</u>
Net Position		\$	<u><u>14,433,991</u></u>

See accompanying notes to basic financial statements.

**SISTERS SCHOOL DISTRICT
DESCHUTES, COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021**

	GENERAL	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECT FUND	TOTALS
REVENUES:					
Local Sources					
Property taxes	\$ 10,627,705	\$ -	\$ 2,969,613	\$ -	\$ 13,597,318
Interest	56,130	-	8,361	8,625	73,116
Charges for services	143,825	4,624	-	-	148,449
Fees	-	100,526	-	-	100,526
Contributions	-	112,885	-	-	112,885
Other	113,819	126,775	983,246	-	1,223,840
Intermediate Sources					
County	22,367	-	2,479	-	24,846
ESD	-	5,959	-	-	5,959
State Sources	2,255,655	1,014,087	-	-	3,269,742
Federal Sources	544,641	488,239	-	-	1,032,880
Total Revenues	13,764,142	1,853,095	3,963,699	8,625	19,589,561
EXPENDITURES:					
Current:					
Instruction	7,663,932	1,359,714	-	-	9,023,646
Support Services	5,719,307	393,295	-	56,207	6,168,809
Community Services	69,639	347,001	-	-	416,640
Capital Outlay	-	-	-	773,916	773,916
Debt Service	500,693	-	3,971,798	-	4,472,491
Total Expenditures	13,953,571	2,100,010	3,971,798	830,123	20,855,502
Excess of Revenues Over, (Under) Expenditures	(189,429)	(246,915)	(8,099)	(821,498)	(1,265,941)
OTHER FINANCING SOURCES, (USES):					
Transfers In	-	54,099	-	-	54,099
Transfers Out	(52,599)	(1,500)	-	-	(54,099)
Proceeds from TAN	471,393	-	-	-	471,393
Total Other Financing Sources, (Uses)	418,794	52,599	-	-	471,393
Net Change in Fund Balance	229,365	(194,316)	(8,099)	(821,498)	(794,548)
Beginning Fund Balance	2,451,471	1,026,134	225,774	1,847,422	5,550,801
Ending Fund Balance	\$ 2,680,836	\$ 831,818	\$ 217,675	\$ 1,025,924	\$ 4,756,253

See accompanying notes to basic financial statements.

**SISTERS SCHOOL DISTRICT
DESCHUTES, COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021**

Total Net Changes in Fund Balances - Governmental Funds	\$ (794,548)
---	--------------

The PERS Pension Expense and RHIA Pension Income represent the changes in Net Pension Liability and Net Pension Asset, respectively, from year to year due to changes in total pension liability and changes in total pension asset and the fair value of pension plan net position available to pay pension benefits.

PERS Expense	(927,160)	
RHIA Income	<u>50,296</u>	(876,864)

Repayment of bond principal, capital leases and vested early retirement is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Additions to bond principal, capital leases and vested early retirement is an expense for the Statement of Net Position but not the governmental funds.

Capital Leases	\$ 89,229	
Bonds Payable	2,824,471	
Premium on Bonds Payable	160,324	
Accrued Interest	5,945	
Accrued Vacation	<u>(10,842)</u>	3,069,127

Capital asset additions are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. There were capital asset additions in the current year.

Additions to Capital Assets (Net)	\$ 604,399	
Depreciation Expense (Net)	<u>(1,525,822)</u>	(921,423)

Change in Unearned Tax Revenues Between Periods	<u>(56,097)</u>
---	-----------------

Change in Net Position - Governmental Activities	<u><u>\$ 420,195</u></u>
--	--------------------------

See accompanying notes to basic financial statements.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES, OREGON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2021

	<u>Custodial Fund</u>
ASSETS:	
Cash and Cash Equivalents	\$ 46,801
Due from Other Funds	<u>66,194</u>
Total Assets	<u><u>112,995</u></u>
LIABILITIES	
Accounts Payable	620
Due to Other Funds	<u>56</u>
Total Liabilities	<u>676</u>
NET POSITION:	
Restricted for Trust	<u>112,319</u>
Total Net Position	<u>112,319</u>
Total Liabilities and Net Position	<u><u>\$ 112,995</u></u>

See accompanying notes to basic financial statements.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES, OREGON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2021

	<u>Custodial Fund</u>
REVENUES:	
Contributions	<u>\$ 87,793</u>
Total Revenues	<u>87,793</u>
EXPENDITURES:	
Amounts paid out	<u>40,853</u>
Total Disbursements	<u>40,853</u>
Net change in net position	46,940
Net Position - Beginning of Year	<u>65,379</u>
Net Position - End of Year	<u><u>\$ 112,319</u></u>

See accompanying notes to basic financial statements.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

This Page Intentionally Left Blank

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Sisters County School District No. 6, (the District) is a municipal corporation organized under provisions of Oregon Statutes pursuant to ORS Chapter 332 for the purpose of operating elementary and secondary schools. The District is governed by a Board of Directors (Board) who approves the administrative officials. The daily functioning is under the supervision of the Superintendent. As required by generally accepted accounting principles, all activities have been included in the basic financial statements.

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

Accounting principles generally accepted in the United States of America require that these basic financial statements include all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 61, are separate entities that are included in the District's reporting because of the significance of their operational or financial relationships with the District. All significant activities and entities with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements. There are no component units.

Measurement Focus, Basis of Accounting and Basis of Presentation

Government Wide Financial Statements (GWFS)

The Statement of Net Position and Statement of Activities display information about the District as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported in the Statement of Fiduciary Net Position. The Fiduciary funds are budgeted as well.

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

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

All direct expenses are reported by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities.

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

The accounts 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. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

Governmental Fund Types

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

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

The following major governmental funds are reported:

- General Fund – This is the primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Fund – This fund is used primarily to account for grants received.
- Debt Service Fund – This fund is used primarily for payments of debt
- Capital Projects Fund – This fund is used primarily for construction

Fiduciary Fund:

Custodial Fund – These funds use the economic resources measurement focus and accrual basis of accounting. Revenues are received for specific purposes and distributed according to the nature of the agreement. The District holds these funds for others, and accordingly, they are not included in the Government-Wide Financial Statements of the District.

