



**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

**ANNUAL FINANCIAL REPORT**

June 30, 2021



**NORTH CENTRAL EDUCATION SERVICE DISTRICT  
Gilliam County, Oregon**

**BOARD OF DIRECTORS**

June 30, 2021

**BOARD MEMBERS**

<b><u>Name</u></b>	<b><u>Zone</u></b>	<b><u>Term Expires</u></b>
Amy Derby, Chairperson	5 - Fossil	June 30, 2023
Greg Greenwood, Vice Chairperson	4 - Sherman County	June 30, 2023
Jim Doherty	At large	June 30, 2021
Kristen Neuberger	6 - Spray	June 30, 2023
Sarah Rucker	1 - Arlington	June 30, 2021
Jeff Schott	2 - Condon	June 30, 2021

Board members receive mail at the District office address below.

**ADMINISTRATION**

Penny Grotting, Superintendent  
Kim Domenighini, Business Manager

135 South Main Street  
PO Box 637  
Condon, OR 97823

**NORTH CENTRAL EDUCATION SERVICE DISTRICT  
Gilliam County, Oregon**

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**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
North Central Education Service District  
Condon, OR 97823

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Education Service District, Gilliam County, Oregon as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's 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 financial statements.

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

## **Basis for Modified Opinion**

Management has not obtained an actuarial valuation for the District's post-employment benefit obligations. Accounting principles generally accepted in the United States of America require that actuarially determined annual required contributions related to post-employment 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 government-wide financial statements is not reasonable determinable.

## **Emphasis of Matter – Change in Accounting Principle**

As described in the notes to the financial statements, in the year ended June 30, 2021, the District adopted new accounting guidance: GASB Statement No. 84, *Fiduciary Activities*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinions are not modified with respect to this matter.

## **Modified Opinion**

In our opinion, based on our audit and the report of other auditors, except for the effects of the matter described in the "Basis for Modified Opinion" paragraph, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of North Central Education Service District, Gilliam County, Oregon 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 management's discussion and analysis, the schedules of the District's proportionate share of the net pension liability and District contributions, and the budgetary comparison information on pages 4 through 10, and 48 through 49, respectively, 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 management's discussion and analysis and the schedules of the District's proportionate share of the net pension liability and District contributions 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.

The budgetary comparison information has been subjected in 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We do not express an opinion or provide any assurance on the management's discussion and analysis or the schedules of the District's proportionate share of the net pension liability and District contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Central Education Service District's basic financial statements as a whole.

The combining and individual fund schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplemental information required by the Oregon Department of Education and the schedule of expenditures of federal awards 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.

#### **Other Reporting Required by Government Auditing Standards**


In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2021 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Central Education Service District's internal control over financial reporting and compliance.



**Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 16, 2021 on our tests of the District’s compliance with certain provisions of laws and regulations 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.

Accuity, LLC

By:   
\_\_\_\_\_

Glen O. Kearns, CPA

Albany, Oregon  
December 16, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NORTH CENTRAL EDUCATION SERVICE DISTRICT  
Gilliam County, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

As management of North Central Education Service District, Gilliam County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2021, total net position of North Central Education Service District amounted to \$885,445. Of this amount, \$918,572 was invested in capital assets, net any related debt. The remaining balance included \$43,222 restricted for various purposes, and \$(76,349) of unrestricted net position.
- At June 30, 2021, the District's governmental funds reported combined ending fund balances of \$876,795.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities).

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The governmental activities of the District include revenues and expenditures associated with the purchase, construction, and major repair of governmental capital assets.

The government-wide financial statements can be found on pages 12 through 13 of this report.

**Fund Financial Statements**

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives.

All the funds of North Central Education Service District can be divided into two categories: governmental and proprietary funds.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains ten individual governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major governmental fund.

North Central Education Service District adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

□ **Proprietary Funds**

North Central Education Service District maintains one type of proprietary fund. Internal service funds are accounting devices used to accumulate and allocate costs internally among the District's various functions. North Central Education Service District uses an internal service fund to account for and service unemployment claims. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide statements.

Proprietary fund statements provide the same type of information as the government-wide statements, only in more detail. The proprietary fund financial statements provide information for the Internal Service Fund, which is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 18 through 20 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 47 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, which includes the schedules of the District's proportionate share of the net pension liability and District contributions, as well as the budgetary comparison information for the General Fund. This required supplementary information can be found on pages 48 through 49 of this report.

Combining and individual fund schedules can be found immediately following the required supplementary information on pages 50 through 61 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2021, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$885,445.

A large portion of the District's net position (104%) reflects its investment in capital assets (e.g., land, buildings, and equipment), net of related debt. The District uses these capital assets for supporting services; consequently, these assets are not available for future spending.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT  
Gilliam County, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

**District's Net Position**

At the end of the current fiscal year, the District was able to report positive balances in all categories of net position. Net position of the District increased by \$38,879 during the current fiscal year.

Condensed statement of net position information is shown below.

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>	
	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current and other assets	\$ 1,144,387	\$ 1,131,240
Restricted assets	39,501	39,487
Net capital assets	<u>1,490,366</u>	<u>1,517,559</u>
Total assets	<u>2,674,254</u>	<u>2,688,286</u>
<b>Deferred outflows of resources</b>	<u>523,100</u>	<u>422,380</u>
<b>Liabilities</b>		
Current liabilities	105,445	105,079
Noncurrent liabilities	<u>1,891,778</u>	<u>1,854,785</u>
Total liabilities	<u>1,997,223</u>	<u>1,959,864</u>
<b>Deferred inflows of resources</b>	<u>314,686</u>	<u>304,236</u>
<b>Net position</b>		
Net investment in capital assets	918,572	931,233
Restricted for various purposes	43,222	39,487
Unrestricted	<u>(76,349)</u>	<u>(124,154)</u>
Total net position	<u>\$ 885,445</u>	<u>\$ 846,566</u>

**District's Changes in Net Position**

The condensed statement of activities information shown on the following page explains changes in net position.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Changes in Net Position**

	<b>Governmental Activities</b>	
	<u>2021</u>	<u>2020</u>
<b>Program revenues</b>	<u>1,107,177</u>	<u>679,211</u>
<b>General revenues</b>		
Property taxes - general	3,182,126	2,778,601
Excise taxes	173,533	108,957
Investment earnings	10,750	28,583
Miscellaneous	<u>18,484</u>	<u>18,550</u>
Total general revenues	<u>3,384,893</u>	<u>2,934,691</u>
Total revenues	<u>4,492,070</u>	<u>3,613,902</u>
<b>Program expenses</b>		
Instruction	1,206,293	1,186,658
Support services	1,297,366	884,939
Interest expense	24,919	25,511
Facilities expense	10,083	-
Distributions to local school districts	1,845,301	1,508,637
Unallocated depreciation	<u>69,229</u>	<u>54,416</u>
Total program expenses	<u>4,453,191</u>	<u>3,660,161</u>
<b>Change in net position</b>	38,879	(46,259)
<b>Net position - beginning of year, as restated</b>	<u>846,566</u>	<u>892,825</u>
<b>Net position - end of year</b>	<u>\$ 885,445</u>	<u>\$ 846,566</u>

**Revenues**

Since the District's mission is to provide support services to individual school districts serving birth through twelfth grade students within its boundaries, the District may not charge for its core services. General revenues provide 76% of the funding required for governmental programs. Property and excise taxes combined for 99% of general revenues and 75% of total revenues. Operating grants and contributions represent 11% of total revenues. Charges for services make up 13% of total revenues and are composed of the following, for which it is appropriate that the District charge tuition or fees.

