



NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2020



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

BOARD OF DIRECTORS

June 30, 2020

BOARD MEMBERS

<u>Name</u>	<u>Zone</u>	<u>Term Expires</u>
Jeff Schott, Chairperson	2 - Condon	June 30, 2021
Jim Doherty, Vice Chairperson	At large	June 30, 2021
Amy Derby	5 - Fossil	June 30, 2023
Greg Greenwood	4 - Sherman County	June 30, 2023
Kristen Neuberger	6 - Spray	June 30, 2023
Sarah Rucker	1 - Arlington	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, 2020, 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.

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, 2020, 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 46 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 1, 2020 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 1, 2020 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 1, 2020

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, 2020. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2020, total net position of North Central Education Service District amounted to \$864,548. Of this amount, \$931,233 was invested in capital assets, net any related debt. The remaining balance included \$57,469 restricted for various purposes, and \$(124,154) of unrestricted net position.
- At June 30, 2020, the District's governmental funds reported combined ending fund balances of \$847,236.

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 11 through 12 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 nine 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, Oregon Prekindergarten Program, and IDEA Funds, all of which are considered to be major governmental funds.

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 13 through 16 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 17 through 19 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 20 through 45 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, Oregon Prekindergarten Program, and IDEA Funds. This required supplementary information can be found on pages 46 through 49 of this report.

Combining and individual fund schedules can be found immediately following the required supplementary information on pages 50 through 58 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, 2020, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$864,548.

A large portion of the District's net position (108%) 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 decreased by \$46,259 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 1,131,240	\$ 1,221,512
Restricted assets	57,469	50,205
Net capital assets	<u>1,517,559</u>	<u>1,407,855</u>
Total assets	<u>2,706,268</u>	<u>2,679,572</u>
Deferred outflows of resources	<u>422,380</u>	<u>491,655</u>
Liabilities		
Current liabilities	105,079	103,316
Noncurrent liabilities	<u>1,854,785</u>	<u>1,809,538</u>
Total liabilities	<u>1,959,864</u>	<u>1,912,854</u>
Deferred inflows of resources	<u>304,236</u>	<u>347,566</u>
Net position		
Net investment in capital assets	931,233	807,589
Restricted for various purposes	57,469	57,920
Unrestricted	<u>(124,154)</u>	<u>45,298</u>
Total net position	<u>\$ 864,548</u>	<u>\$ 910,807</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

	Governmental Activities	
	2020	2019
Program revenues	679,211	784,176
General revenues		
Property taxes - general	2,778,601	2,638,093
Excise taxes	108,957	104,345
Investment earnings	28,583	34,723
Miscellaneous	18,550	2,906
Total general revenues	2,934,691	2,780,067
Total revenues	3,613,902	3,564,243
Program expenses		
Instruction	1,186,658	1,143,591
Support services	884,939	765,347
Interest expense	25,511	26,079
Distributions to local school districts	1,508,637	1,634,274
Unallocated depreciation	54,416	41,417
Total program expenses	3,660,161	3,610,708
Change in net position	(46,259)	(46,465)
Net position - beginning of year	910,807	957,272
Net position - end of year	\$ 864,548	\$ 910,807

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 80% of the funding required for governmental programs. Property and excise taxes combined for 95% of general revenues and 77% of total revenues. Operating grants and contributions represent 11% of total revenues. Charges for services make up 7% 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	\$ 179,887
• Rentals	85,558
Total charges for services	\$ 265,445

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 32% of the total expenses of \$3,660,161. In addition, 24% 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 \$847,236. Of this amount, \$2,349 was nonspendable, \$57,469 was restricted for culinary programs. The remaining balance of \$787,418 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 \$789,767, of which \$787,418 constitutes unassigned fund balance.

Budgetary Highlights

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

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2020 amounted to \$1,517,559, 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 \$54,416.

Additional information on the District's capital assets can be found on page 32.

Long-Term Debt

At the end of the current fiscal year, the District had \$586,326 total debt outstanding, which consists of two revenue installment bonds. The District's total debt decreased by \$13,940 during the current fiscal year. This decrease was due to debt payments made during the year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional information on the District's long-term debt can be found on pages 33 through 34 of this report.

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:

- Service levels were held consistent for the upcoming budget years, while working with our component districts to increase funding where needed, while working within the constraints of our General Services Grant.
- During the economic downturn, the District continually seeks opportunities to bring in additional revenue, while keeping cost increases to a minimum; the District offers fiscal services to component districts, two of which are taking advantage of the savings.