Special Revenue Funds Rolled Into the General Fund for GASB 54 Purposes

Financial statements for periods beginning after June 15, 2010 must report as Special Revenue funds only those which have a substantial portion of revenue inflows from restricted or committed revenue sources. There were no Special Revenue funds that qualified in the 2020-21 fiscal year to be reported with the general fund.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

Cash and Investments consist of each fund's portion of pooled cash balances, time certificates of deposit, and investments in the State of Oregon, Local Government Investment Pool. As of June 30, 2021 the fair value of the position in the LGIP is approximate to the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Interest earned from pooled investments is allocated to each fund based on each fund's portion of the total investment balance.

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

Local District Property Tax Levies – Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected property taxes are recorded in the statement of net position. These are deemed by management to be substantially collectible or recoverable through liens therefore, no allowance for uncollectible taxes has been presented. The District does not accrue property taxes received within 60 days of the fiscal year end.

Grants and Reimbursements – These consist primarily of intergovernmental revenues collectible within thirty days and claims for reimbursement of costs under various federal and state grants.

Supply Inventories

Inventories in the governmental funds are recorded as expenditures when purchased rather than when consumed and on the consumption method for the government-wide financial statements. A portion of the inventory consists of donated United States Department of Agriculture (USDA) commodities. Commodities are also recorded as expenditures when purchased.

Unearned Revenue

In the government-wide statements, unearned revenue consists of grant monies received prior to the incurrence of qualifying expenditures and SSF Revenues which will be reduced in future years due to offsets received currently. In the fund financial statements unearned revenue is also comprised of uncollected property taxes.

Prepaid Expenses

Prepaid expenses are reported for purchases of services paid for during the year but not used until next year. As of June 30, 2021, there were no prepaid expenses.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

Furnishings and Equipment	5 to 15 years.
Buildings and Improvements	7 to 50 years.
Buses and Vehicles	8 to 15 years.

Long-Term Obligations

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position.

In the fund financial statements, the face amount of any debt issued is reported as other financing sources. Repayments of debt principal are reported as debt expenditures. Repayment of debt is accounted for in the Debt Service Fund.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is a system under which purchase orders, contracts, and other commitments for expenditure of resources are recorded to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There were no encumbrance payables at June 30, 2021.

Use of Estimates

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

Compensated Absences

All unused vacation and compensated time vests with all full time employees after one full year of employment and is payable upon termination of employment. All vacation pay is accrued in the government-wide statements.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants

Grants are recognized as revenue in the accounting period in which they become both measurable and available and in which all eligibility requirements have been met. When an expenditure is the prime factor for determining eligibility, the revenue is recognized when the expenditure is made. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability on the balance sheet.

Retirement Plan

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

Net Position

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the basic financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2021 there were deferred outflows representing PERS pension and OPEB RHIA related deferrals reported in the statement of net position.

In addition to liabilities, the basic financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items which qualify for reporting in this category. The first, unavailable tax revenue is in the governmental funds balance sheet for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. At June 30, 2021 there were deferred inflows representing PERS pension and OPEB RHIA related deferrals reported in the statement of net position.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

GASB Statement No. 54, *Fund Balance and Reporting for Governmental Fund-type Definitions*, is followed. 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 are – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventory and 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. The authority to classify portions of ending fund balance as Assigned is granted to the Superintendent and the Business Manager.
- 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.

There were no committed or assigned fund balances as of June 30, 2021.

Budget and Appropriations

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles except that property taxes received after year-end are not considered budgetary resources in the funds, inventory is expensed when purchased, debt is expensed when paid, capital outlay is reported as an expenditure rather than capitalized, pension costs are not recorded until paid, and depreciation is not recorded on capital assets.

The budgeting process begins by appointing Budget Committee members in early fall. Budget recommendations are developed by management through spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June, and the hearing is held in June. The budget is adopted, appropriations are made and the tax levy is declared no later than June 30. Expenditure budgets are appropriated at the major function level (instruction, support services, community services, debt service, contingency, and transfers) for each fund. Expenditure appropriations may not legally be over expended, except in the case of grant revenue which could not be reasonably estimated at the time the budget was adopted.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular meeting.

A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels). Such transfers require approval by the Board.

Budget amounts shown in the basic financial statements include the original budget amounts approved by the Board. Appropriations lapse at the end of each fiscal year.

Expenditures of the various funds were within authorized appropriation, except for the General Fund – Community Services which was overexpended by \$18,639.

Fair Value Inputs and Methodologies and Hierarchy

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

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

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

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

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. POOLED CASH & INVESTMENTS

A cash management pool is maintained for the cash and cash equivalents in which each fund participates. Interest earnings are distributed monthly based on average monthly balances. Cash and investments were comprised of the following at June 30, 2021:

Demand Deposits	\$ 944,981	Governmental	\$ 5,217,632
Local Government Investment Pool	<u>4,319,452</u>	Fiduciary	<u>46,801</u>
Total	<u>\$ 5,264,433</u>	Total	<u>\$ 5,264,433</u>

Deposits

Deposits with financial institutions include bank demand deposits. The total bank balance per the bank statements as of June 30, 2021 was \$1,040,940 of which \$250,000 was covered by Federal depository insurance and the remainder was collateralized by the Oregon Public Funds Collateralization Project (PFCP).

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2021, all of the deposits are insured or deposited at an approved depository.

Investments

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

The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. POOLED CASH & INVESTMENTS (CONTINUED)

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

Credit Risk-Investments

State statutes authorize investing primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper, and the State Treasurer's Investment Pool, among others.

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

Concentrated Risk

Investments during the year were with the State of Oregon Local Government Investment Pool.

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-18	18-59
State Treasurer's Investment Pool	\$ 4,319,452	\$ 4,319,452	\$ -	\$ -
Total	\$ 4,319,452	\$ 4,319,452	\$ -	\$ -

Interest Rate Risk

There is no formal investment policy that explicitly limits investment maturities as a means of managing exposure to fair value loss arising from increasing interest rates.

3. RECEIVABLES

Receivables at June 30, 2021 consist of the following:

- A. Property taxes receivable represent delinquent amounts due for property taxes levied in the current and prior years.
- B. Accounts receivable represent amounts due for claims for reimbursement of costs under various Federal grant programs.

