HIGH DESERT EDUCATION SERVICE DISTRICT

DESCHUTES COUNTY, OREGON

2021-2022 FINANCIAL REPORT

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HIGH DESERT EDUCATION SERVICE DISTRICT
DESCHUTES COUNTY, OREGON

PRINCIPAL OFFICIALS

BOARD MEMBER	TERM EXPIRES
Seana Barry, Director	June 30, 2024
Gwenn Carr, Director	June 30, 2025
Betsy Julian, Director	June 30, 2024
Peggy Kinkade, Chair	June 30, 2024
Matt McGowan, Vice Chair	June 30, 2025
Bob Moore, Director	June 30, 2025
Carol Moorehead, Director	June 30, 2024
Carols Perez, Director	June 30, 2025
Elizabeth Sanchez, Director	June 30, 2025

ADMINISTRATION

Paul Andrews, Superintendent
Rochelle Friend, Chief Financial Officer

The Board Members receive mail at the following address:
High Desert ESD
2804 SW 6th St
Redmond, OR 97756

HIGH DESERT EDUCATION SERVICE DISTRICT

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HIGH DESERT EDUCATION SERVICE DISTRICT

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SENSIBA SAN FILIPPO LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
High Desert Education Service District
Deschutes County, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of High Desert Education Service District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

Unmodified Opinions on the Governmental Activities, Business-Type Activities, and Major Funds

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of High Desert Education Service District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on the Discretely Presented Component Units

Because of the significance of the matter described in the Matters Giving Rise to Disclaimer of Opinion on the Discretely Presented Component Units, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component units of the District. Accordingly, we do not express an opinion on those financial statements.

Basis for Disclaimer and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters Giving Rise to Disclaimer of Opinion on the Discretely Presented Component Units

Accounting principles generally accepted in the United States of America require the two discretely presented component units, Better Together and Children's Forest, both of which are non-profit organizations under Internal Revenue Code Section 501(c)(3), to be reported with the financial data of the District's primary government. The component units are not audited and we are unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of Better Together and Children's Forest.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (page 4), schedule of the proportionate share of net pension liability and contributions – PERS (page 56), schedule of the proportionate share of net OPEB liability and contributions – RHIA (page 57), schedule of changes in total OPEB liability and related ratios – subsidized early retirement health benefits (page 58) and the schedules of revenues, expenditures, and changes in fund balance, budget and actual for the general and special revenue funds (pages 59-60) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis, schedule of the proportionate share of net pension liability and contributions – PERS, schedule of the proportionate share of net OPEB liability and contributions – RHIA, and the schedule of changes in total OPEB liability and related ratios – subsidized early retirement health benefits, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The schedules of revenues, expenditures, and changes in fund balance, budget and actual for the general and special revenue funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used

to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues, expenditures, and changes in fund balance, budget and actual for the general and special revenue funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedules of revenues, expenditures and changes in fund balances – budget and actual for the debt service and internal service funds but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2022 on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards for Audits of Oregon Municipal Corporations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 1, 2022 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Brenda Bartlett

Sensiba San Filippo, LLP
Bend, Oregon

December 1, 2022

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HIGH DESERT EDUCATION SERVICE DISTRICT
DESCHUTES COUNTY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the High Desert Education Service District (the "ESD" or the "District"), we offer readers of the ESD's annual financial statements this narrative overview and analysis of the financial activities of the ESD for the year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with the information furnished in the District's financial statements, which follow this narrative.

I. Financial Highlights

- The ESD's liabilities and deferred inflows exceeded assets and deferred outflows by $14,173,628 at the close of the fiscal year (*net position*).

- During the year, revenues generated from governmental activities were $1,676,808 more than expenses. In the prior year, revenues were $1,738,722 less than expenses.