All of these factors were considered in preparing the District's budget for the 2020-2021 fiscal year.

The ending unassigned General Fund balance of \$787,418 will be available for program resources in the 2020-2021 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, 2020

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 868,473
Cash with agent	9,318
Property taxes receivable	120,088
Other receivables	131,012
Prepaid expenses	2,349
Total current assets	1,131,240
Restricted assets	
Cash and cash equivalents	57,469
Capital assets not being depreciated	50,000
Capital assets being depreciated, net	1,467,559
Total noncurrent assets	1,517,559
Total assets	2,706,268
DEFERRED OUTFLOWS OF RESOURCES	422,380
LIABILITIES	
Current liabilities	
Accounts payable	50,472
Payroll liabilities	19,926
Accrued interest payable	20,149
Bonds payable, current portion	14,532
Total current liabilities	105,079
Noncurrent liabilities	
Net pension liability	1,282,991
Bonds payable, less current portion	571,794
Total liabilities	1,959,864
DEFERRED INFLOWS OF RESOURCES	304,236
NET POSITION	
Net investment in capital assets	931,233
Restricted for various purposes	57,469
Unrestricted	(124,154)
Total net position	\$ 864,548

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, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital</u>	<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Grants and</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities					
Instruction	\$ 1,186,658	\$ 265,445	\$ 413,766	\$ -	\$ (507,447)
Support Services	884,939	-	-	-	(884,939)
Interest expense	25,511	-	-	-	(25,511)
Distributions to local districts	1,508,637	-	-	-	(1,508,637)
Unallocated depreciation	<u>54,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,416)</u>
Total governmental activities	<u>\$ 3,660,161</u>	<u>\$ 265,445</u>	<u>\$ 413,766</u>	<u>\$ -</u>	<u>(2,980,950)</u>
General revenues					
Property taxes - general					2,778,601
Excise taxes					108,957
Investment earnings					28,583
Miscellaneous					<u>18,550</u>
Total general revenues					<u>2,934,691</u>
Change in net position					(46,259)
Net position - beginning					<u>910,807</u>
Net position - ending					<u>\$ 864,548</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, 2020

		<u>Special Revenue</u>		
	General	Oregon	Nonmajor	Total
	Fund	Prekindergarten	Governmental	Governmental
	<u>Fund</u>	<u>Program Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 826,404	\$ -	\$ 57,469	\$ 883,873
Cash with agent	9,318	-	-	9,318
Property taxes receivable	120,088	-	-	120,088
Other receivables	22,094	86,486	22,432	131,012
Prepaid expenses	<u>2,349</u>	<u>-</u>	<u>-</u>	<u>2,349</u>
 Total assets	 <u>\$ 980,253</u>	 <u>\$ 86,486</u>	 <u>\$ 79,901</u>	 <u>\$ 1,146,640</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 50,472	\$ -	\$ -	\$ 50,472
Payroll liabilities	19,926	-	-	19,926
Book overdraft	<u>-</u>	<u>86,486</u>	<u>22,432</u>	<u>108,918</u>
 Total liabilities	 <u>70,398</u>	 <u>86,486</u>	 <u>22,432</u>	 <u>179,316</u>
 Deferred inflows of resources				
Unearned revenue - property taxes	 <u>120,088</u>	 <u>-</u>	 <u>-</u>	 <u>120,088</u>
 Fund balances				
Nonspendable	2,349	-	-	2,349
Restricted	-	-	57,469	57,469
Unassigned	<u>787,418</u>	<u>-</u>	<u>-</u>	<u>787,418</u>
 Total fund balances	 <u>789,767</u>	 <u>-</u>	 <u>57,469</u>	 <u>847,236</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 980,253</u>	 <u>\$ 86,486</u>	 <u>\$ 79,901</u>	 <u>\$ 1,146,640</u>

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, 2020

Total fund balances		\$ 847,236
Noncurrent assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Capital assets	2,274,779	
Accumulated depreciation	<u>(757,220)</u>	1,517,559
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.		
		120,088
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.		
		150,987
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	422,380	
Deferred inflows of resources relating to the return on pension assets	(304,236)	
Net pension asset (liability)	<u>(1,282,991)</u>	(1,164,847)
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>(586,326)</u>	<u>(606,475)</u>
Net position of governmental activities		\$ <u>864,548</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, 2020