Management believes that all receivables are collectible, and thus, no allowance for doubtful accounts was considered necessary.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning of Year	Adjustments	Additions	(Deletions)	End Of Year
Capital Assets Not Being Depreciated					
Land & Land Improvements	\$ 403,500	\$ -	\$ -	\$ -	\$ 403,500
Construction In Progress	1,181,440	(1,181,440)	1,065	-	1,065
Total Capital Assets Not Being Depreciated	1,584,940	(1,181,440)	1,065	-	404,565
Capital Assets Being Depreciated					
Buildings & Improvements	42,562,704	1,181,440	585,367	-	44,329,511
Equipment	3,791,644	-	17,967	-	3,809,611
Total Capital Assets Being Depreciated	46,354,348	1,181,440	603,334	-	48,139,122
Accumulated Depreciation					
Buildings & Improvements	14,510,849	-	1,205,396	-	15,716,245
Equipment	2,462,412	-	320,426	-	2,782,838
Total Accumulated Depreciation	16,973,261	-	1,525,822	-	18,499,083
Total Net Capital Assets	<u>\$30,966,027</u>				<u>\$30,044,604</u>

Depreciation expense for the year is allocated as follows:

Instructional	\$ 882,078
Support	603,005
Enterprise & Community	40,739
Total	<u>\$ 1,525,822</u>

During the year ended June 30, 2021, completed Construction in Progress was moved to Buildings & Improvements.

5. DUE TO/DUE FROM OTHER FUNDS

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

	Due From Other Funds	Due To Other Funds
General Fund	\$ 71,259	\$1,180,212
Special Revenue Fund	1,035,575	346,263
Debt Service Fund	222,387	71,663
Capital Projects	214,275	11,496
Fiduciary Funds	66,194	56
Totals	<u>\$1,609,690</u>	<u>\$1,609,690</u>

SISTERS SCHOOL DISTRICT NO. 6
 DESCHUTES COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS

6. TRANSFERS

Transfers were made to fund operations.

	Transfers Out	Transfers In
General Fund	\$ 52,599	\$ -
Special Revenue Fund	1,500	54,099
Total	<u>\$ 54,099</u>	<u>\$ 54,099</u>

7. LONG-TERM OBLIGATIONS

The following changes occurred in the liabilities reported in long-term debt during the year ended June 30, 2021:

Issue	Outstanding 6/30/20	Issued	Matured and Redeemed	Outstanding 6/30/21	Due Within One Year
<u>Bonds Payable</u>					
Series 2005 refunding	\$ 2,030,000	\$ -	\$ 2,030,000	\$ -	\$ -
Pension bonds	4,869,354	-	244,471	4,624,883	242,024
Series 2016 GO bonds	8,765,000	-	550,000	8,215,000	595,000
Total bonds	15,664,354	-	2,824,471	12,839,883	837,024
<u>Premium Related to Bonds</u>					
Premium on Bond	980,537	-	160,324	\$ 820,213	-
<u>Capital Leases</u>					
Santander Bus Leases	465,104	-	89,229	\$ 375,875	64,274
Total	<u>\$ 17,109,995</u>	<u>\$ -</u>	<u>\$ 3,074,024</u>	<u>\$ 14,035,971</u>	<u>\$ 901,298</u>

Capital Leases

During the 2015-16 fiscal year, two capital leases were entered into with Santander Bank in the amounts of \$113,507 and \$114,735 for two Blue Bird Buses. The terms of the leases included annual payments of \$22,701 and \$22,947, respectively and interest at 2.5%. Payments are being made by the General Fund. During the 2018-19 fiscal year, a third capital lease was entered into with Santander Bank in the amount of \$89,280 to purchase a 13 passenger micro bus. The terms of the lease include variable annual payments totaling \$14,425 each year. During the 2019-20 fiscal year, a fourth and fifth capital lease was entered into with Santander Bank. The fourth capital lease was in the amount of \$89,370 to purchase a 14 passenger micro bus. The terms of the lease include variable annual payments totaling \$14,439 each year. The fifth capital lease was in the amount of \$453,603 to purchase three 2021 Blue Bird 78 passenger school buses. The terms of the lease include variable annual payments totaling \$47,797. There is a total capital lease liability of \$375,875 as of June 30, 2021.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM OBLIGATIONS – (CONTINUED)

The following is a summary of future minimum payments for capital leases:

Fiscal Year Ending June 30,	Capital Leases	
	Principal	Interest
2022	\$ 64,274	\$ 12,387
2023	66,446	10,215
2024	68,693	7,968
2025	71,013	5,648
2026	58,999	3,237
2027	46,450	1,347
	<u>\$ 375,875</u>	<u>\$ 40,802</u>

Bonds

The District has three bond issues outstanding. Two issues are for school additions and the refunding of prior general obligation issues.

The Series 2005 issue was used to defease a Series 2001 issue in part. The Series 2005 proceeds of \$14,715,000 were deposited in an irrevocable trust to retire the series 2001 bonds and coupons as they are callable. This issue has an interest rate of 5.25% and matured in June 2021.

During 2002-03 the District issued Limited Tax Pension Bonds to finance the lump sum payment to reduce the District's unfunded actuarial liability. These bonds have a variable interest rate ranging from 1.50% to 6.27% and a maturity date in June 2028.

The District issued Series 2016 bonds to repair and replace existing facilities. Total Series 2016 bonds issued were \$10,700,000, at a variable interest rate between 1.13% and 4.00% and a maturity date in June 2031.

None of the bonds contain any significant termination, acceleration, or default remedies within their agreements.

The following is a summary of future minimum payments for bonds:

Fiscal Year Ending June 30,	GO Bonds	
	Principal	Interest
2022	\$ 837,024	\$ 1,064,120
2023	872,859	1,069,485
2024	1,500,000	466,744
2025	1,595,000	393,712
2026	1,690,000	315,548
2027-2031	6,345,000	570,262
Total	<u>\$ 12,839,883</u>	<u>\$ 3,879,871</u>

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. 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 Comprehensive Annual Financial Report which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2020-CAFR.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 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.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
- ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.
- iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

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, 2018 actuarial valuation, which became effective July 1, 2020. 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, 2021 were \$1,297,600 excluding amounts to fund employer specific liabilities. In addition approximately \$416,411 in employee contributions were paid or picked up by the District in fiscal 2021.