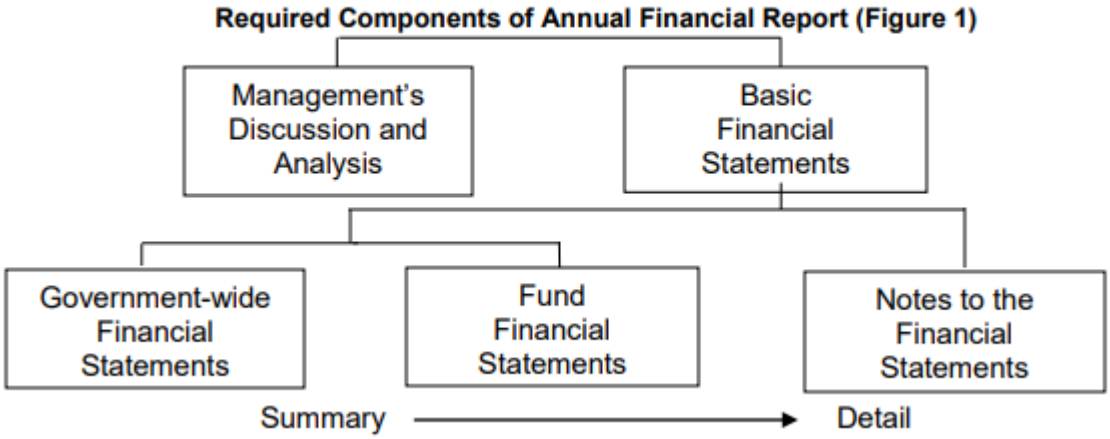
- The ESD's revenue increased by $888,957 from the prior year, which is approximately a 1.9% increase.

- At the end of the current fiscal year, the ESD's governmental funds reported combined ending fund balances of $6,385,359, representing an increase in fund balance of $433,352. Approximately 53.2%, or $3,383,065 is restricted or non-spendable.

- At the close of the current fiscal year, the general fund unassigned fund balance was $209,364, or 8.35%. Per Board policy, 5% of general fund revenues are committed for future expenditures, as of June 30, 2022, this was $833,300.

II. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the ESD's basic financial statements. The basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the District through the use of government – wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that is designed to enhance the reader's understanding of the financial condition of the District.



The first two statements in the basic financial statements are the **Government-wide Financial Statements.** They provide both short and long-term information about the District's financial status.

The next statements are the **Fund Financial Statements.** These statements focus on the activities of the individual parts of the District's functions. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental fund statements; 2) the internal service fund (enterprise fund) statements; 3) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the District's debt service fund and internal service fund.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the ESD's finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the District's financial status as a whole.

The *Statement of Net Position* on page 13 presents information on the net position of the ESD. Net position is the difference between the District's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the ESD is improving or deteriorating.

The *Statement of Activities* on page 14 presents information showing how the net position of the ESD 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).

The government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The ESD, like all other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the ESD can be divided into two categories: governmental funds and fiduciary 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 available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financial 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 government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The ESD maintains three major governmental funds, the General Fund, Special Revenue Fund, and Debt Service Fund as well as one Internal Service Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each of these funds. The ESD adopts an annual appropriated budget for each fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements are on pages 15-18 of this report. The required budgetary comparison statements are on pages 59-60 with additional supplementary information beginning on page 61.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statement because the ESD cannot use these funds to finance its operations.

The District uses a custodial fund to account for resources managed for other districts, groups or governmental agencies. The basic custodial fund financial statements are on pages 22-23 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24-55 of this report.

Government-wide Financial Statements

As noted earlier, changes in net position over time may serve as a useful indicator of a government's financial position. In the case of the ESD, liabilities and deferred inflows exceeded assets and deferred outflows by $14,437,579 at the close of the 2021-22 fiscal year compared to $15,850,436 at the end of the prior fiscal year, resulting in an increase in net position of $1.4M between the two years.

Figure 2
ESD's Net Position

	Governmental Activities		
	June 30, 2022	June 30, 2021	Change
Current assets	$ 11,167,963	$ 12,348,238	$ (1,180,275)
Capital Assets, net	6,521,751	6,624,246	(102,495)
Leased Assets, net	3,346,008	-	3,346,008
Related Party Receivable	55,717	145,347	(89,630)
Net OPEB asset - RHIA	362,845	393,295	(30,450)
Total Assets	21,454,284	19,511,126	1,943,158
Deferred Outlfows of Resources	8,229,831	8,943,848	(714,017)
Current Liabilities	3,172,753	5,320,900	(2,148,147)
Net Pension Liability	14,519,052	27,423,533	(12,904,481)
Total OPEB Liability	843,715	889,836	(46,121)
Pension Bond	5,564,615	5,870,293	(305,678)
Lease Liabilities	3,142,618	-	3,142,618
Long-term Debt	2,311,570	2,502,920	(191,350)
Total Liabilities	29,554,323	42,007,482	(12,453,159)
Deferred Inflows of Resources	14,303,420	2,297,928	12,005,492
Net Position			
Net Investment in Capital Assets	3,985,344	3,913,932	71,412
Restricted for Debt Service	-	1,599	(1,599)
Restricted for OPEB- RHIA	362,845	393,295	(30,450)
Restricted for Grant Programs	1,805,434	2,355,467	(550,033)
Restricted for Resolution Services	1,405,587	806,594	598,993
Unrestricted	(21,732,838)	(23,321,323)	1,588,485
Total Net Position	$ (14,173,628)	$ (15,850,436)	$ 1,676,808