	General Fund	Special Revenue		Nonmajor Governmental Funds	Total Governmental Funds
		Oregon Prekindergarten Program Fund	IDEA Fund		
REVENUES					
Local revenue					
Property taxes	\$ 2,789,775	\$ -	\$ -	\$ -	\$ 2,789,775
Other	219,503	-	-	93,075	312,578
Intermediate revenue	108,957	-	-	-	108,957
State revenue	-	198,156	-	55,987	254,143
Federal revenue	-	-	159,623	-	159,623
Total revenues	3,118,235	198,156	159,623	149,062	3,625,076
EXPENDITURES					
Current					
Instruction	921,382	198,156	-	33,841	1,153,379
Support services	783,325	-	-	115,442	898,767
Capital outlay	97,847	-	-	-	97,847
Debt service	-	-	-	39,451	39,451
Total expenditures	1,802,554	198,156	-	188,734	2,189,444
Excess (deficiency) of revenues over (under) expenditures	1,315,681	-	159,623	(39,672)	1,435,632
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	39,451	39,451
Transfers out	(39,451)	-	-	-	(39,451)
Distributions to local school districts	(1,349,014)	-	(159,623)	-	(1,508,637)
Total other financing sources (uses)	(1,388,465)	-	(159,623)	39,451	(1,508,637)
Net change in fund balances	(72,784)	-	-	(221)	(73,005)
Fund balances - beginning	862,551	-	-	57,690	920,241
Fund balances - ending	\$ 789,767	\$ -	\$ -	\$ 57,469	\$ 847,236

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, 2020

Net change in fund balances		\$ (73,005)
<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	164,120	
Depreciation expense recorded in the current year	(54,416)	109,704
<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		13,940
<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>		
		(11,174)
<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		(85,724)
Change in net position of governmental activities		\$ (46,259)

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, 2020

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 150,987
NET POSITION	
Unrestricted	<u>150,987</u>
Total net position	<u>\$ 150,987</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, 2020

	Governmental Activities
	Internal Service Fund
REVENUES	\$ -
EXPENSES	-
Excess (deficiency) of revenues over (under) expenses	-
Total net position - beginning	150,987
Total net position - ending	\$ 150,987

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, 2020

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - beginning	<u>150,987</u>
Cash and cash equivalents - ending	<u><u>\$ 150,987</u></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, 2020

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 funds:

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.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Special Revenue Funds

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.

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.

The District reports the following nonmajor governmental funds:

Special Revenue Funds

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.

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.

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.

Systems Performance Review Fund - The Systems Performance Review Fund assists school districts with annual performance data collection and reporting for special education. The primary source of revenue is federal 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.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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.

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).

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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 measureable and available only when cash is received by the government.

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.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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 five approved appropriation changes.

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.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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.

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.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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.

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.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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.
- 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.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

2. Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of July 1st. 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. 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.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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).

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, 2020.

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	<u>Level 2</u>
Investments	
Oregon Local Government Investment Pool	<u>\$ 799,258</u>

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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, 2020, the District had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ <u>799,258</u>

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.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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, 2020, the District had deposits of \$219,332 fully insured by the FDIC.

Deposits

The District's deposits and investments at June 30, 2020 are as follows:

Checking accounts	\$	48,022
Money market account		78,662
Total investments		799,258
 Total cash and cash equivalents	 \$	 <u>925,942</u>

Cash and investments by fund:

Governmental activities - unrestricted		
General Fund	\$	826,404
Oregon Prekindergarten Program Fund (book overdraft)		(86,486)
Nonmajor governmental funds (book overdraft)		(22,432)
Internal service funds		150,987
Sub-total unrestricted		868,473
Governmental activities - restricted		
Nonmajor governmental funds		57,469
Total cash and investments	\$	925,942

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.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

C. Capital Assets

Capital asset activity for the year ended June 30, 2020 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	1,710,685	85,855	-	1,796,540
Equipment	349,974	78,265	-	428,239
Total capital assets being depreciated	2,060,659	164,120	-	2,224,779
Less accumulated depreciation for				
Buildings and improvements	(433,356)	(36,077)	-	(469,433)
Equipment	(269,448)	(18,339)	-	(287,787)
Total accumulated depreciation	(702,804)	(54,416)	-	(757,220)
Total capital assets being depreciated, net	1,357,855	109,704	-	1,467,559
Governmental activities capital assets, net	\$ 1,407,855	\$ 109,704	\$ -	\$ 1,517,559