At June 30, 2021, the District reported a net pension liability of \$8,189,206 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2020 and 2019, the District's proportion was .038 percent and .043 percent, respectively. Pension expense for the year ended June 30, 2021 was \$927,160.

The rates in effect for the year ended June 30, 2021 were:

- (1) Tier 1/Tier 2 – 12.89%
- (2) OPSRP general services – 7.44%

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 360,424	\$ -
Changes in assumptions	439,489	15,399
Net difference between projected and actual earnings on pension plan investments	962,944	-
Net changes in proportionate share	223,543	842,910
Differences between City contributions and proportionate share of contributions	-	808,590
Subtotal - Amortized Deferrals (below)	1,986,400	1,666,899
District contributions subsequent to measuring date	1,297,600	-
Deferred outflow (inflow) of resources	<u>\$ 3,284,000</u>	<u>\$ 1,666,899</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, 2022.

Subtotal amounts related to pension as deferred outflows of resources, \$1,986,400, and deferred inflows of resources, (\$1,666,899), net to \$319,501 and will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 18,093
2022	150,820
2023	124,569
2024	86,458
2025	(60,439)
Thereafter	-
Total	<u>\$ 319,501</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 12, 2021. Oregon PERS produces an independently audited CAFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2020-CAFR.pdf>

Actuarial Valuations – The employer contribution rates effective July 1, 2019 through June 30, 2021, 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.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions:

Valuation date	December 31, 2018
Experience Study Report	2018, Published July 24, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increase	3.50 percent
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service
Mortality	<p>Healthy retirees and beneficiaries:</p> <p>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.</p>

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

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	27.5%	37.5%	32.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Investments	7.5%	17.5%	15.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Risk Parity	0.0%	2.5%	2.5%
Total			100.0%

(Source: June 30, 2020 PERS CAFR; p. 102)

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. 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 May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Market Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equity	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	1.50%	4.06%
Hedge Fund - Event-driven	38.00%	5.59%
Timber	1.13%	5.61%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.13%	3.79%
<i>Assumed Inflation - Mean</i>		2.50%

(Source: June 30, 2020 PERS CAFR; p. 74)

Discount Rate – The discount rate used to measure the total pension liability was 7.20 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 District's proportionate share of the net pension liability to changes in the discount rate – the following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.20 percent) or one percent higher (8.20 percent) than the current rate.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$ 12,160,295	\$ 8,189,206	\$ 4,859,264

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, 2020 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

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

Pension Benefits:

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

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

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 District pay six (6) percent of their covered payroll. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2021.

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>

9. OTHER POST EMPLOYMENT BENEFIT PLANS – (RHIA)

Plan Description:

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

Funding Policy:

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

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT BENEFIT PLANS – (RHIA) (CONTINUED)

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.06% of annual covered OPERF payroll and 0.00% of OPSRP payroll under a contractual requirement in effect until June 30, 2021. Consistent with GASB Statement 75, the OPERS Board of Trustees sets the employer contribution rates as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined. The basis for the employer's portion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the plan with the total actual contributions made in the fiscal year of all employers. The District's contributions to RHIA are included in PERS contributions for all reporting years and equaled the required contributions each year.

At June 30, 2021, the District reported a net OPEB asset of \$176,796 for its proportionate share of the net OPEB asset. The OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018. Consistent with GASB Statement No. 75, paragraph 59(a), the District's proportion of the net OPEB 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 dates of June 30, 2020 and 2019, the District's proportion was .087 percent and .055 percent, respectively. OPEB income for the year ended June 30, 2021 was \$50,296.

Components of OPEB Expense/(Income):

Employer's Proportionate share of collective system OPEB Expense/(Income)	\$ (28,436)
Net amortization of employer-specific deferred amounts from:	
- Changes in proportionate share (per paragraph 64 of GASB 75)	(16,343)
- 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>\$ (44,779)</u>

Components of Deferred Outflows/Inflows of Resources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expended and actual experience	-	18,074
Changes of assumptions	-	9,398
Net Difference between project and actual earning on investment	19,661	-
Changes in proportionate share	857	32,395
Differences between employer contributions and employer's proportionate share of system contributions	-	-
Subtotal - Amortized Deferrals (below)	<u>20,518</u>	<u>59,867</u>
Contributions subsequent to measurement date	-	-
Deferred outflow (inflow) of resources	<u>20,518</u>	<u>59,867</u>

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, 2022.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT BENEFIT PLANS – (RHIA) (CONTINUED)

Subtotal amounts related to OPEB as deferred outflows of resources, \$20,518, and deferred inflows of resources, (\$59,867), net to (\$39,349) and will be recognized in OPEB expense as follows:

<u>Year ending June 30,</u>	
2022	\$ (33,909)
2023	(18,909)
2024	7,268
2025	6,201
2026	0
Thereafter	0
Total	<u>\$ (39,349)</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS Retirement Health Insurance Account Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the Year Ended June 30, 2020. That independently audited report was dated March 12, 2021 and can be found at:

https://www.oregon.gov/pers/EMP/Documents/GASB/2020/GASB_75_FYE_6.30.2020.pdf

Actuarial Methods and Assumptions:

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

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

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT BENEFIT PLANS – (RHIA) (CONTINUED)

Discount Rate:

The discount rate used to measure the total OPEB asset as of the measurement dates of June 30, 2020 and 2019 was 7.20 and 7.20 percent, respectively. 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 May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Market Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equity	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	1.50%	4.06%
Hedge Fund - Event-driven	38.00%	5.59%
Timber	1.13%	5.61%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.13%	3.79%
<i>Assumed Inflation - Mean</i>		<i>2.50%</i>

(Source: June 30, 2020 PERS CAFR; p. 74)

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT BENEFIT PLANS – (RHIA) (CONTINUED)

Sensitivity of the District's proportionate share of the net OPEB asset to changes in the discount rate – The following presents the District's proportionate share of the net OPEB asset calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.20 percent) or one percent higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net OPEB liability (asset)	\$ (142,733)	\$ (176,796)	\$ (205,921)

Changes Subsequent to the Measurement Date:

There are no changes subsequent to the June 30, 2020 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

10. PROPERTY TAX CALENDAR

Real and personal property taxes are levied as of July 1 of each fiscal year on values assessed as of that date. Property taxes attach as an enforceable lien on both real and personal property as of July 1 and are due and payable in three installments on November 15, February 15, and May 15. A three percent discount is allowed if the full amount due is paid by November 15. Property taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes are collected from taxpayers by the Deschutes County Department of Assessment and Taxation and remitted to the District.