The following table compares current year fiscal operating activities to the previous year. During the current fiscal year, the ESD's total net position increased by $1,676,808 compared to a prior year decrease of $1,748,170.

Figure 3
ESD's Change in Net Position

	Governmental Activities		
	June 30, 2022	June 30, 2021	Change
Revenues			
Property Taxes Levied for General Purposes	$ 2,922,514	$ 2,798,043	$ 124,471
State School Fund - General Support	11,417,768	11,278,186	139,582
Earnings on Investments	68,396	38,944	29,452
Charges for Services	10,672,992	8,426,510	2,246,482
Operating Grants and Contributions	20,027,048	18,338,366	1,688,682
Capital Grants and Contributions	-	1,700,000	(1,700,000)
Other Local Revenue	2,697,774	4,337,486	(1,639,712)
Total Revenues	47,806,492	46,917,535	888,957
Expenses			
Instructional Programs	18,474,030	21,889,920	(3,415,890)
Supporting Services	26,469,504	25,735,049	734,455
Enterprise and Community Service	90,513	72,641	17,872
Facilities Acquisition/Construction	28,247	3,433	24,814
Interest on Long-term Debt	1,067,390	964,662	102,728
Total Expenses	46,129,684	48,665,705	(2,536,021)
Change in Net Position	1,676,808	(1,748,170)	3,424,978
Net Position, Beginning of the Year	(15,850,436)	(14,102,266)	(1,748,170)
Net Position, End of Year	$ (14,173,628)	$ (15,850,436)	$ 1,676,808

Following are notable contributing factors to changes between fiscal years ending June 30, 2021 and June 30, 2022:

- Total revenue increased by $888,957 or 1.9%. We typically see revenues increase closer to 10% on a year over year basis. This is down in the year ending June 30, 2022 due to limited state funding increases this past legislative session.
- Revenue through the State School Fund formula (property taxes and state school fund) increased by $139,582 or 1.24%.
- Charges for service revenue increased by $2,246,482 or 26.66%. This large increase is primarily related to increased substitute need by our local districts. This is due to the return to in person education, and also to the increased medical absences and school closures experienced this past year.
- Total expenses decreased by $2,2,536,021 due primarily to a favorable actuarial PERS valuation, driving down our pension expense in comparison to prior years.

III. Financial Analysis of the ESD's Funds

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

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

Referring to page 15, at June 30, 2022, the ESD's governmental funds reported combined ending fund balances of $6,385,359 an increase of $433,352 from to the prior year.

General Fund. The general fund is the basic operating fund of the ESD. As of June 30, 2022, it had a fund balance of $2,505,923, which includes $1,405,587 restricted for component districts' resolution services. Of the remaining balance, $209,364 is unassigned and available for other general fund purposes.

At June 30, 2021, the fund balance was $2,456,628 including $307,198 that was unassigned. While much of the fund balance is restricted for specific use, the ESD's positive ending balance enabled it to begin the 2021-22 year without borrowing through Tax Anticipation Notes to fund day to day operations.

Special Revenue Fund. The special revenue fund accounts for the operations of programs that are funded primarily by grants and contracts. As of June 30, 2022, the special revenue fund had a fund balance of $3,877,661 of which $1,805,434 is restricted under grant programs, $818,930 is committed for PERS contingency, $1,138,925 is assigned for use by Board intent.

Debt Service Fund. The debt service fund was established in 2002 to manage the bonded debt incurred when the ESD's Unfunded Actuarial Liability to PERS was financed at a more favorable rate than the rate charged by the PERS system. The debt service fund had a June 30, 2022 ending balance of $1,775, all of which will be used to make future principal and interest payments. Payments are made monthly from other funds based on payroll to the debt service fund to cover the annual costs of PERS debt.