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	(469,433)	1,327,107
Equipment	428,239	(287,787)	140,452
Total capital assets	\$ 2,274,779	\$ (757,220)	\$ 1,517,559

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	\$ 54,416

NORTH CENTRAL EDUCATION SERVICE DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

D. Interfund Transfers

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

	Transfers in:
	Nonmajor
	Governmental
	Funds
Transfers out:	
General Fund	\$ 39,451

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	\$ 319,887	\$ -	\$ 6,531	\$ 313,356	\$ 7,724
Revenue Installment Bond #2	4.25%	352,580	280,379	-	7,409	272,970	6,808
Total governmental activities		\$ 752,580	\$ 600,266	\$ -	\$ 13,940	\$ 586,326	\$ 14,532

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, 2020 was approximately \$38,036,934. 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.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

4. Governmental Activity - Future Maturities of Long-Term Debt

Year Ending June 30	Revenue Installment Bond #1		
	Principal	Interest	Total
2021	\$ 7,724	\$ 13,244	\$ 20,968
2022	8,052	12,916	20,968
2023	8,394	12,574	20,968
2023	8,751	12,217	20,968
2024	9,123	11,845	20,968
2026-2030	51,773	53,071	104,844
2031-2035	63,750	41,094	104,844
2036-2040	75,297	29,545	104,842
2041-2044	80,492	8,189	88,681
	<u>\$ 313,356</u>	<u>\$ 194,695</u>	<u>\$ 508,051</u>

Year Ending June 30	Revenue Installment Bond #2		
	Principal	Interest	Total
2021	\$ 6,808	\$ 11,674	\$ 18,482
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
2026-2030	45,636	46,778	92,414
2031-2035	56,193	36,222	92,415
2036-2040	66,372	26,041	92,413
2041-2044	67,708	7,218	74,926
	<u>\$ 272,970</u>	<u>\$ 171,611</u>	<u>\$ 444,581</u>

5. 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>\$ 25,511</u>

NORTH CENTRAL EDUCATION SERVICE DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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
	<u> </u>	<u> </u>	<u> </u>
Fund balances:			
Nonspendable - prepaid expenses	\$ 2,349	\$ -	\$ 2,349
Restricted for:			
Grant programs	-	17,982	17,982
Debt service	-	39,487	39,487
Unassigned	<u>787,418</u>	<u>-</u>	<u>787,418</u>
 Total fund balances	 <u>\$ 789,767</u>	 <u>\$ 57,469</u>	 <u>\$ 847,236</u>

III. 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

Name of Pension Plan

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

Description of Benefit Terms

Plan Benefits – PERS Pension (Chapter 238)

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

PERS Pension

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

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

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Pension Benefits

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

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. 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 a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

OPSRP Pension Program (OPSRP DB)

Pension Benefits

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: police and fire - 1.8 percent is multiplied by the number of years of service and the final average salary.

Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement. General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which the 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.

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.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2017 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.

Employer contributions for the year ended June 30, 2020 were \$206,308.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: <https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>.

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.

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, 2017
Measurement Date	June 30, 2019
Experience Study	2016, published July 26, 2017

NORTH CENTRAL EDUCATION SERVICE DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

<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>Health retirees and beneficiaries: RP-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</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 2016 Experience Study, which reviewed experience for the four-year period ended December 31, 2016.

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.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2017 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/2019-CAFR.pdf>

<u>Asset Class</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

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

At June 30, 2020, the District reported a liability of \$1,282,991 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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 December 31, 2019 the District's proportion was 0.00741716%.

For the year ended June 30, 2020, the District recognized pension expense of \$231,699. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 70,753	\$ -
Changes of assumptions	174,052	-
Net difference between projected and actual earnings on investments	-	(36,371)
Changes in proportionate share	-	(261,691)
Differences between employer contributions and employer's proportionate share of system contributions	32,963	(6,174)
Total (prior to post-MD contributions)	277,768	(304,236)
Contributions subsequent to the MD	144,612	-
Total subsequent to post-MD contributions)	\$ 422,380	\$ (304,236)

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	\$ 27,776
2nd Fiscal Year	(70,043)
3rd Fiscal Year	2,270
4th Fiscal Year	14,459
5th Fiscal Year	(931)

NORTH CENTRAL EDUCATION SERVICE DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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%)
\$ 2,054,596	\$ 1,282,991	\$ 637,264

Changes Subsequent to the Measurement Date

A legislative change that occurred after the December 31, 2017 valuation date affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation.