11. COMMITMENTS AND CONTINGENCIES

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

A number of federally assisted grant programs are participated in. These programs are subject to program compliance audits by the grantors or their representatives. The federal audits for these programs for the year ended June 30, 2021 have not been conducted. Accordingly, compliance with grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although such amounts, if any, are expected by management to be immaterial.

The COVID-19 outbreak in the United States has caused substantial disruption to business and local governments due to mandated and voluntary suspension of operations and stay at home orders. There is considerable uncertainty around the duration of the outbreak and the long-term impact to the overall economy. However, the impact of the reduction of economic activity is not determinable.

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

12. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance is carried through PACE (Property and Casualty Coverage for Education). Predetermined limits and deductible amounts are stated in the policy. Settlements have not exceeded insurance coverage for the past three fiscal years.

13. OPERATING LEASES

In June of 2018, the District entered into another operating lease with TIAA Commercial Finance for multiple copiers and accompanying equipment. The terms of the lease include monthly payments of \$2,487 for 60 months.

In June of 2020, the District entered into an operating lease with Solutions Yes for multiple copiers and equipment. The terms of the lease include monthly payments of \$43 for 36 months.

Lease expense for the copiers was \$33,875 for the year ended June 30, 2021.

Future minimum lease payments are as follows:

Fiscal Year	
Ending	Amount
2021-22	30,360
2022-23	30,360
Total	<u>\$ 60,720</u>

14. PROPERTY TAX LIMITATION

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

The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this initiative has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The voters of the State of Oregon passed ballot measure 50 in May, 1997 to further reduce property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit.

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

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

15. TAX ABATEMENTS

As of June 30, 2021, the District potentially had tax abatements through various state allowed programs that impacted levied taxes and would require disclosure under GASB 77. Based on the information available from the county as of the date of issuance of these basic financial statements, the amount of abatements for the year ended June 30, 2021 is deemed immaterial.

16. RESTATEMENT OF NET POSITION

Due to the current actuarial valuation of the District's RHIA benefits for GASB Statement No. 75, a restatement of the prior year net position was required to correctly record net position at the prior measurement date.

Net Position - Beginning as previously reported	\$ 13,926,645
Change in June 30, 2020 RHIA asset	87,151
Net Position - Beginning as restated	<u>\$ 14,013,796</u>

17. SUBSEQUENT EVENTS

New Long-Term Obligations: As of September 21, 2021 the District issued a Full Faith and Credit Pension Obligation Bond for the principal amount of \$33,800,000 with a 5% coupon rate, which varies but ultimately decreases each year, down to 3% in 2036 and thereafter. The first coupon date is June 15, 2022, and the final maturity date is June 15, 2041. There are no significant defaults, remedies, or acceleration clauses noted in the agreement.

SISTERS SCHOOL DISTRICT NO. 006
DESCHUTES COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

This Page Intentionally Left Blank

SISTERS SCHOOL DISTRICT
DESCHUTES COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

PERS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.038 %	\$ 8,189,206	\$ 7,020,129	116.7 %	75.8 %
2020	0.043	7,511,983	5,903,573	127.2	80.2
2019	0.045	6,890,148	6,044,874	114.0	82.1
2018	0.042	5,721,169	6,350,855	90.1	83.1
2017	0.039	5,834,221	4,796,823	121.6	80.5
2016	0.034	1,947,176	5,231,943	37.2	91.9
2015	0.035	(787,403)	5,444,051	(14.5)	103.6
2014	0.035	N/A	5,105,102	N/A	92.0

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

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

SCHEDULE OF CONTRIBUTIONS

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2021	\$ 1,297,600	\$ 1,297,600	\$ -	\$ 7,170,686	18.1 %
2020	1,245,796	1,245,796	-	7,020,129	17.7
2019	1,078,541	1,078,541	-	5,903,573	18.3
2018	1,093,725	1,093,725	-	6,044,874	18.1
2017	870,853	870,853	-	6,350,855	13.7
2016	824,383	824,383	-	4,796,823	17.2
2015	957,074	957,074	-	5,231,943	18.3
2014	963,822	963,822	-	5,444,051	17.7

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

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

SISTERS SCHOOL DISTRICT
DESCHUTES COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR RHIA

Year Ended June 30,	(a) Employer's proportion of the net OPEB asset (NPA/(L))	(b) Employer's proportionate share of the net OPEB asset /(liability) (NPA/(L))	(c) Employer's covered payroll	(b/c) NPA/(L) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB asset/(liability)
2021	0.087 %	\$ 176,796	\$ 7,020,129	2.5 %	150.1 %
2020	0.055	106,312	5,903,573	1.8	144.4
2019	0.058	64,747	6,044,874	1.1	124.0
2018	0.057	23,753	6,350,855	0.4	108.9
2017	0.057	(15,501)	4,796,823	(0.3)	90.0

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

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

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

SCHEDULE OF CONTRIBUTIONS FOR RHIA

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2021	\$ N/A	\$ N/A	\$ N/A	\$ 7,170,686	N/A %
2020	N/A	N/A	N/A	7,020,129	N/A
2019	N/A	N/A	N/A	5,903,573	N/A
2018	N/A	N/A	N/A	6,044,874	N/A
2017	N/A	N/A	N/A	6,350,855	N/A

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

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

All statutorily required contributions were made and are included within PERS contributions (see p. 34).

**SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2021**

	<u>GENERAL FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources				
Property Taxes				
Current	\$ 8,773,000	\$ 8,773,000	\$ 8,999,989	\$ 226,989
Prior	250,000	250,000	119,842	(130,158)
Property Tax Interest	5,000	5,000	1,602	(3,398)
Local Option Taxes				
Current	1,241,180	1,241,180	1,486,787	245,607
Prior	45,000	45,000	19,231	(25,769)
Local Option Tax Interest	-	-	254	254
Tuition	137,000	137,000	79,608	(57,392)
Other				
Interest	125,000	125,000	56,130	(68,870)
Rentals	88,781	88,781	64,217	(24,564)
Donations	1,000	1,000	-	(1,000)
Miscellaneous	127,000	127,000	113,819	(13,181)
Intermediate Sources				
County				
County School Fund	14,500	14,500	22,367	7,867
State Sources				
Basic School Support	2,265,127	2,265,127	1,669,989	(595,138)
Common School Fund	111,358	111,358	119,053	7,695
Transportation Grant	665,800	665,800	466,613	(199,187)
Federal Sources	10,500	10,500	544,641	534,141
Total Revenues	<u>13,860,246</u>	<u>13,860,246</u>	<u>13,764,142</u>	<u>(96,104)</u>
EXPENDITURES:				
Instruction	8,181,869	8,181,869 (1)	7,663,932	517,937
Support Services	6,160,611	6,160,611 (1)	5,719,307	441,304
Community Services	51,000	51,000 (1)	69,639	(18,639)
Debt Service	500,750	500,750 (1)	500,693	57
Operating Contingency	1,216,054	1,216,054 (1)	-	1,216,054
Total Expenditures	<u>16,110,284</u>	<u>16,110,284</u>	<u>13,953,571</u>	<u>2,156,713</u>
Excess of Revenues Over, (Under) Expenditures	(2,250,038)	(2,250,038)	(189,429)	2,060,609
OTHER FINANCING SOURCES, (USES):				
Proceeds from TAN	480,000	480,000	471,393	(8,607)
Transfers In	70,000	70,000	-	(70,000)
Transfers Out	(175,000)	(175,000) (1)	(52,599)	122,401
Total Other Financing Sources, (Uses)	<u>375,000</u>	<u>375,000</u>	<u>418,794</u>	<u>43,794</u>
Net Change in Fund Balance	(1,875,038)	(1,875,038)	229,365	2,104,403
Beginning Fund Balance	<u>1,875,038</u>	<u>1,875,038</u>	<u>2,451,471</u>	<u>576,433</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,680,836</u>	<u>\$ 2,680,836</u>

(1) Appropriation Level

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2021

SPECIAL REVENUE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Local Sources	899,950	899,950	344,810	(555,140)
Intermediate Sources	11,500	11,500	5,959	(5,541)
State Sources	1,831,830	1,831,830	1,014,087	(817,743)
Federal Sources	963,041	963,041	488,239	(474,802)
Total Revenues	3,706,321	3,706,321	1,853,095	(1,853,226)
EXPENDITURES:				
Instruction	2,964,565	2,964,565 (1)	1,359,714	1,604,851
Support Services	1,152,627	1,152,627 (1)	393,295	759,332
Community Services	490,110	490,110 (1)	347,001	143,109
Total Expenditures	4,607,302	4,607,302	2,100,010	2,507,292
Excess of Revenues Over, (Under) Expenditures	(900,981)	(900,981)	(246,915)	654,066
OTHER FINANCIAL SOURCES, (USES)				
Transfers In	175,000	175,000 (2)	54,099	(120,901)
Transfers Out	(70,000)	(70,000) (1)	(1,500)	68,500
Total Other Financing Sources, (Uses)	105,000	105,000	52,599	(52,401)
Net Change in Fund Balance	(795,981)	(795,981)	(194,316)	601,665
Beginning Fund Balance	795,981	795,981	1,026,134	230,153
Ending Fund Balance	\$ -	\$ -	\$ 831,818	\$ 831,818

(1) Appropriation Level

(2) Included in the transfer from the General Fund is the required state revenue match of \$1,714 the District must transfer to the Food Service Fund for National School Lunch Support in order to meet the general cash assistance match.

This Page Intentionally Left Blank

SISTERS SCHOOL DISTRICT NO. 006
DESCHUTES COUNTY, OREGON

SUPPLEMENTARY INFORMATION

This Page Intentionally Left Blank

**SISTERS SCHOOL DISTRICT
DESCHUTES COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2021**

	<u>DEBT SERVICE FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources				
Property Taxes				
Current	\$ 2,875,101	\$ 2,875,101	\$ 2,928,052	\$ 52,951
Prior	55,474	55,474	41,043	(14,431)
Property Tax Interest	-	-	518	518
Interest	7,000	7,000	8,361	1,361
Other	954,744	954,744	983,246	13,642
Intermediate Sources	<u>-</u>	<u>-</u>	<u>2,479</u>	<u>2,479</u>
Total Revenues	<u>3,892,319</u>	<u>3,892,319</u>	<u>3,963,699</u>	<u>56,520</u>
EXPENDITURES:				
Debt Service				
Materials and Services	2,600	2,600	2,100	500
Bond Principal	2,824,472	2,824,472	2,824,467	5
Interest	<u>1,145,247</u>	<u>1,145,247</u>	<u>1,145,231</u>	<u>16</u>
Total Debt Service	<u>3,972,319</u>	<u>3,972,319</u>	<u>3,971,798</u>	<u>521</u>
Total Expenditures	<u>3,972,319</u>	<u>3,972,319</u>	<u>3,971,798</u>	<u>521</u>
Net Change in Fund Balance	(80,000)	(80,000)	(8,099)	71,901
Beginning Fund Balance	<u>80,000</u>	<u>80,000</u>	<u>225,774</u>	<u>145,774</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,675</u>	<u>\$ 217,675</u>

(1) Appropriation Level

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2021

CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Interest Income	\$ 15,000	\$ 15,000	\$ 8,625	\$ (6,375)
Miscellaneous	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Total Revenues	<u>35,000</u>	<u>35,000</u>	<u>8,625</u>	<u>(26,375)</u>
EXPENDITURES:				
Support Services	101,010	101,010	56,207	44,803
Building Acquisition, Construction and Improv.	<u>1,948,265</u>	<u>1,948,265</u>	<u>773,916</u>	<u>1,174,349</u>
Total Expenditures	<u>2,049,275</u>	<u>2,049,275</u> (1)	<u>830,123</u>	<u>1,219,152</u>
Net Change in Fund Balance	(2,014,275)	(2,014,275)	(821,498)	1,192,777
Beginning Fund Balance	<u>2,014,275</u>	<u>2,014,275</u>	<u>1,847,422</u>	<u>(166,853)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,025,924</u>	<u>\$ 1,025,924</u>