Internal Service Fund. The Internal Service fund was established in 2007 to manage and maintain the facilities and fleet owned by the ESD. The net position of $495,169 at June 30, 2022, is used to fund costs associated with facility maintenance. See page 19 for more information.

Budgetary Highlights

There were two supplemental budgets during the 2021-22 fiscal year. These supplemental budgets were made to transfer funds into a new appropriation category for facility construction, related to unforeseen safety needs within two of our facilities. All funds operated within the legal limits of their spending authority as approved by the Board.

Revenue in the General Fund was $773,237 less than budgeted. This is primarily due to a difference in the budgeted state school fund support and actual support. The difference was caused by decreasing enrollments during the COVID-19 pandemic.

General Fund expenditures were $1,057,902 less than budgeted. Most of the budget savings were generated due to grant revenues that were anticipated, but not received, therefore decreasing total expenditures.

Capital Asset and Debt Administration

Capital assets. The ESD's investment in capital assets includes land, buildings and equipment. As of June 30, 2022, the ESD had invested $9,867,759 in capital assets, net of depreciation, this includes $3,346,008 in leased buildings. During the year, the ESD's new investment in capital assets (additions) was $479,917, while depreciation and amortization expense for the year is $908,837, resulting in an increase in capital asset value of $3,243,513.

ESD's Capital Assets
(net of accumulate depreciation)

	Governmental Activities		
	June 30, 2022	June 30, 2021	Change
Land	$ 1,045,833	$ 1,045,833	$ -
Construction in progress	14,743	263,356	(248,613)
Buildings and improvements	3,962,163	3,757,539	204,624
Right to use assets	3,346,008	-	3,346,008
Equipment	1,499,012	1,557,518	(58,506)
Total	$ 9,867,759	$ 6,624,246	$ 3,243,513

Additional information on the ESD's capital assets can be found in the notes to the financial statements on page 34 of this report.

Long-term debt. At the end of the current fiscal year, the ESD had outstanding debt of $8,373,213 During the current fiscal year, the ESD's total debt decreased by $487,713 as a result of regular debt service payments. In addition, the District has lease obligations in the amount of $3,417,324. Additional information on long-term debt is in Note 9 beginning on page 36.

IV. New Accounting Pronouncements

During the year ending June 30, 2022, the District implemented GASB 87: *Leases*, which requires the District to record a lease liability and corresponding lease asset at the commencement of the lease term. For more information on how the lease asset and liability is calculated, refer to Note 1, Summary of Significant Accounting Policies on page 28.

V. Economic Factors and Next Year's Budget

Like school districts, the ESD's economic status is linked closely to revenue from state sources. State revenue comes from the State School Fund plus other state contracts for service and state program grants. Enrollments decreased for the second consecutive year in 2021-22, as did State and funding levels and State-wide economic stability. As the economy continues to teeter on the edge of recession, we anticipate funding for the coming year to be steady, but with very limited growth, if any.

In 2021-22, the State School Fund revenues increased by 1.2% from those of 2020-2021. While this represents an overall growth in revenue, it is substantially lower than growth experienced in historical years, where the District averaged a 3.5% increase each school year. Property tax collections, a component of the State School Fund formula, have shown strong growth in recent years as well and have grown at an average 4.4% per year over the same period.

Salary and benefit costs will continue to increase due to contractual agreements with the High Desert Education Association.

The Public Employee Retirement System (PERS) employer rates for the ESD for the fiscal year ending June 30, 2022, were 17.52% of eligible payroll for Tier 1 and 2 employees and 14.41% for OPSRP employees. Rates for the coming biennium (2023-2025) will increase to 17.87% for Tier 1 and 2 employees, and 15.03% for OPSRP employees.

Although the Budget Committee and the Board take all known factors into consideration when developing the budget each year, the trend in recent years has been one of constant readjustment throughout the year in programs that rely on state money. This ESD continues to evaluate how services are delivered and pursues a wide variety of sources of funding and new programs to offset these reductions where possible.

Many school districts, by board policy, maintain a contingency and/or reserves in their budgets to accommodate volatility in funding and expenses. The ESD board adopted a policy requiring 5% of in General Fund revenues be placed into reserves for future spending.