For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the plan. As a result, Senate Bill 1049 was reflected in the June 30, 2019 Total Pension Liability. The decrease in the Total Pension Liability resulting from Senate Bill 1049, measured as of June 30, 2019, is shown in the Exhibit A as the "Effect of plan changes" during the measurement period. While Senate Bill 1049 also made changes to certain aspects of the System's funding and administration, the salary limit is the only change that affects the measured Total Pension Liability. As a result, the salary limit provision is the only difference in the valuation basis used to determine the Total Pension Liability between June 30, 2018 and June 30, 2019.

C. Individual Account Program (IAP)

Plan Description

Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP).

NORTH CENTRAL EDUCATION SERVICE DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS and is administered by the OPERS Board.

Pension Benefits

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

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

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

Member contributions are set by statute at 6 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.

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. The assumed rate of return on investments is 7.2% compounded annually. The assumed consumer price inflation rate used is 2.5% per year.

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/2019-CAFR.pdf>.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

D. Collective Bargaining

At June 30, 2020, 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. New Pronouncements

The Governmental Accounting Standards Board (GASB) issued [Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance](#). The Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic.

The guidance postpones by one year the effective dates of certain provisions in the pronouncements as follows:

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. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements* – This statement addresses the information that is disclosed in the notes to government financial statements related to debt, including borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The Statement postpones the effective dates of the following pronouncements by 18 months:

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 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 above pronouncements.

The GASB provides other COVID-19 related resources on its website:

<https://www.gasb.org/COVID19>.

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

F. 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 2019-2020 levy year have been reduced by \$1,857,946.

G. Subsequent Events

Management has evaluated subsequent events through December 1, 2020, 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>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	0.00741716%	0.00807471%	0.00843683%	0.01266605%	0.01408358%	0.01409645%
District's proportionate share of the net pension liability (asset)	\$ 1,282,991	\$ 1,223,212	\$ 1,137,288	\$ 1,901,467	\$ 808,603	\$ (319,526)
District's covered-employee payroll	\$ 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	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)	80.20%	82.07%	83.12%	80.53%	91.88%	103.59%

Schedule of District Contributions

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 206,308	\$ 150,955	\$ 180,324	\$ 167,857	\$ 118,150	\$ 194,600
Contributions in relation to the contractually required contribution	<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>
District's covered-employee payroll	\$ 557,752	\$ 518,051	\$ 617,794	\$ 756,226	\$ 631,809	\$ 713,605
Contributions as a percentage of covered-employee payroll	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, 2020

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES				
Local revenue				
Property taxes	\$ 2,625,589	\$ 2,625,589	164,186	\$ 2,789,775
Other	162,149	162,149	57,354	219,503
Intermediate revenue	106,000	106,000	2,957	108,957
 Total revenues	 <u>2,893,738</u>	 <u>2,893,738</u>	 <u>224,497</u>	 <u>3,118,235</u>
EXPENDITURES				
Current				
Instruction	988,791	923,791	(2,409)	921,382
Support services	725,284	790,284	(6,959)	783,325
Building acquisition	101,000	101,000	(3,153)	97,847
Contingency	100,000	100,000	(100,000)	-
 Total expenditures	 <u>1,915,075</u>	 <u>1,915,075</u>	 <u>(112,521)</u>	 <u>1,802,554</u>
Excess (deficiency) of revenues over (under) expenditures	978,663	978,663	337,018	1,315,681
OTHER FINANCING SOURCES (USES)				
Distributions to local school districts	(1,366,150)	(1,366,150)	(17,136)	(1,349,014)
Transfers out	(39,451)	(39,451)	-	(39,451)
 Total other financing sources (uses)	 <u>(1,405,601)</u>	 <u>(1,405,601)</u>	 <u>(17,136)</u>	 <u>(1,388,465)</u>
 Net change in fund balance	 (426,938)	 (426,938)	 354,154	 (72,784)
Fund balance - beginning	986,938	986,938	(124,387)	862,551
Fund balance - ending	<u>\$ 560,000</u>	<u>\$ 560,000</u>	<u>\$ 229,767</u>	<u>\$ 789,767</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, 2020

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES				
State revenue	\$ 184,000	\$ 198,156	\$ -	\$ 198,156
Total revenues	<u>184,000</u>	<u>198,156</u>	<u>-</u>	<u>198,156</u>
EXPENDITURES				
Current				
Instruction	<u>184,000</u>	<u>198,156</u>	<u>-</u>	<u>198,156</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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