(1) Appropriation Level

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2021

	<u>FIDUCIARY FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources				
Contributions	\$ 115,000	\$ 115,000	\$ 87,793	\$ (27,207)
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Total Revenues	<u>130,000</u>	<u>130,000</u>	<u>87,793</u>	<u>(42,207)</u>
EXPENDITURES:				
Support Services	10,000	10,000 (1)	-	10,000
Community Services	<u>155,000</u>	<u>155,000 (1)</u>	<u>40,853</u>	<u>114,147</u>
Total Expenditures	<u>165,000</u>	<u>165,000</u>	<u>40,853</u>	<u>124,147</u>
Net Change in Fund Balance	(35,000)	(35,000)	46,940	81,940
Beginning Fund Balance	<u>35,000</u>	<u>35,000</u>	<u>65,379</u>	<u>30,379</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,319</u>	<u>\$ 112,319</u>

(1) Appropriation Level

**SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2021**

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2020</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/2021</u>
<u>GENERAL FUND:</u>						
CURRENT:						
2020-21	\$ 10,859,860	\$ 285,345	\$ (13,183)	\$ 4,411	\$ 10,462,138	\$ 103,605
2019-20	132,513	11	(226)	6,179	94,707	43,748
2018-19	51,173	1	(229)	5,018	33,768	22,193
2017-18	28,010	-	(244)	5,714	25,855	7,625
2016-17	9,504	-	(159)	2,674	10,424	1,595
Prior	6,021	-	(170)	1,561	4,190	3,222
Total Prior	227,221	12	(1,028)	21,146	168,944	78,383
Total	<u>\$ 11,087,081</u>	<u>\$ 285,357</u>	<u>\$ (14,211)</u>	<u>\$ 25,557</u>	<u>\$ 10,631,082</u>	<u>\$ 181,988</u>

Adjustment Due to Prior Year

RECONCILIATION OF REVENUE:

	<u>GENERAL FUND</u>
Cash Collections by County Treasurer Above	\$ 10,631,082
Accrual of Receivables:	
June 30, 2020	(19,137)
June 30, 2021	15,760
Changes from Prior year Unavailable Revenue, see page 6	<u>(41,856)</u>
Total Revenue	<u>\$ 10,585,849</u>

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2021

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2020</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/2021</u>
<u>DEBT SERVICE FUND:</u>						
CURRENT:						
2020-21	\$ 3,031,535	\$ 79,654	\$ (3,681)	\$ 1,231	\$ 2,920,510	\$ 28,921
2019-20	38,996	3	(67)	1,818	27,870	12,874
2018-19	15,635	-	(69)	1,533	10,318	6,781
2017-18	8,470	-	(73)	1,728	7,819	2,306
2016-17	3,039	-	(51)	855	3,333	510
Prior	1,326	-	(66)	336	902	694
Total Prior	67,466	3	(326)	6,270	50,242	23,165
Total	<u>\$ 3,099,001</u>	<u>\$ 79,657</u>	<u>\$ (4,007)</u>	<u>\$ 7,501</u>	<u>\$ 2,970,752</u>	<u>\$ 52,086</u>

Adjustment Due to Prior Year

RECONCILIATION OF REVENUE:

	<u>DEBT SERVICE FUND</u>
Cash Collections by County Treasurer Above	\$ 2,970,752
Accrual of Receivables:	
June 30, 2020	(5,633)
June 30, 2021	4,494
Changes from Prior year Unavailable Revenue, see page 6	<u>(14,241)</u>
Total Revenue	<u>\$ 2,955,372</u>

This Page Intentionally Left Blank

SISTERS SCHOOL DISTRICT NO. 006
DESCHUTES COUNTY, OREGON

OTHER INFORMATION

This Page Intentionally Left Blank

**SISTERS SCHOOL DISTRICT NO. 6
 DESCHUTES COUNTY, OREGON
 SUPPLEMENTAL INFORMATION
 As Required by The Oregon Department of Education
 For the Year Ended June 30, 2021**

A. Energy bills for heating - all funds:			<u>Objects 325, 326, and 327</u>
		Function 2540	\$ 349,461
		Function 2550	6,819
B. Replacement of equipment - General Fund:			
Include all General Fund expenditures in Object 542, except for the following exclusions:			<u>Amount</u>
Exclude these functions:			
1113, 1122 & 1132	Co-curricular activities	4150 Construction	\$ -
1140	Pre-kindergarten	2550 Pupil transportation	
1300	Continuing education	3100 Food service	
1400	Summer school	3300 Community services	

Sisters School District No. 6 - Major Taxpayers
Fiscal Year 2021
Deschutes County

Taxpayer	Business/Service	Tax	Assessed Value	Percent of Value
PacificCorp (Pacific Power)	Electrical Utility	1,922,717	\$ 128,592,000	0.47%
TDS BAJA Broadband LLC	Telecommunications	1,797,664	\$ 118,889,000	0.44%
Cascade Natural Gas Corp	Natural Gas Utility	1,327,408	\$ 88,043,000	0.32%
Gas Transmission Northwest	Natural Gas Utility	1,100,475	89,465,000	0.33%
CenturyLink	Telecommunications	979,223	67,215,000	0.25%
Touchmark at Mount Bachelor Village LLC	Vacation Resort	798,249	51,548,500	0.19%
Suterra LLC	Commercial Pest Control	743,181	49,322,460	0.18%
CVSC LLC	Trader Joes Grocery	708,497	45,754,600	0.17%
Deschutes Brewery Inc	Sales & Distribution	703,858	46,507,010	0.17%
Bend Research, Inc	Pharmaceutical	646,604	43,747,400	0.16%
Subtotal - ten of County's largest taxpayers			729,083,970	2.67%
All other County's taxpayers			26,584,807,859	97.33%
Total County			27,313,891,829	100.00%