• Services provided other agencies	\$ 542,562
• Rentals	<u>60,953</u>
Total charges for services	<u>\$ 603,515</u>

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Expenses**

Expenses related to governmental activities are presented in several broad functional categories. Costs of direct classroom instruction activities account for 27% of the total expenses of \$4,453,191. In addition, 29% represents supporting services related to students, instructional staff, and school administration, and 41% represents distributions to other local governments.

**Financial Analysis of the District's Funds**

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 near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$876,795. Of this amount, \$295 was nonspendable, \$43,222 was restricted for debt service. The remaining balance of \$833,278 constitutes unassigned fund balance, which is available for spending at the District's discretion. The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was \$833,573, of which \$833,278 constitutes unassigned fund balance.

**Budgetary Highlights**

Budget amounts shown in the financial statements reflect the original budget amounts and seven approved appropriation changes.

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2021 amounted to \$1,490,366, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, equipment, and vehicles. The total depreciation expense related to the District's investment in capital assets for the current fiscal year was \$69,229. Additional information on the District's capital assets can be found on pages 32 through 33 of this report.

**Long-Term Debt**

At the end of the current fiscal year, the District had \$571,794 total debt outstanding, which consists of two revenue installment bonds. The District's total debt decreased by \$14,532 during the current fiscal year. This decrease was due to debt payments made during the year. Additional information on the District's long-term debt can be found on pages 33 through 35 of this report.



**NORTH CENTRAL EDUCATION SERVICE DISTRICT  
Gilliam County, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Key Economic Factors and Budget Information for the Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its future financial health:

- The goals of the board and the staff in creating this budget were to continue to fund existing programs, while working with our component school districts to increase funding where needed, while working within the constraints of our \$1,431,399 general services grant. The ESD budget was created realizing that our funding level is both a ceiling and a floor, and we expect that we will be flat funded for the 2021-2022 school year.
- Most service levels will remain at a "status quo" for the 2021-2022 year. This will essentially hold harmless the component districts. We have reduced costs in every possible way to balance this budget, including reducing technology costs, limiting supplies, and travel.

All of these factors were considered in preparing the District's budget for the 2021-2022 fiscal year.

The ending unassigned General Fund balance of \$833,278 will be available for program resources in the 2021-2022 fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Manager at the following address: PO Box 637, Condon, Oregon 97823.

## **BASIC FINANCIAL STATEMENTS**

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

STATEMENT OF NET POSITION

June 30, 2021

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 832,479
Cash with agent	5,099
Property taxes receivable	98,924
Other receivables	207,590
Prepaid expenses	295
Total current assets	1,144,387
Restricted assets	
Cash and cash equivalents	39,501
Capital assets not being depreciated	50,000
Capital assets being depreciated, net	1,440,366
Total noncurrent assets	1,490,366
Total assets	2,674,254
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	523,100
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	69,378
Payroll liabilities	768
Accrued interest payable	20,149
Bonds payable, current portion	15,150
Total current liabilities	105,445
Noncurrent liabilities	
Net pension liability	1,335,134
Bonds payable, less current portion	556,644
Total liabilities	1,997,223
<b>DEFERRED INFLOWS OF RESOURCES</b>	314,686
<b>NET POSITION</b>	
Net investment in capital assets	918,572
Restricted for various purposes	43,222
Unrestricted	(76,349)
Total net position	\$ 885,445

The accompanying notes are an integral part of these financial statements.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities				
Instruction	\$ 1,206,293	\$ 603,515	\$ 503,662	\$ -
Support Services	1,297,366	-	-	-
Interest expense	24,919	-	-	-
Facilities expense	10,083	-	-	-
Distributions to local districts	1,845,301	-	-	-
Unallocated depreciation	69,229	-	-	-
	<u>\$ 4,453,191</u>	<u>\$ 603,515</u>	<u>\$ 503,662</u>	<u>\$ -</u>
Total governmental activities				(3,346,014)
General revenues				
Property taxes - general				3,182,126
Excise taxes				173,533
Investment earnings				10,750
Miscellaneous				18,484
				<u>3,384,893</u>
Total general revenues				3,384,893
Change in net position				38,879
Net position - beginning, as restated				<u>846,566</u>
Net position - ending				<u>\$ 885,445</u>

The accompanying notes are an integral part of these financial statements.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 847,788	\$ 39,501	\$ 887,289
Cash with agent	5,099	-	5,099
Property taxes receivable	98,924	-	98,924
Other receivables	34,453	173,137	207,590
Prepaid expenses	295	-	295
Total assets	\$ 986,559	\$ 212,638	\$ 1,199,197
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 53,379	\$ 16,000	\$ 69,379
Payroll liabilities	683	85	768
Book overdraft	-	153,331	153,331
Total liabilities	54,062	169,416	223,478
Deferred inflows of resources			
Unearned revenue - property taxes	98,924	-	98,924
Fund balances			
Nonspendable	295	-	295
Restricted	-	43,222	43,222
Unassigned	833,278	-	833,278
Total fund balances	833,573	43,222	876,795
Total liabilities, deferred inflows of resources, and fund balances	\$ 986,559	\$ 212,638	\$ 1,199,197

The accompanying notes are an integral part of these financial statements.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2021

<b>Total fund balances</b>		\$ 876,795
Noncurrent assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Capital assets	2,316,815	
Accumulated depreciation	<u>(826,449)</u>	1,490,366
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 15 days of year-end are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		
		98,924
The internal service fund is used by management to charge the costs of unemployment insurance premiums, PERS reserve savings, and retirement benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
		138,022
Amounts relating to the District's proportionate share of net pension liability for the Oregon Public Employees Retirement System (PERS) are not reported in governmental fund statements. In the governmental fund statements, pension expense is recognized when due. The amounts consist of:		
Deferred outflows of resources relating to pension expense	523,100	
Deferred inflows of resources relating to the return on pension assets	(314,686)	
Net pension asset (liability)	<u>(1,335,134)</u>	(1,126,720)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(20,149)	
Bonds payable and premiums	<u>(571,794)</u>	<u>(591,943)</u>
<b>Net position of governmental activities</b>		<u><u>\$ 885,444</u></u>

The accompanying notes are an integral part of these financial statements.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Local revenue			
Property taxes	\$ 3,203,290	\$ -	\$ 3,203,290
Other	220,007	412,742	632,749
Intermediate revenue	173,533	-	173,533
State revenue	-	473,662	473,662
Federal revenue	-	30,000	30,000
	<u>3,596,830</u>	<u>916,404</u>	<u>4,513,234</u>
<b>EXPENDITURES</b>			
Current			
Instruction	934,130	335,840	1,269,970
Support services	861,881	439,007	1,300,888
Capital outlay	10,083	-	10,083
Debt service	-	39,451	39,451
	<u>1,806,094</u>	<u>814,298</u>	<u>2,620,392</u>
Excess (deficiency) of revenues over (under) expenditures	1,790,736	102,106	1,892,842
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	39,451	39,451
Transfers out	(39,451)	-	(39,451)
Distributions to local school districts	(1,707,479)	(137,822)	(1,845,301)
	<u>(1,746,930)</u>	<u>(98,371)</u>	<u>(1,845,301)</u>
Net change in fund balances	43,806	3,735	47,541
Fund balances - beginning, as restated	789,767	39,487	829,254
Fund balances - ending	<u>\$ 833,573</u>	<u>\$ 43,222</u>	<u>\$ 876,795</u>

The accompanying notes are an integral part of these financial statements.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

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

For the Year Ended June 30, 2021

<b>Net change in fund balances</b>	\$	47,541
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense.</p>		
Purchase of capital assets		42,036
Depreciation expense recorded in the current year		(69,229)
		(27,193)
<p>Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>		
Debt principal paid		14,532
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized when levied.</p>		
		(21,164)
<p>Pension expense that does not meet the measurable and available criteria is not recognized as expense in the current year in the governmental funds. In the statement of activities, pension expense is recognized when determined to have been accrued.</p>		
Pension expense		38,127
		38,127
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>38,879</b>

The accompanying notes are an integral part of these financial statements.