IDEA FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES				
Federal revenue	\$ 15,152	\$ 174,775	\$ (15,152)	\$ 159,623
EXPENDITURES				
Current				
Instruction	15,152	15,152	(15,152)	-
Excess (deficiency) of revenues over (under) expenditures	-	159,623	-	159,623
OTHER FINANCING SOURCES (USES)				
Distributions to local school districts	-	(159,623)	-	(159,623)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

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, 2020

	Special Revenue Funds				Debt Service	Total
	Healthy Families Grant Fund	SIA/SSA Fund	Cooperative Purchasing Fund	Systems Performance Review Fund	Debt Reserve Fund	Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 17,982	\$ -	\$ -	\$ -	\$ 39,487	\$ 57,469
Other receivables	<u>-</u>	<u>22,367</u>	<u>65</u>	<u>-</u>	<u>-</u>	<u>22,432</u>
Total assets	<u>\$ 17,982</u>	<u>\$ 22,367</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 39,487</u>	<u>\$ 79,901</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Interfund payable	<u>\$ -</u>	<u>\$ 22,367</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,432</u>
Fund balances						
Restricted for grant programs	17,982	-	-	-	-	17,982
Restricted for debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,487</u>	<u>39,487</u>
Total fund balances	<u>17,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,487</u>	<u>57,469</u>
Total liabilities and fund balances	<u>\$ 17,982</u>	<u>\$ 22,367</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 39,487</u>	<u>\$ 79,901</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, 2020

	Healthy Families Grant Fund	SIA/SSA Fund	Cooperative Purchasing Fund	Systems Performance Review Fund	Debt Service		Total Nonmajor Governmental Funds
					Debt Service Fund	Debt Reserve Fund	
REVENUES							
Local revenues	\$ -	\$ -	\$ 93,075	\$ -	\$ -	\$ -	\$ 93,075
State revenue	33,620	22,367	-	-	-	-	55,987
Total revenues	<u>33,620</u>	<u>22,367</u>	<u>93,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,062</u>
EXPENDITURES							
Current							
Instruction	33,841	-	-	-	-	-	33,841
Support services	-	22,367	93,075	-	-	-	115,442
Debt services	-	-	-	-	39,451	-	39,451
Total expenditures	<u>33,841</u>	<u>22,367</u>	<u>93,075</u>	<u>-</u>	<u>39,451</u>	<u>-</u>	<u>188,734</u>
Excess (deficiency) of revenues over (under) expenditures	(221)	-	-	-	(39,451)	-	(39,672)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	39,451	-	39,451
Net change in fund balances	(221)	-	-	-	-	-	(221)
Fund balances - beginning	<u>18,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,487</u>	<u>57,690</u>
Fund balances - ending	<u>\$ 17,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,487</u>	<u>\$ 57,469</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, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
State revenue	\$ 47,333	\$ (13,713)	\$ 33,620
EXPENDITURES			
Current			
Instruction	62,360	(28,519)	33,841
Excess (deficiency) of revenues over (under) expenditures	(15,027)	14,806	(221)
Fund balance - beginning	15,027	3,176	18,203
Fund balance - ending	\$ -	\$ 17,982	\$ 17,982

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, 2020

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES				
State revenue	\$ -	\$ 45,000	\$ (22,633)	\$ 22,367
EXPENDITURES				
Current				
Support services	-	45,000	(22,633)	22,367
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

COOPERATIVE PURCHASING FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Local revenue	\$ 296,800	\$ (203,725)	\$ 93,075
EXPENDITURES			
Current			
Support services	<u>296,800</u>	<u>(203,725)</u>	<u>93,075</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>\$ -</u></u>	<u><u>\$ -</u></u>

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

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

SYSTEMS PERFORMANCE REVIEW FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Federal revenue	\$ 9,520	\$ (9,520)	\$ -
EXPENSES			
Current			
Support services	9,520	(9,520)	-
Excess (deficiency) of revenues over (under) expenses	-	-	-
Net position - beginning	-	-	-
Net position - ending	\$ -	\$ -	\$ -

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, 2020

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

DEBT RESERVE FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-
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, 2020