Requests for Information

This financial report is designed to present the user (citizens, taxpayers, investors and creditors) with a general overview of the ESD's finances and to demonstrate the ESD's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the ESD Director of Business Services at 2804 SW Sixth Street, Redmond, Oregon 97756.

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HIGH DESERT EDUCATION SERVICE DISTRICT

DESCHUTES COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

HIGH DESERT EDUCATION SERVICE DISTRICT
Statement of Net Position
June 30, 2022
(all amounts are in dollars)

	Governmental Activities	(Unaudited) Component Units: Better Together	Component Units: Children's Forest
ASSETS			
Current Assets:			
Cash & Investments	$ 1,431,751	$ 1,132,563	$ 226,037
Restricted Cash	1,656,433	-	-
Receivables (Net of Allowances):			
Property Taxes	56,079	-	-
Grants and Other Receivables	7,851,352	196,944	1,431
Related Party Receivable	55,716	-	-
Prepaid Items	116,632	3,562	-
Total Current Assets	11,167,963	1,333,069	227,468
Noncurrent Assets:			
Related Party Receivable	55,717	-	-
Net OPEB Asset - RHIA	362,845	-	-
Capital Assets			
Non-Depreciable Assets	1,060,576	-	-
Depreciable Assets Net of Depreciation	5,461,175	-	-
Right to Use Lease Asset Net of Amortization	3,346,008		
Total Noncurrent Assets	10,286,321	-	-
Total Assets	21,454,284	1,333,069	227,468
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferrals - PERS	8,105,817	-	-
OPEB Related Deferrals - RHIA	117,626	-	-
OPEB Related Deferrals -Health Insurance	6,388	-	-
Total Deferred Outflows of Resources	8,229,831	-	-
Total Assets and Deferred Outflows of Resources	29,684,115	1,333,069	227,468
LIABILITIES			
Current Liabilities:			
Accounts Payable	782,673	611,591	7,430
Accrued Payroll, Withholdings and Benefits	1,610,244	-	-
Accrued Interest Payable	8,102	-	-
Lease Liability due in one year	274,706	-	-
Pension Bonds due in one year	280,293	-	-
Long-term Obligations due in one year	216,735	-	-
Total Current Liabilities	3,172,753	611,591	7,430
Noncurrent Liabilities:			
Lease Liability, net of current maturities	3,142,618	-	
Total OPEB Liability - Health Insurance	843,715	-	
Net Pension Liability - PERS	14,519,052	-	
Pension Bond, net of current maturities	5,564,615	-	
Long-term Obligations, net of current maturities	2,311,570	-	
Total Noncurrent Liabilities	26,381,570	-	-
Total Liabilities	29,554,323	611,591	7,430
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue - Grants	2,135,443	-	-
Pension Related Deferrals - PERS	11,892,933	-	-
OPEB Related Deferrals - RHIA	137,844	-	-
OPEB Related Deferrals - Health Insurance	137,200	-	-
Total Deferred Inflows of Resources	14,303,420	-	-
Total Liabilities and Deferred Inflows of Resources	43,857,743	611,591	7,430
NET POSITION			
Net Investment in Capital Assets	3,985,344	-	-
Restricted for:			
OPEB- RHIA	362,845	-	-
Grant Programs	1,805,434	-	220,038
Resolution Services	1,405,587	-	-
Unrestricted	(21,732,838)	721,478	-
Total Net Position	$ (14,173,628)	$ 721,478	$ 220,038

See accompanying notes to the basic financial statements.

HIGH DESERT EDUCATION SERVICE DISTRICT
Statement of Activities
For the year ended June 30, 2022
(all amounts are in dollars)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities	Component Units
Primary Government:						
Instruction	$ 18,474,030	$ 8,557,119	$ 8,571,575	$ -	$ (1,345,336)	$ -
Supporting Services	26,469,504	2,113,849	11,415,419	-	(12,940,236)	-
Enterprise and Community Services	90,513	2,024	40,054	-	(48,435)	-
Facilities Acquisition/Construction	28,247	-	-	-	(28,247)	
Interest	1,067,390	-	-	-	(1,067,390)	-
Total Governmental Activities	$ 46,129,684	$ 10,672,992	$ 20,027,048	$ -	(15,429,644)	-
Component Units						
Better Together	2,233,795	5,802	1,806,520	-		(421,473)
Children's Forest	396,129	-	491,113	37,000		131,984
Total Component Units	$ 2,629,924	$ 5,802	$ 2,297,633	$ 37,000		(289,489)
General Revenues:						
Property Taxes levied for General Purposes					2,922,514	-
State School Fund					11,417,768	-
Interest and Investment Earnings					68,396	-
Miscellaneous					2,697,774	529
Total General Revenues					17,106,452	529
Change in net position					1,676,808	(288,960)
Beginning net position					(15,850,436)	1,357,536
Restatement					-	(127,060)
Ending net position					$ (14,173,628)	$ 941,516