**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2021

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 138,022
<b>NET POSITION</b>	
Unrestricted	<u>138,022</u>
Total net position	<u>\$ 138,022</u>

The accompanying notes are an integral part of these financial statements.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended June 30, 2021

	Governmental Activities
	Internal Service Fund
<b>REVENUES</b>	\$ -
<b>EXPENSES</b>	
Support services	12,964
Excess (deficiency) of revenues over (under) expenses	(12,964)
Total net position - beginning	150,986
Total net position - ending	\$ 138,022

The accompanying notes are an integral part of these financial statements.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2021

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Payments to employees	\$ (12,964)
Net cash provided (used) by operating activities	(12,964)
Net increase (decrease) in cash and cash equivalents	<u>(12,964)</u>
Cash and cash equivalents - beginning	<u>150,986</u>
Cash and cash equivalents - ending	<u>\$ 138,022</u>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. Governmental Activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported by the District.

**B. Reporting Entity**

North Central Education Service District was organized in 1997 under the authority of Chapter 334, Oregon Revised Statutes. The District is a merging of the ESDs from Gilliam, Sherman, and Wheeler counties. The District is governed by a six-member board of directors.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on the major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental fund:

General Fund – The General Fund is the District's primary operating fund. It accounts for all financial resources of the District except for those required to be accounted for in another fund. The primary sources of revenue are property taxes and other local revenues.

The District reports the following nonmajor governmental funds:

Special Revenue Funds

*ESSER Fund* – The ESSER Fund is used to support the component districts with ESSER implementation. The primary source of revenue is federal grants.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

*SIA/SSA Fund* – The SIA/SSA Fund is used to support the component districts with SSA implementation. The primary source of revenue is state grants.

*Cooperative Purchasing Fund* – The Cooperative Purchasing Fund is used to account for technology purchases made for participating Districts. The primary source of revenue is reimbursements from those Districts for new equipment.

*Oregon Prekindergarten Program Fund* – The Oregon Prekindergarten Program Fund accounts for the Oregon Head Start Prekindergarten Program grant monies. The primary source of revenue is intermediate revenue.

*Preschool Promise Fund* – The Preschool Promise Fund is used to support the component districts with publicly funded preschools. The primary source of revenue is state grants.

*IDEA Fund* – The IDEA Fund supports the allocation distributed to Oregon under the Individual with Disabilities Education Act (IDEA). The primary source of revenue is federal grants.

*Healthy Families Grant Fund* – The Healthy Families Grant Fund is a home visiting program that utilizes best practice curriculum delivered within the home. The primary source of revenue is state revenue.

Debt Service Funds

*Debt Service Fund* – The Debt Service Fund services the USDA loan that was used to remodel the Bank Block Building. The primary source of revenue is transfers in.

*Debt Reserve Fund* – The Debt Reserve Fund accounts for the reserve required by the USDA loan for the Bank Block Building renovation. The primary source of revenue is transfers in.

Additionally, the District reports the following fund types:

Internal Service Fund

*Internal Service Fund* – The Internal Service Fund accounts for and services unemployment claims.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds.

While these balances are reported in fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e. the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 15 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 15 days of year end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 15 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

The District did not implement the most current accounting guidance: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which is a GAAP departure. If the District reported in accordance with the most recent GASB pronouncements, reported results may differ from those currently presented.

**F. Budgetary Information**

**1. Budgetary Basis of Accounting**

Annual budgets are adopted on the modified accrual basis of accounting. The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, and internal service funds. All funds are budgeted on the modified accrual basis of accounting. The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, enterprise and community services, facilities acquisition and construction, contingencies, debt service, and interfund transfers are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories.

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 a fund's original budget may be adopted by the board of directors at a regular board meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors.

During the year, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and seven approved appropriation changes.



**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

The government's 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.

**2. Investments**

State statutes authorize the government to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

**3. Restricted Assets**

Assets whose use is restricted for grant projects, debt service, or by other agreements are segregated on the statement of net position.

**4. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables."

Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds are eliminated in the statement of net position.

**5. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair value at the date of donation.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized. Major capital outlays for capital assets and improvements are capitalized as projects are completed.

Depreciation of capital assets are computed on the straight-line method over the following estimated useful lived:

<u>Assets</u>	<u>Years</u>
Equipment	5-15
Buildings and Improvements	7-60

**6. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement elements, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category.

Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**7. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources.

In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

**8. Fund Balance Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned, fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**9. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts that District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board delegates authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District has not formally adopted a policy for commitment or assignment of unrestricted fund balance.

The District has not formally adopted a minimum fund balance policy.

**H. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**I. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other intentionally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

Property taxes attach as an enforceable lien on real property and are levied as of July 1<sup>st</sup>. The tax levy is divided into two billings: the first billing (mailed on July 1) is an estimate of the current year's levy based on prior year's taxes; the second billing (mailed on January 1) reflects adjustments to the current year's actual levy. The billings are considered past due 15 days after the respective billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed. Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes.

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15. Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 15 days of fiscal year-end are recognized as revenue, while the remaining are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

**3. Pensions**

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

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Cash Deposits with Financial Institutions**

North Central Education Service District maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value.

The District participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company.

The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments. The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report (CAFR).

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

A copy of the State’s CAFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price 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 on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- *Level 1* - Unadjusted quoted prices for identical investments in active markets.
- *Level 2* - Observable inputs other than quoted market prices; and,
- *Level 3* - Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2021.

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

	Level 2
Investments	
Oregon Local Government Investment Pool	\$ 734,443

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers’ acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Commercial Paper Record, and the Local Government Investment Pool. The District has not adopted a formal policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2021, the District had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 734,443

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

Interest Rate Risk

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The District does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the District's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. The District holds accounts at the Bank of Eastern Oregon, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2021, the District had deposits of \$250,000 insured by the FDIC and \$105,641 collateralized by the PFCP.

Deposits

The District's deposits and investments at June 30, 2021 are as follows:

Checking accounts	\$ 52,940
Cash with agent	5,099
Money market account	79,498
Total investments	<u>734,443</u>
Total cash and cash equivalents	<u><u>\$ 871,980</u></u>

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 847,788
Nonmajor governmental funds (book overdraft)	(153,331)
Internal service funds	<u>138,022</u>
Sub-total unrestricted	<u>832,479</u>
Governmental activities - restricted	
Nonmajor governmental funds	<u>39,501</u>
Total cash and investments	<u><u>\$ 871,980</u></u>

**B. Restricted Cash**

Restricted cash, noted above in nonmajor governmental funds, is for future payments of principal and interest on long-term debt and future expenditures of grant monies.