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

OTHER FINANCIAL SCHEDULES

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

REVENUE SUMMARY - ALL FUNDS

For the Year Ended June 30, 2020

Revenue from Local Sources	Fund 100	Fund 200	Fund 300	Fund 600
1110 Ad Valorem Taxes Levied by District	\$ 2,773,801.74	\$ -	\$ -	\$ -
1190 Penalties and Interest on Taxes	15,973.17	-	-	-
1500 Earnings on Investments	28,583.17	-	-	-
1910 Rentals	85,558.00	-	-	-
1940 Services Provided Other Local Education Agencies	72,113.63	93,075.38	-	-
1980 Fees Charged to Grants	13,377.86	-	-	-
1990 Miscellaneous	19,870.24	-	-	-
Total Revenue from Local Sources	\$ 3,009,277.81	\$ 93,075.38	\$ -	\$ -
Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 300	Fund 600
2199 Other Intermediate Sources	\$ 108,957.00	\$ -	\$ -	\$ -
Total Revenue from Intermediate Sources	\$ 108,957.00	\$ -	\$ -	\$ -
Revenue from State Sources	Fund 100	Fund 200	Fund 300	Fund 600
3299 Other Restricted Grants-in-Aid	\$ -	\$ 254,143.36	\$ -	\$ -
Total Revenue from State Sources	\$ -	\$ 254,143.36	\$ -	\$ -
Revenue from Federal Sources	Fund 100	Fund 200	Fund 300	Fund 600
4500 Restricted Revenue From the Federal Government Through the State	\$ -	\$ 159,622.78	\$ -	\$ -
4700 Grants-In-Aide From the Federal Government Through Other Intermediate Agencies	-	-	-	-
Total Revenue from Federal Sources	\$ -	\$ 159,622.78	\$ -	\$ -
Revenue from Other Sources	Fund 100	Fund 200	Fund 300	Fund 600
5200 Interfund Transfers	\$ -	\$ -	\$ 39,451.00	\$ -
5400 Resources - Beginning Fund Balance	862,551.09	18,202.50	39,487.52	150,986.83
Total Revenue from Other Sources	\$ 862,551.09	\$ 18,202.50	\$ 78,938.52	\$ 150,986.83
Grand Totals	\$ 3,980,785.90	\$ 525,044.02	\$ 78,938.52	\$ 150,986.83

NORTH CENTRAL EDUCATION SERVICE DISTRICT

Gilliam County, Oregon

EXPENDITURE SUMMARY - GENERAL FUND

For the Year Ended June 30, 2020

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1131 High School Programs	\$ 15,795.84	\$ -	\$ -	\$ 15,795.84	\$ -	\$ -	\$ -	\$ -
1220 Restrictive Programs - Students with Disabilities	546,572.63	281,109.01	131,015.29	112,378.33	22,011.00	-	59.00	-
1231 Sensory Impaired	230,233.17	74,300.63	49,187.55	61,017.59	45,727.40	-	-	-
1260 Treatment and Habilitation	128,785.26	65,763.74	41,123.05	20,935.99	743.48	-	219.00	-
Total Instruction Expenditures	\$ 921,386.90	\$ 421,173.38	\$ 221,325.89	\$ 210,127.75	\$ 68,481.88	\$ -	\$ 278.00	\$ -
Support Services Expenditures								
2130 Health Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2210 Improvement of Instruction	29,313.02	-	9,533.45	19,779.57	-	-	-	-
2222 Library/Media Services	24,953.13	16,146.35	6,485.21	1,645.76	675.81	-	-	-
2240 Instructional Staff Development	334.88	-	-	334.88	-	-	-	-
2310 Board of Education Services	37,368.00	6,542.85	4,332.55	19,552.98	-	-	6,939.62	-
2321 Office and Superintendent Services	30,087.04	13,859.25	2,788.01	8,846.71	335.57	-	4,257.50	-
2324 State and Federal Relations Services	25,000.00	-	-	25,000.00	-	-	-	-
2329 Other Executive Administrative Services	136,319.99	43,069.59	22,494.62	67,629.04	3,126.74	-	-	-
2520 Fiscal Services	69,080.69	32,967.21	20,920.18	11,095.03	3,283.11	-	815.16	-
2540 Operation and Maintenance of Plant Services	48,844.13	3,538.60	1,385.81	35,210.09	2,339.60	-	6,370.03	-
2661 Technology Services - Service Area Direction	382,019.90	101,071.80	74,176.40	154,064.57	52,557.13	-	150.00	-
Total Support Services Expenditures	\$ 783,320.78	\$ 217,195.65	\$ 142,116.23	\$ 343,158.63	\$ 62,317.96	\$ -	\$ 18,532.31	\$ -
Facilities Acquisition and Construction								
4000 Facilities Acquisition and Construction	\$ 97,846.82	\$ -	\$ -	\$ -	\$ -	\$ 97,846.82	\$ -	\$ -
Total Other Uses Expenditures	\$ 97,846.82	\$ -	\$ -	\$ -	\$ -	\$ 97,846.82	\$ -	\$ -
Other Uses Expenditures								
5200 Transfers of Funds	\$ 39,451.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,451.00
5300 Apportionment of Funds by ESD	1,349,013.04	-	-	-	-	-	-	1,349,013.04
Total Other Uses Expenditures	\$ 1,388,464.04	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,388,464.04
Grand Total	\$ 3,191,018.54	\$ 638,369.03	\$ 363,442.12	\$ 553,286.38	\$ 130,799.84	\$ 97,846.82	\$ 18,810.31	\$ 1,388,464.04