See accompanying notes to the basic financial statements.

HIGH DESERT EDUCATION SERVICE DISTRICT
Balance Sheet - Governmental Funds
June 30, 2022
(all amounts are in dollars)

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	TOTAL
ASSETS				
Cash & Investments	$ 1,065,256	$ 111,849	$ 1,775	$ 1,178,880
Restricted Cash	1,656,433	-	-	1,656,433
Receivables:				
Custodial Fund Receivable	39,933	-	-	39,933
Grants and Other Receivables	28,837	7,781,958	-	7,810,795
Taxes Receivable	56,079	-	-	56,079
Related Party Receivable	-	111,433	-	111,433
Prepaid Items	57,672	58,655	-	116,327
Total Assets	$ 2,904,210	$ 8,063,895	$ 1,775	$ 10,969,880
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	166,847	579,891	-	746,738
Accrued Payroll, Withholdings and Benefits	194,744	1,415,184	-	1,609,928
Total Liabilities	361,592	1,995,075	-	2,356,666
Deferred Inflows of Resources:				
Unearned Revenue - Grants	-	2,135,443	-	2,135,443
Unavailable Revenue - Long term Receivable	-	55,716	-	55,716
Unavailable Revenue - Property Taxes	36,695	-	-	36,695
Total Deferred Inflows	36,695	2,191,159	-	2,227,854
Fund Balances:				
Nonspendable	57,672	114,372	-	172,044
Restricted	1,405,587	1,805,434	-	3,211,021
Committed	833,300	818,930	1,775	1,654,005
Assigned	-	1,138,925	-	1,138,925
Unassigned	209,364	-	-	209,364
Total Fund Balances	2,505,923	3,877,661	1,775	6,385,359
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,904,210	$ 8,063,895	$ 1,775	$ 10,969,879

See accompanying notes to the basic financial statements.

HIGH DESERT EDUCATION SERVICE DISTRICT
Reconciliation of Balance Sheet to Statement of Net Position
June 30, 2022
(all amounts are in dollars)

Fund Balances - Governmental Funds		6,385,359
Amounts reported for governmental activities in the Statement of Net Position are different because:		
resources and therefore are not reported in the governmental funds.		
Governmental capital assets:		
Non-Depreciable Assets	354,743	
Depreciable assets net of accumulated depreciation	3,177,902	3,532,645
Right to Use Leased Assets and the associated Lease Liability used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Right to use asset net of accumulated depreciation	19,947	
Lease Liability	(21,446)	(1,499)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable.		36,695
Deferred outflows of resources represent amounts that were used to fund future expenditures and therefore are not reported in the governmental funds.		
Deferred Outflows - PERS	8,105,817	
Deferred Outflows - OPEB Health Insurance	6,388	
Deferred Outflows - OPEB RHIA	117,626	8,229,831
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Position.		
Interest payable	(4,562)	
Bonds payable, net of discount	(5,844,908)	
Net pension liability	(14,519,052)	
OPEB- RHIA	362,845	
OPEB - Health Insurance	(843,715)	(20,849,392)
Deferred inflows of resources represent amounts that were not available to fund current expenditures and therefore are not reported in the governmental funds.		
Long-term Receivable	55,717	
PERS	(11,892,933)	
OPEB - Health Insurance	(137,200)	
OPEB - RHIA	(137,844)	(12,112,260)
The assets and liabilities of the internal service funds are included in the governmental activitites in the Statement of Net Position		495,168
The assets and liabilities of the i4Ed a blended component unit of the District included in the governmental activitites in the Statement of Net Position		109,825
Net Position of Governmental Activities		$ (14,173,628)

See accompanying notes to the basic financial statements.