**C. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Capital assets being depreciated				
Buildings and improvements	1,796,540	-	-	1,796,540
Equipment	<u>428,239</u>	<u>42,036</u>	<u>-</u>	<u>470,275</u>
Total capital assets being depreciated	<u>2,224,779</u>	<u>42,036</u>	<u>-</u>	<u>2,266,815</u>
Less accumulated depreciation for				
Buildings and improvements	(469,433)	(41,087)	-	(510,520)
Equipment	<u>(287,787)</u>	<u>(28,142)</u>	<u>-</u>	<u>(315,929)</u>
Total accumulated depreciation	<u>(757,220)</u>	<u>(69,229)</u>	<u>-</u>	<u>(826,449)</u>
Total capital assets being depreciated, net	<u>1,467,559</u>	<u>(27,193)</u>	<u>-</u>	<u>1,440,366</u>
Governmental activities capital assets, net	<u><u>\$ 1,517,559</u></u>	<u><u>\$ (27,193)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,490,366</u></u>



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Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 50,000	\$ -	\$ 50,000
Buildings and improvements	1,796,540	(510,520)	1,286,020
Equipment	<u>470,275</u>	<u>(315,929)</u>	<u>154,346</u>
Total capital assets	<u>\$ 2,316,815</u>	<u>\$ (826,449)</u>	<u>\$ 1,490,366</u>

Depreciation was not charged to specific functions or programs of the District. Capital assets of the District are for the use of the entire District and are therefore unallocated. Depreciation expense is recorded on the statement of activities as follows:

Governmental activities	
Unallocated depreciation expense	<u>\$ 69,229</u>

**D. Interfund Transfers**

Operating transfers are reflected as other financing sources (uses) in the governmental funds. Interfund transfers during the year consisted of:

	<u>Transfers in:</u>
	Nonmajor Governmental Funds
Transfers out:	
General Fund	<u>\$ 39,451</u>

The primary purpose of the interfund transfer in was to provide funds for debt service payments.

**E. Long-Term Liabilities**

**1. Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
Revenue Installment Bond #1	4.25%	\$ 400,000	\$ 313,356	\$ -	\$ 9,433	\$ 303,923	\$ 8,052
Revenue Installment Bond #2	4.25%	<u>352,580</u>	<u>272,970</u>	<u>-</u>	<u>5,099</u>	<u>267,871</u>	<u>7,098</u>
Total governmental activities		<u>\$ 752,580</u>	<u>\$ 586,326</u>	<u>\$ -</u>	<u>\$ 14,532</u>	<u>\$ 571,794</u>	<u>\$ 15,150</u>

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**2. Revenue Installment Bonds**

The Revenue Installment Community Facilities Bonds were issued on September 18, 2003 in the total amount of \$752,580. Interest rates are fixed at 4.25%. Principal and interest payments are due annually on September 18. The proceeds were used by the District to finance the construction and rehabilitation project on the district office building, which is pledged as collateral. The Debt Service Fund has traditionally been used to liquidate debt related to the revenue installment bonds.

**3. Debt Capacity**

The District's legal annual debt limit (as defined by Oregon Revised Statutes 478.410) as of June 30, 2021 was approximately \$194,585,815. The District's legal debt service limit is 7.95% of the real market value of the property within the District and relates to general obligation debt.

**4. Governmental Activity - Interest Expense**

In relation to governmental activities, interest expense was not charged to specific functions or programs of the District. Interest expense is recorded on the statement of activities as follows:

Governmental activities	
Debt service	\$ <u>24,919</u>

**5. Governmental Activity - Future Maturities of Long-Term Debt**

Year Ending June 30	Revenue Installment Bond #1		
	Principal	Interest	Total
2022	\$ 8,052	\$ 12,916	\$ 20,968
2023	8,394	12,574	20,968
2024	8,751	12,217	20,968
2025	9,123	11,845	20,968
2026	9,511	11,458	20,969
2027-2031	53,973	50,870	104,843
2032-2036	66,460	38,385	104,845
2037-2041	81,833	23,009	104,842
2042-2044	57,826	4,977	62,803
	<u>\$ 303,923</u>	<u>\$ 178,251</u>	<u>\$ 482,174</u>

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Year Ending June 30	Revenue Installment Bond #2		
	Principal	Interest	Total
2022	\$ 7,098	\$ 11,385	\$ 18,483
2023	7,399	11,083	18,482
2024	7,714	10,769	18,483
2025	8,042	10,441	18,483
2026	8,384	10,099	18,483
2027-2031	47,575	44,839	92,414
2032-2036	58,581	33,833	92,414
2037-2041	72,134	20,280	92,414
2042-2044	50,944	4,387	55,331
	<u>\$ 267,871</u>	<u>\$ 157,116</u>	<u>\$ 424,987</u>

**F. Constraints on Fund Balances**

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:			
Nonspendable - prepaid expenses	\$ 295	\$ -	\$ 295
Restricted for:			
Grant programs	-	3,735	3,735
Debt service	-	39,487	39,487
Unassigned	833,278	-	833,278
Total fund balances	<u>\$ 833,573</u>	<u>\$ 43,222</u>	<u>\$ 876,795</u>

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Appropriations**

During the year ended June 30, 2021, the District expended funds in excess of appropriations as follows:

Fund	Function	Appropriations	Expenditures	Excess
SIA/SSA Grant	Instruction	\$ 49,769	\$ 51,312	\$ 1,543
Cooperative Purchasing	Support services	\$ 396,800	\$ 409,007	\$ 12,207

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**IV. OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

**B. Retirement Plans**

**1. Oregon Public Employees Retirement System**

*General Information about the Pension Plan*

The Oregon Public Employees Retirement System (OPERS) consists of a cost-sharing, multiple-employer defined benefit plan for units of state governmental, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the Plan. As of June 30, 2020, there were 901 participating employers.

*Plan Membership*

As of June 30, 2020, there were 16,323 active plan members, 129,520 retired plan members or their beneficiaries currently receiving benefits, 9,930 inactive plan members entitled to but not yet receiving benefits, for a total of 155,773 Tier One members.

For Tier Two members, as of June 30, 2020, there were 31,548 active plan members, 17,162 retired plan members or their beneficiaries currently receiving benefits, 13,880 inactive plan members entitled to but not yet receiving benefits, for a total of 62,590.

As of June 30, 2020, there were 130,806 active plan members, 6,940 retired plan members or their beneficiaries currently receiving benefits, 6,281 inactive plan members entitled to but not yet receiving benefits, and 16,439 inactive plan members not eligible for refund or retirements, for a total of 160,466 OPSRP Pension Program members.

*Plan Benefits*

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A, and Internal Revenue Code Section 401(a).

**Tier One/Tier Two Retirement Benefit (Chapter 238)** - OPERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living-adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute. This defined benefit pension plan is closed to new members hired on or after August 29, 2003.

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*Pension Benefits*

The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options that are actuarially equivalent to the base benefit. 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, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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 One 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 Two members are eligible for full benefits at age 60. Police and Fire members may purchase increased benefits that are payable between the date of retirement and age 65.

*Death Benefits*

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

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

*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.

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Upon qualifying for a either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

*Benefit Changes after Retirement*

Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations caused by 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. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision. The COLA is capped at 2.0 percent.

**OPSRP Defined Benefit Pension Program (OPSRP DB)** - This Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

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

*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.

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*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.

*Benefit Changes After Retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision. The COLA is capped at 2.0 percent.

**OPSRP Individual Account Program (OPSRP 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*

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

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

*Death Benefits*

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

*Contributions*

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

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Employer contribution rates during the period were based on the December 31, 2018 actuarial valuation, which became effective July 1, 2019. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Member contributions are set by statute at six percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf. As permitted, the District has opted to pick-up the contributions on behalf of its employees.