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

EXPENDITURE SUMMARY - SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2020

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 600	Object 700
1140 Pre-kindergarten Programs	\$ 198,156.00	\$ 49,348.53	\$ 39,084.01	\$ 87,704.42	\$ 10,197.55	\$ 11,821.49	\$ -
1260 Treatment and Habilitation	33,841.34	19,699.10	8,026.75	4,182.63	29.99	1,902.87	-
Total Instruction Expenditures	\$ 231,997.34	\$ 69,047.63	\$ 47,110.76	\$ 91,887.05	\$ 10,227.54	\$ 13,724.36	\$ -
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 600	Object 700
2211 Improvement of Instruction Services - Service Area Direction	\$ 22,367.18	\$ 6,476.00	\$ 496.00	\$ 15,395.18	\$ -	\$ -	\$ -
2520 Fiscal Services	93,075.38	-	-	647.55	92,427.83	-	-
Total Support Services Expenditures	\$ 115,442.56	\$ 6,476.00	\$ 496.00	\$ 16,042.73	\$ 92,427.83	\$ -	\$ -
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 600	Object 700
5300 Apportionment of Funds by ESD	\$ 159,622.78	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 159,622.78
Total Other Uses Expenditures	\$ 159,622.78	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 159,622.78
Grand Total	\$ 507,062.68	\$ 75,523.63	\$ 47,606.76	\$ 107,929.78	\$ 102,655.37	\$ 13,724.36	\$ 159,622.78

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

EXPENDITURE SUMMARY - DEBT SERVICE FUND

For the Year Ended June 30, 2020

Other Uses Expenditures

5100 Debt Service

	Totals	Object 600
	\$ 39,451.00	\$ 39,451.00
Total Other Uses Expenditures	\$ 39,451.00	\$ 39,451.00
	\$ 39,451.00	\$ 39,451.00

Grand Total

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

<u>Federal Grantor, Pass-Through Grantor, Program Title</u>	<u>CFDA</u>	<u>Revenues</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through Oregon Department of Education			
IDEA Enhancement	84.027	<u>159,623</u>	<u>159,623</u>
Total U.S. Department of Education		<u>159,623</u>	<u>159,623</u>
Total federal expenditures		<u>\$ 159,623</u>	<u>\$ 159,623</u>

**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, 2020, and have issued our report thereon dated December 1, 2020. 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)

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.

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 1, 2020.

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 1, 2020

NORTH CENTRAL EDUCATION SERVICE DISTRICT
Gilliam County, Oregon

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2020

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	\$ 16,641
Function 2550	\$ -

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

\$ -

Exclude these functions: Exclude these functions:

1113, 1122, and 1132	Co-curricular Activities	4150	Construction
1140	Pre-Kindergarten	2550	Pupil Transportation
1300	Continuing Education	3100	Food Service
1400	Summer School	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, 2020, 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 1, 2020.

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 2020-001).

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 no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is stylized and cursive, with the letters "A", "C", and "U" being particularly prominent.

Accuity, LLC
Albany, Oregon
December 1, 2020

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

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2020

<u>Finding Number</u>	<u>Finding</u>
2020-001	The District lacks personnel with the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.
	<u>Response</u>
2020-001	Management concurs with the finding described above. Due to budgetary constraints, it is improbable that additional staff will be added to correct item 2020-001, but the District continually evaluates the monitoring and controls established to ensure risks are mitigated.