Fiscal Year 2020
Deschutes County

Taxpayer	Business/Service	Tax	Assessed Value	Percent of Value
TDS BAJA Broadband LLC	Telecommunications	\$ 1,550,675	\$ 102,514,000	0.38%
PacificCorp (Pacific Power)	Electrical Utility	1,382,782	\$ 92,515,000	0.34%
Cascade Natural Gas Corp	Natural Gas Utility	\$ 1,158,792	\$ 76,950,000	0.28%
Gas Transmission Northwest	Natural Gas Utility	945,743	77,055,000	0.28%
CenturyLink	Telecommunications	925,960	63,608,000	0.23%
Suterra LLC	Commercial Pest Control	781,562	51,798,460	0.19%
Touchmark at Mount Bachelor Village LLC	Vacation Resort	776,020	50,047,110	0.18%
Deschutes Brewery Inc	Sales & Distribution	709,319	46,974,680	0.17%
CVSC LLC	Trader Joes Grocery	688,668	44,415,310	0.16%
Wal-Mart Stores	Retail	556,118	33,140,040	0.12%
Subtotal - ten of County's largest taxpayers			639,017,600	2.34%
All other County's taxpayers			25,264,893,557	92.50%
Total County			25,903,911,157	100.00%

Fiscal Year 2019
Deschutes County

Taxpayer	Business/Service	Tax	Assessed Value	Percent of Value
TDS BAJA Broadband LLC	Telecommunications	\$ 1,556,772	\$ 102,790,900	0.40%
PacificCorp (Pacific Power)	Electrical Utility	1,366,726	\$ 91,446,000	0.35%
CenturyLink	Telecommunications	1,113,689	76,373,000	0.29%
Cascade Natural Gas Corp	Natural Gas Utility	1,035,238	68,665,000	0.27%
Gas Transmission Northwest	Natural Gas Utility	845,195	68,782,400	0.27%
Touchmark at Mount Bachelor Village LLC	Vacation Resort	754,099	48,589,450	0.19%
Suterra LLC	Commercial Pest Control	680,555	50,473,200	0.19%
CVSC LLC	Trader Joes Grocery	667,098	43,086,100	0.17%
Deschutes Brewery Inc	Sales & Distribution	625,223	38,275,420	0.15%
Wal-Mart Stores	Retail	535,747	31,817,040	0.12%
Subtotal - ten of County's largest taxpayers			620,298,510	2.39%
All other County's taxpayers			23,964,364,974	92.51%
Total County			24,584,663,484	100.00%

SISTERS SCHOOL DISTRICT NO. 006
DESCHUTES COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY
OREGON STATE REGULATIONS

This Page Intentionally Left Blank



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcpcpas.com

December 30, 2021

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of Sisters School District No. 006 (the District) as of and for the year ended June 30, 2021, and have issued our report thereon dated December 30, 2021. 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 basic financial statements are free of material misstatement, we performed tests of 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 the basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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


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

- Expenditures of all the various funds were within authorized appropriations, except as noted on page 15 of the report.

OAR 162-10-0230 Internal Control

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

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


Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

GRANT COMPLIANCE REVIEW

This Page Intentionally Left Blank

SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Grantor	Program Title	Pass Through Organization	Federal CFDA Number	Pass Through Entity Number	Period Covered	Expenditures	Passed Through to Subrecipients
U.S. Department of Education							
	Title IA/D - ESSA 2019-20	ODE	84.010		7/1/19 - 9/30/20	\$ 20,338	
	Title IA/D - ESSA 2020-21	ODE	84.010		7/1/20 - 9/30/21	107,074	
	Total Title I Grant					127,412	
	Title IIA - Teacher Quality	ODE	84.367		7/1/19 - 9/30/20	26,774	
	Title IVA - Student Support and Academic Enrichment	ODE	84.424		7/1/19 - 9/30/20	574	
		ODE	84.424		7/1/20 - 9/30/21	10,000	
	Total Title IVA Grant					10,574	
	ESSER I - Emergency Relief Fund	ODE	84.425			92,507	
	CDL - Governors Emergency Ed Relief Fund	ODE	84.425			79,872	
	ESSER II - Emergency Relief Fund	ODE	84.425			332,643	
	Total CARES Cluster					505,022	
	IDEA Enhancement Grant	ODE	84.027		7/1/19 - 9/30/21	22,184	
	Special Education Cluster	ODE	84.027		7/1/20 - 9/30/22	154,095	
	Total Special Education Cluster					176,279	
	Total U.S. Department of Education					846,060	
U.S. Department of Agriculture							
	National School Lunch	ODE	10.555			172,591	
	National School Breakfast	ODE	10.553			70,495	
	Commodities	ODE	10.550			-	
	Total Child Nutrition Cluster					243,086	
	Total U.S. Department of Agriculture					243,086	
	Total Federal Financial Assistance					\$ 1,089,146	-
	RECONCILIATION TO REVENUE:						
	Federal Awards expended per Schedule Above						\$ 1,089,146
	Accruals/Deferrals						56,266
	Federal Revenue Recognized					\$ 1,032,880	

This Page Intentionally Left Blank



PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcpcpas.com

December 30, 2021

To the Board of Directors
Sisters School District No. 6
Deschutes County, Oregon

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sisters School District No. 6 as of and for the year ended June 30, 2021 and the related notes to the basic financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 30, 2021.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the basic financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Roy R Rogers". The signature is written in a cursive, flowing style.

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



PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcpcpas.com

December 30, 2021

To the Board of Directors
Sisters School District No. 6
Deschutes County, Oregon

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

Report on Compliance for Each Major Federal Program

We have audited Sisters School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2021. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Sisters School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

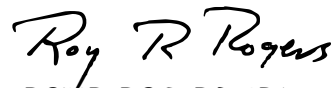
Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive, flowing style.

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

**SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Basic Financial Statements

Type of Auditors’ report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to basic financial statements noted? _____ Yes x No

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s):

Name of Federal Program:

84.425

ESSER I, GEER, ESSER II

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

Auditee qualified as low-risk auditee? x Yes _____ No

**SISTERS SCHOOL DISTRICT NO. 6
DESCHUTES COUNTY, OREGON**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

None

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

1. **BASIS OF PRESENTATION**

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

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

This Page Intentionally Left Blank