Employer contributions for the year ended June 30, 2021 were \$143,910.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Additional disclosures related to Oregon PERS not applicable to specific employers are available by contacting PERS at the following address: PO Box 23700 Tigard, OR 97281-3700, or 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 (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an 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 liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2018
Measurement Date	June 30, 2020
Experience Study	2018, published July 24, 2019



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<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><b>Health retirees and beneficiaries:</b> Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b> Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

The methods and assumptions shown above are on the 2018 Experience Study, which reviewed experience for the four-year period ended December 31, 2018. There were no differences between the assumptions and plan provisions used for June 30, 2020 measurement date calculations compared to those shown above.

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*Actuarial Methods and Assumptions*

Assets are valued at their market value. Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuation in which they are first recognized.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Oregon PERS and additions to/deductions from Oregon PERS' fiduciary net position have been determined on the same basis as they are reported by Oregon 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Depletion Date Projection*

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for OPERS:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.

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- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan’s funded position.

Based on these circumstances, it is our independent actuary’s opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

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.

Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

For more information on the Plan’s portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS’ audited financial statements at:

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

OIC Target and Actual Investment Allocation as of June 30, 2020

<u>Asset Class/Strategy</u>	<u>OIC Policy Low Range</u>	<u>OIC Policy High Range</u>	<u>OIC Target Allocation</u>	<u>Actual Allocation<sup>3</sup></u>
Debt Securities	15.0%	25.0%	20.0%	20.0%
Public Equity	27.5%	37.5%	32.5%	31.8%
Real Estate	9.5%	15.5%	12.5%	11.4%
Private Equity	14.0%	21.0%	17.5%	22.9%
Alternatives Portfolio	7.5%	17.5%	15.0%	10.5%

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Opportunity Portfolio <sup>1</sup>	0.0%	3.0%	0.0%	2.1%
Risk Parity <sup>2</sup>	0.0%	2.5%	2.5%	1.3%
Total			100.0%	100.0%

<sup>1</sup>Opportunity Portfolio is an investment strategy, and it may be invested up to 3% of total plan net position.

<sup>2</sup>Risk Parity is a new investment strategy added to the asset allocation mix in 2019.

<sup>3</sup> Based on the actual investment value at 6/30/2020.

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

At June 30, 2021, the District reported a liability of \$1,335,134 for its proportionate share of the net pension liability.

The net pension liability was measured at June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2021, the District's proportion was 0.00611789%. For the year ended June 30, 2021, the District recognized pension expense of \$173,140. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 58,762	\$ -
Changes of assumptions	71,652	(2,511)
Net difference between projected and actual earnings on investments	156,994	-
Changes in proportionate share	-	(307,997)
Differences between employer contributions and employer's proportionate share of system contributions	<u>20,623</u>	<u>(4,178)</u>
Total (prior to post-MD contributions)	308,031	(314,686)
Contributions subsequent to the MD	<u>215,069</u>	<u>-</u>
Total subsequent to post-MD contributions)	<u>\$ 523,100</u>	<u>\$ (314,686)</u>

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Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

Employer subsequent fiscal years	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
1st Fiscal Year	\$ (54,393)
2nd Fiscal Year	13,531
3rd Fiscal Year	26,992
4th Fiscal Year	16,628
5th Fiscal Year	(9,412)

*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 higher discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate. District's proportionate share of the net pension liability (asset):

1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
\$ (1,982,564)	\$ (1,335,134)	\$ (792,234)

*Changes Subsequent to the Measurement Date*

The legislation held a second special session, August 10, 2020, and passed two budget bills that pertain to PERS. House Bill (HB) 4304 contained the policy updates needed to complete the budget reductions passed in Senate Bill (SB) 5723, reducing the Employer Incentive Fund (EIF) by \$35,248,198 with the money going back to the general fund. Additionally, all current and future revenue streams for the EIF were eliminated. The School District Unfunded Liability Fund (SDULF) was reduced by \$11,539,471 with that money also going back into the general fund. Governor Brown line-item vetoed parts of HB 4304 restoring funding to the EIF and the SDULF. The SDULF receives an annual transfer from the proceeds on unclaimed property from the Common School Fund and will receive a transfer in January 2021. While these funding streams currently have no revenue, this does raise the possibility of both of these programs begin funded again in the future.

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Starting July 1, 2020, SB 1049 required member contributions to their IAP accounts to be redirected to the Defined Benefit fund.

If the member earns more than \$2,500 per month, 0.75% for OPSRP members and 2.5% for Tier One and Tier Two members' salaries that were previously contributed to the member's IAP began funding the new Employee Pension Stability Accounts to help fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. PERS estimated that approximately \$125 million in member contributions will be redirected in fiscal year 2020-2021.

**C. New Pronouncements**

For the fiscal year ended June 30, 2021, the District implemented the following new accounting standards:

GASB Statement No. 84, *Fiduciary Activities* – This statement established criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*

The District will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the following pronouncements:

GASB Statement No. 83, *Certain Asset Retirement Obligations* – This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The statement is effective for fiscal years beginning after June 15, 2020 (as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*).

GASB Statement No. 87, *Leases* – This statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The statement is effective for fiscal years beginning after June 15, 2022 (as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*).

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period – The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement is effective for fiscal years beginning after December 15, 2021 (as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*).

**D. Collective Bargaining**

At June 30, 2021, there were 20 total staff represented by the District. Of this amount, 17 staff were covered under collective bargaining agreements. The current agreement was ratified on July 1, 2019 and expires on June 30, 2021.

**E. Tax Abatements**

Gilliam County has established an enterprise zone under ORS 285C.606 that abates property taxes on properties within the enterprise zone. As a result, the property taxes that the District will receive for the 2020-2021 levy year have been reduced by \$1,875,642.

**F. Restatement**

The District’s previously issued financial statements were restated as follows:

Government-Wide Basis	Governmental Activities
Net position - beginning, as originally reported	\$ 864,548
To record closing of fund, equity transfer to outside agency running program	(17,982)
Net position - beginning, as restated	\$ 846,566
GAAP/Budget Basis	Healthy Families Fund
Fund balance - beginning, as originally reported	\$ 17,982
To record closing of fund, equity transfer to outside agency running program	(17,982)
Fund balance - beginning, as restated	\$ -

**G. Subsequent Events**

Management has evaluated subsequent events through December 16, 2021, which was the date that the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY AND DISTRICT CONTRIBUTIONS

**OREGON PERS SYSTEM**

**Schedule of the District's Proportionate Share of the Net Pension Liability**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.00611789%	0.00741716%	0.00807471%	0.00843683%	0.01266605%	0.01408358%	0.01409645%
District's proportionate share of the net pension liability (asset)	\$ 1,335,134	\$ 1,282,991	\$ 1,223,212	\$ 1,137,288	\$ 1,901,467	\$ 808,603	\$ (319,526)
District's covered-employee payroll	\$ 521,346	\$ 553,208	\$ 589,636	\$ 565,386	\$ 739,526	\$ 691,552	\$ 673,107
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	256.09%	231.92%	207.45%	201.15%	257.12%	116.93%	-47.47%
Plan fiduciary net position as a percentage of the total pension liability (from audited schedules)	75.79%	80.20%	82.07%	83.12%	80.53%	91.88%	103.59%

**Schedule of District Contributions**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 143,910	\$ 206,308	\$ 150,955	\$ 180,324	\$ 167,857	\$ 118,150	\$ 194,600
Contributions in relation to the contractually required contribution	<u>(143,910)</u>	<u>(206,308)</u>	<u>(150,955)</u>	<u>(180,324)</u>	<u>(167,857)</u>	<u>(118,150)</u>	<u>(194,600)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 616,727	\$ 557,752	\$ 518,051	\$ 617,794	\$ 756,226	\$ 631,809	\$ 713,605
Contributions as a percentage of covered-employee payroll	23%	37%	29%	29%	22%	19%	27%

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
<b>REVENUES</b>				
Local revenue				
Property taxes	\$ 2,689,012	\$ 3,039,012	164,278	\$ 3,203,290
Other	344,212	365,114	(145,107)	220,007
Intermediate revenue	108,000	117,075	56,458	173,533
Total revenues	<u>3,141,224</u>	<u>3,521,201</u>	<u>75,629</u>	<u>3,596,830</u>
<b>EXPENDITURES</b>				
Current				
Instruction	992,408	1,001,483	(67,353)	934,130
Support services	975,645	996,547	(134,666)	861,881
Building acquisition	21,000	21,000	(10,917)	10,083
Contingency	100,000	100,000	(100,000)	-
Total expenditures	<u>2,089,053</u>	<u>2,119,030</u>	<u>(312,936)</u>	<u>1,806,094</u>
Excess (deficiency) of revenues over (under) expenditures	1,052,171	1,402,171	388,565	1,790,736
<b>OTHER FINANCING SOURCES (USES)</b>				
Distributions to local school districts	(1,406,150)	(1,756,150)	(48,671)	(1,707,479)
Transfers out	(39,451)	(39,451)	-	(39,451)
Total other financing sources (uses)	<u>(1,445,601)</u>	<u>(1,795,601)</u>	<u>(48,671)</u>	<u>(1,746,930)</u>
Net change in fund balance	(393,430)	(393,430)	437,236	43,806
Fund balance - beginning	953,430	953,430	(163,663)	789,767
Fund balance - ending	<u>\$ 560,000</u>	<u>\$ 560,000</u>	<u>\$ 273,573</u>	<u>\$ 833,573</u>

**OTHER SUPPLEMENTARY INFORMATION**

COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULE

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2021

	Special Revenue Funds			Debt Service Debt Reserve Fund	Total Nonmajor Governmental Funds	
	SIA/SSA Fund	Cooperative Purchasing Fund	Oregon Head Start Pre-Kindergarten			Preschool Promise Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 14	\$ -	\$ -	\$ -	\$ 39,487	\$ 39,501
Other receivables	-	19,837	62,938	90,362	-	173,137
Total assets	<u>\$ 14</u>	<u>\$ 19,837</u>	<u>\$ 62,938</u>	<u>\$ 90,362</u>	<u>\$ 39,487</u>	<u>\$ 212,638</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 16,000	\$ -	\$ 16,000
Payroll liabilities	14	70	-	1	-	85
Book overdraft	-	19,767	59,950	73,614	-	153,331
Total liabilities	<u>14</u>	<u>19,837</u>	<u>59,950</u>	<u>89,615</u>	<u>-</u>	<u>169,416</u>
Fund balances						
Restricted for grant programs	-	-	2,988	747	-	3,735
Restricted for debt service	-	-	-	-	39,487	39,487
Total fund balances	<u>-</u>	<u>-</u>	<u>2,988</u>	<u>747</u>	<u>39,487</u>	<u>43,222</u>
Total liabilities and fund balances	<u>\$ 14</u>	<u>\$ 19,837</u>	<u>\$ 62,938</u>	<u>\$ 90,362</u>	<u>\$ 39,487</u>	<u>\$ 212,638</u>

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2021

	Special Revenue Funds				Debt Service		Total Nonmajor Governmental Funds	
	ESSER Fund	SIA/SSA Fund	Cooperative Purchasing Fund	Oregon Head Start Pre-Kindergarten	Preschool Promise Fund	Debt Service Fund		Debt Reserve Fund
<b>REVENUES</b>								
Local revenues	\$ -	\$ -	\$ 409,007	\$ 2,988	\$ 747	\$ -	\$ -	\$ 412,742
State revenue	-	51,312	-	252,756	169,594	-	-	473,662
Federal revenue	30,000	-	-	-	-	-	-	30,000
Total revenues	<u>30,000</u>	<u>51,312</u>	<u>409,007</u>	<u>255,744</u>	<u>170,341</u>	<u>-</u>	<u>-</u>	<u>916,404</u>
<b>EXPENDITURES</b>								
Current								
Instruction	-	51,312	-	252,756	31,772	-	-	335,840
Support services	30,000	-	409,007	-	-	-	-	439,007
Debt services	-	-	-	-	-	39,451	-	39,451
Total expenditures	<u>30,000</u>	<u>51,312</u>	<u>409,007</u>	<u>252,756</u>	<u>31,772</u>	<u>39,451</u>	<u>-</u>	<u>814,298</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	2,988	138,569	(39,451)	-	102,106
<b>OTHER FINANCING SOURCES (USES)</b>								
Apportionment of funds	-	-	-	-	(137,822)	-	-	(137,822)
Transfers in	-	-	-	-	-	39,451	-	39,451
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137,822)</u>	<u>39,451</u>	<u>-</u>	<u>(98,371)</u>
Net change in fund balances	-	-	-	2,988	747	-	-	3,735
Fund balances - beginning	-	-	-	-	-	-	39,487	39,487
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,988</u>	<u>\$ 747</u>	<u>\$ -</u>	<u>\$ 39,487</u>	<u>\$ 43,222</u>

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

ESSER GRANT FUND

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
<b>REVENUES</b>				
Federal revenue	\$ -	\$ 30,000	\$ -	\$ 30,000
<b>EXPENDITURES</b>				
Current				
Support services	-	30,000	-	30,000
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

SIA/SSA FUND

For the Year Ended June 30, 2021

	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual GAAP Basis</u>
<b>REVENUES</b>			
State revenue	\$ 49,769	\$ 1,543	\$ 51,312
<b>EXPENDITURES</b>			
Current			
Instruction	<u>49,769</u>	<u>1,543</u>	<u>51,312</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

COOPERATIVE PURCHASING FUND

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
<b>REVENUES</b>				
Local revenue	\$ 296,800	\$ 396,800	\$ 12,207	\$ 409,007
<b>EXPENDITURES</b>				
Current				
Support services	296,800	396,800	12,207	409,007
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

OREGON PREKINDERGARTEN PROGRAM FUND

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
<b>REVENUES</b>				
Local revenue	\$ -	\$ -	\$ 2,988	\$ 2,988
State revenue	<u>190,911</u>	<u>216,829</u>	<u>35,927</u>	<u>252,756</u>
Total revenues	<u>190,911</u>	<u>216,829</u>	<u>38,915</u>	<u>255,744</u>
<b>EXPENDITURES</b>				
Current				
Instruction	<u>226,838</u>	<u>252,756</u>	<u>-</u>	<u>252,756</u>
Excess (deficiency) of revenues over (under) expenditures	(35,927)	(35,927)	38,915	2,988
Fund balance - beginning	<u>35,927</u>	<u>35,927</u>	<u>(35,927)</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,988</u>	<u>\$ 2,988</u>

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

PRESCHOOL PROMISE FUND

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
<b>REVENUES</b>				
Local revenue	\$ -	\$ -	\$ 747	\$ 747
State revenue	185,625	238,750	(69,156)	169,594
Total revenues	185,625	238,750	(68,409)	170,341
<b>EXPENDITURES</b>				
Current				
Instruction	41,136	81,080	(49,308)	31,772
Excess (deficiency) of revenues over (under) expenditures	144,489	157,670	(19,101)	138,569
<b>OTHER FINANCING SOURCES (USES)</b>				
Apportionment of funds	(144,489)	(157,670)	(19,848)	(137,822)
Net change in fund balances	-	-	747	747
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ 747	\$ 747

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

IDEA FUND

For the Year Ended June 30, 2021

	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual GAAP Basis</u>
<b>REVENUES</b>			
Federal revenue	\$ 3,500	\$ (3,500)	\$ -
<b>EXPENDITURES</b>			
Current			
Instruction	<u>3,500</u>	<u>(3,500)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Distributions to local school districts	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

HEALTHY FAMILIES GRANT FUND

For the Year Ended June 30, 2021

	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual GAAP Basis</u>
<b>REVENUES</b>			
State revenue	\$ 47,969	\$ (47,969)	\$ -
<b>EXPENDITURES</b>			
Current			
Instruction	<u>66,115</u>	<u>(66,115)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(18,146)	18,146	-
Fund balance - beginning, as restated	<u>18,146</u>	<u>(18,146)</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended June 30, 2021

	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual GAAP Basis</u>
<b>REVENUES</b>	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>			
Debt services	<u>39,451</u>	<u>-</u>	<u>39,451</u>
Excess (deficiency) of revenues over (under) expenditures	(39,451)	-	(39,451)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>39,451</u>	<u>-</u>	<u>39,451</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL

DEBT RESERVE FUND

For the Year Ended June 30, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
<b>REVENUES</b>	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-
Fund balance - beginning	39,485	2	39,487
Fund balance - ending	\$ 39,485	\$ 2	\$ 39,487

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
 BUDGET AND ACTUAL

INTERNAL SERVICE - UNEMPLOYMENT FUND

For the Year Ended June 30, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
<b>REVENUES</b>	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>			
Current			
Support services	150,990	(138,026)	12,964
Excess (deficiency) of revenues over (under) expenditures	(150,990)	138,026	(12,964)
Fund balance - beginning	150,990	(3)	150,987
Fund balance - ending	\$ -	\$ 138,023	\$ 138,023

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

<u>Federal Grantor, Pass-Through Grantor, Program Title</u>	<u>CFDA</u>	<u>Revenues</u>	<u>Expenditures</u>
<b><u>U.S. Department of Education</u></b>			
Passed through Oregon Department of Education			
Elementary & Secondary School Emergency Relief Fund	84.425	<u>30,000</u>	<u>30,000</u>
Total U.S. Department of Education		<u>30,000</u>	<u>30,000</u>
Total federal expenditures		<u>\$ 30,000</u>	<u>\$ 30,000</u>



## **OTHER FINANCIAL SCHEDULES**

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

REVENUE SUMMARY - ALL FUNDS

For the Year Ended June 30, 2021

<b>Revenue from Local Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 600</b>
1110 Ad Valorem Taxes Levied by District	\$ 3,190,317.78	\$ -	\$ -	\$ -
1190 Penalties and Interest on Taxes	12,973.19	-	-	-
1500 Earnings on Investments	10,750.25	-	-	-
1910 Rentals	60,952.70	-	-	-
1940 Services Provided Other Local Education Agencies	116,429.06	409,007.02	-	-
1980 Fees Charged to Grants	15,806.36	-	-	-
1990 Miscellaneous	16,068.66	3,734.38	-	-
<b>Total Revenue from Local Sources</b>	<b>\$ 3,423,298.00</b>	<b>\$ 412,741.40</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from Intermediate Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 600</b>
2199 Other Intermediate Sources	\$ 173,533.05	\$ -	\$ -	\$ -
<b>Total Revenue from Intermediate Sources</b>	<b>\$ 173,533.05</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from State Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 600</b>
3299 Other Restricted Grants-in-Aid	\$ -	\$ 473,662.17	\$ -	\$ -
<b>Total Revenue from State Sources</b>	<b>\$ -</b>	<b>\$ 473,662.17</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from Federal Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 600</b>
4500 Restricted Revenue From the Federal Government Through the State	\$ -	\$ 30,000.00	\$ -	\$ -
<b>Total Revenue from Federal Sources</b>	<b>\$ -</b>	<b>\$ 30,000.00</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from Other Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 600</b>
5200 Interfund Transfers	\$ -	\$ -	\$ 39,451.00	\$ -
5400 Resources - Beginning Fund Balance	789,767.36	-	39,487.52	150,986.83
<b>Total Revenue from Other Sources</b>	<b>\$ 789,767.36</b>	<b>\$ -</b>	<b>\$ 78,938.52</b>	<b>\$ 150,986.83</b>
<b>Grand Totals</b>	<b>\$ 4,386,598.41</b>	<b>\$ 916,403.57</b>	<b>\$ 78,938.52</b>	<b>\$ 150,986.83</b>

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**

**Gilliam County, Oregon**

**EXPENDITURE SUMMARY - GENERAL FUND**

For the Year Ended June 30, 2021

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>	<b>Object 700</b>
<b>Instruction Expenditures</b>								
1131 High School Programs	\$ 1,029.44	\$ -	\$ 1,029.44	\$ -	\$ -	\$ -	\$ -	\$ -
1220 Restrictive Programs - Students with Disabilities	556,364.62	296,751.51	144,779.76	108,690.91	5,992.44	-	150.00	-
1231 Sensory Impaired	200,941.78	80,763.65	51,879.44	65,524.92	2,773.77	-	-	-
1260 Early Intervention	175,798.90	62,355.15	36,577.67	31,752.18	18,726.75	26,387.15	-	-
<b>Total Instruction Expenditures</b>	<b>\$ 934,134.74</b>	<b>\$ 439,870.31</b>	<b>\$ 234,266.31</b>	<b>\$ 205,968.01</b>	<b>\$ 27,492.96</b>	<b>\$ 26,387.15</b>	<b>\$ 150.00</b>	<b>\$ -</b>
<b>Support Services Expenditures</b>								
2210 Improvement of Instruction	\$ 86,109.26	\$ 39,238.88	\$ 37,452.58	\$ 9,417.80	\$ -	\$ -	\$ -	\$ -
2229 Other Educational Media Services	23,428.68	14,267.12	5,721.38	1,706.03	1,734.15	-	-	-
2240 Instructional Staff Development	172.00	-	-	172.00	-	-	-	-
2310 Board of Education Services	42,389.41	7,851.88	5,245.67	19,291.74	14.25	-	9,985.87	-
2321 Office and Superintendent Services	52,749.99	21,211.20	8,489.48	18,738.51	203.30	-	4,107.50	-
2329 Other Executive Administrative Services	151,254.62	44,802.42	24,249.59	66,735.12	15,467.49	-	-	-
2520 Fiscal Services	81,864.18	41,747.07	25,461.34	11,646.16	2,287.56	-	722.05	-
2540 Operation and Maintenance of Plant Services	48,861.43	5,220.70	654.07	32,965.43	2,714.57	-	7,306.66	-
2661 Technology Services - Service Area Direction	375,046.34	107,568.11	80,825.86	162,878.39	23,623.98	-	150.00	-
<b>Total Support Services Expenditures</b>	<b>\$ 861,875.91</b>	<b>\$ 281,907.38</b>	<b>\$ 188,099.97</b>	<b>\$ 323,551.18</b>	<b>\$ 46,045.30</b>	<b>\$ -</b>	<b>\$ 22,272.08</b>	<b>\$ -</b>
<b>Facilities Acquisition and Construction</b>								
4000 Facilities Acquisition and Construction	\$ 10,083.04	\$ -	\$ -	\$ -	\$ -	\$ 10,083.04	\$ -	\$ -
<b>Total Other Uses Expenditures</b>	<b>\$ 10,083.04</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,083.04</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Uses Expenditures</b>								
5200 Transfers of Funds	\$ 39,451.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,451.00
5300 Apportionment of Funds by ESD	1,707,480.15	-	-	-	-	-	-	1,707,480.15
<b>Total Other Uses Expenditures</b>	<b>\$ 1,746,931.15</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,746,931.15</b>
<b>Grand Total</b>	<b>\$ 3,553,024.84</b>	<b>\$ 721,777.69</b>	<b>\$ 422,366.28</b>	<b>\$ 529,519.19</b>	<b>\$ 73,538.26</b>	<b>\$ 36,470.19</b>	<b>\$ 22,422.08</b>	<b>\$ 1,746,931.15</b>

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

EXPENDITURE SUMMARY - SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2021

<b>Instruction Expenditures</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>	<b>Object 700</b>
1131 High School Programs	\$ 51,311.90	\$ 33,264.03	\$ 16,766.69	\$ 1,013.18	\$ 268.00	\$ -	\$ -	\$ -
1140 Pre-kindergarten Programs	284,528.77	44,078.11	32,293.16	157,046.23	26,215.65	16,000.00	8,895.62	-
<b>Total Instruction Expenditures</b>	<b>\$ 335,840.67</b>	<b>\$ 77,342.14</b>	<b>\$ 49,059.85</b>	<b>\$ 158,059.41</b>	<b>\$ 26,483.65</b>	<b>\$ 16,000.00</b>	<b>\$ 8,895.62</b>	<b>\$ -</b>
<b>Support Services Expenditures</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>	<b>Object 700</b>
2321 Office and Superintendent Services	\$ 192,978.38	\$ 112,101.25	\$ 60,807.17	\$ 120.96	\$ 19,949.00	\$ -	\$ -	\$ -
2520 Fiscal Services	246,028.64	-	-	1,514.80	244,513.84	-	-	-
<b>Total Support Services Expenditures</b>	<b>\$ 439,007.02</b>	<b>\$ 112,101.25</b>	<b>\$ 60,807.17</b>	<b>\$ 1,635.76</b>	<b>\$ 264,462.84</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Uses Expenditures</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>	<b>Object 700</b>
5300 Apportionment of Funds by ESD	\$ 137,821.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,821.50
<b>Total Other Uses Expenditures</b>	<b>\$ 137,821.50</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 137,821.50</b>
<b>Grand Total</b>	<b>\$ 912,669.19</b>	<b>\$ 189,443.39</b>	<b>\$ 109,867.02</b>	<b>\$ 159,695.17</b>	<b>\$ 290,946.49</b>	<b>\$ 16,000.00</b>	<b>\$ 8,895.62</b>	<b>\$ 137,821.50</b>

**NORTH CENTRAL EDUCATION SERVICE DISTRICT  
Gilliam County, Oregon**

EXPENDITURE SUMMARY - DEBT SERVICE FUND

For the Year Ended June 30, 2021

**Other Uses Expenditures**

5100 Debt Service

	<b>Totals</b>	<b>Object 600</b>
	\$ 39,451.00	\$ 39,451.00
<b>Total Other Uses Expenditures</b>	<b>\$ 39,451.00</b>	<b>\$ 39,451.00</b>
	<b>\$ 39,451.00</b>	<b>\$ 39,451.00</b>

**Grand Total**

**NORTH CENTRAL EDUCATION SERVICE DISTRICT  
Gilliam County, Oregon**

**EXPENDITURE SUMMARY - INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2021

**Support Services**  
2640 Staff Services

	<b>Totals</b>	<b>Object 200</b>
	\$ 12,964.45	\$ 12,964.45
<b>Total Support Services</b>	<b>\$ 12,964.45</b>	<b>\$ 12,964.45</b>
	<b>\$ 12,964.45</b>	<b>\$ 12,964.45</b>

**Grand Total**

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY  
FEDERAL AND STATE REGULATIONS**



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

Board of Directors  
North Central Education Service District  
Condon, Oregon 97823

We have audited the basic financial statements of North Central Education Service District as of and for the year ended June 30, 2021, and have issued our report thereon dated December 16, 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 North Central Education Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

**Deposit of public funds with financial institutions (ORS Chapter 295)**

**Indebtedness limitations, restrictions, and repayment**

**Budgets legally required (ORS Chapter 294)**

**Insurance and fidelity bonds in force or required by law**

**Programs funded from outside sources**

**Authorized investment of surplus funds (ORS Chapter 294)**

**Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**

**Student Success Act's Student Investment Account (SIA) Funding**



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, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

**A. Excess of Expenditures Over Appropriations**

During the year ended June 30, 2021, the District expended funds in excess of appropriations as follows:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
SIA/SSA Grant	Instruction	\$ 49,769	\$ 51,312	\$ 1,543
Cooperative Purchasing	Support services	\$ 396,800	\$ 409,007	\$ 12,207

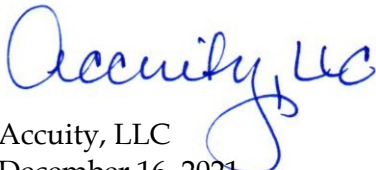
**OAR 162-010-0230 Internal Control**

In planning and performing our audit, we considered North Central Education Service District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Central Education Service District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Central Education Service District’s internal control over financial reporting. However, we noted one matter that we have reported to management of the District in a separate letter dated December 16, 2021.

**North Central Education Service District’s Response to Findings**

The District’s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. North Central Education Service District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

  
 Accuity, LLC  
 December 16, 2021

**NORTH CENTRAL EDUCATION SERVICE DISTRICT**  
**Gilliam County, Oregon**

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2021

Part A is needed for computing Oregon’s full allocation for ESEA, Title I, and other Federal Funds for Education.

- A. **Energy Bill for Heating – All Funds:**  
 Please enter your expenditures for electricity and heating fuel for these Functions and Objects.

	Objects 325 and 326
Function 2540	\$ 13,821
Function 2550	\$ -

- B. **Replacement of Equipment – General Fund:**  
 Include all General Fund expenditures in object 542, except for the following exclusions:

\$ -
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Exclude these functions:

- 1113, 1122, and 1132 Co-curricular Activities
- 1140 Pre-Kindergarten
- 1300 Continuing Education
- 1400 Summer School

Exclude these functions:

- 4150 Construction
- 2550 Pupil Transportation
- 3100 Food Service
- 3300 Community Services



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

Board of Directors  
North Central Education Service District  
Condon, Oregon 97823

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Education Service District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency in internal control over financial reporting (item 2021-001).

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Central Education Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

### A. Excess of Expenditures Over Appropriations

During the year ended June 30, 2021, the District expended funds in excess of appropriations as follows:

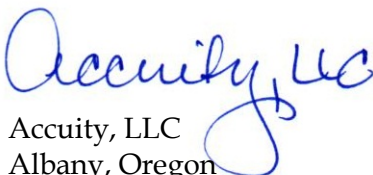
<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
SIA/SSA Grant	Instruction	\$ 49,769	\$ 51,312	\$ 1,543
Cooperative Purchasing	Support services	\$ 396,800	\$ 409,007	\$ 12,207

### North Central Education Service District's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. North Central Education Service District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

  
Accuity, LLC  
Albany, Oregon  
December 16, 2021

**NORTH CENTRAL EDUCATION SERVICE DISTRICT  
Gilliam County, Oregon**

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2021

<b>Finding Number</b>	<b>Finding</b>
2021-001	The District lacks personnel with the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.
	<b>Response</b>
2021-001	Management concurs with the finding described above. Due to budgetary constraints, it is improbable that additional staff will be added to correct item 2021-001, but the District continually evaluates the monitoring and controls established to ensure risks are mitigated.