HIGH DESERT EDUCATION SERVICE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds
For the year ended June 30, 2022
(all amounts are in dollars)

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	TOTAL
REVENUES:				
Local Sources:				
Property Taxes	$ 2,949,660	$ -	$ -	$ 2,949,660
Local Grants	750	798,846	-	799,596
Services Provided to Other Districts	-	7,514,345	-	7,514,345
Services Provided to Other Funds	2,195,056	343,661	1,226,889	3,765,606
Tuition	-	296,156	-	296,156
Medicaid Administrative Claims	-	2,561,417	-	2,561,417
Investment Earnings	63,321	-	5,075	68,396
Miscellaneous	39,453	96,905	-	136,358
State Sources				
State School Fund	11,417,767	-	-	11,417,767
State Restricted Grants and Contracts	-	12,751,041	-	12,751,041
Federal Restricted Grants	-	6,677,779	-	6,677,779
Total Revenues	16,666,007	31,040,150	1,231,964	48,938,121
EXPENDITURES:				
Current				
Instruction	2,156,705	15,670,278	-	17,826,983
Supporting Services	6,619,376	16,709,615	-	23,328,991
Enterprise and Community Services	-	83,802	-	83,802
Facilities Acquisition/Construction	-	6,717	-	6,717
Capital Outlay	2,350	447,196	-	449,546
Debt Service				
Principal	17,898	-	280,319	298,217
Interest	810	-	951,469	952,279
Total Expenditures	8,797,139	32,917,608	1,231,788	42,946,535
Excess of Revenues Over (Under) Expenditures	7,868,868	(1,877,458)	176	5,991,586
OTHER FINANCING SOURCES (USES):				
Transfers In	-	5,297,706	-	5,297,706
Transfers (Out)	(4,785,383)	(536,513)	-	(5,321,896)
Apportionment of Funds	(2,598,028)	(2,936,016)	-	(5,534,044)
Total Other Financing Sources (Uses)	(7,383,411)	1,825,177	-	(5,558,234)
Net Changes in Fund Balance	485,457	(52,281)	176	433,352
Beginning Fund Balance	2,020,466	3,929,942	1,599	5,952,007
Ending Fund Balance	$ 2,505,923	$ 3,877,661	$ 1,775	$ 6,385,359

See accompanying notes to the basic financial statements.

HIGH DESERT EDUCATION SERVICE DISTRICT
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2022
(all amounts are in dollars)

Net Change in Fund Balances - Governmental Funds		$	433,352
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Expenditures for capital assets	428,016		
Less current year depreciation	(395,613)		32,403
Governmental funds report lease payment as expenditures. However in the Statement of Activities, the NPV of those future payments results in a Right to Use Asset that is amortized over the estimated useful lives and reported as depreciation expense.			(19,837)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			
Principal payments	280,319		
Change in deferred charges related to bond issues	(4,371)		275,948
Repayment of lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term lease liability in the Statement of Net Position.			
Principal payments			18,338
Expenditures reported for other post employment benefits in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			13,866
Revenues in the funds that do not provide current financial resources are not reported as revenues in the Statement of Activities as follows:			(145,845)
In the Statement of Activities interest is accrued on long-term debt, in the governmental funds it is recorded as an interest expense when due.			(23)
Internal service funds are used to account for revenues and expenditures used in replacing and maintaining buildings and equipment.			2,166
Revenues and expenditures of i4Ed the District's blended component unit.			86,968
Changes in pension assets and liabilities are not reported in governmental funds as they do not require the current use of financial resources. However, the Statement of Activities reports such changes as increases or decreases in the related expense accounts.			979,472
Change in Net Position of Governmental Activities		$	1,676,808

See accompanying notes to the basic financial statements.

HIGH DESERT EDUCATION SERVICE DISTRICT
Statement of Net Position - Internal Service Funds
June 30, 2022
(all amounts are in dollars)

ASSETS	
Curent Assets:	
Cash & Investments	$ 143,046
Grants and Other Receivables	624
Prepaid expenses	305
Total Current Assets	143,975
Noncurrent Assets:	
Capital Assets	
Non-Depreciable Assets	705,833
Depreciable Assets, net of depreciation	2,283,273
Right to Use Assets, net of amortization	3,326,061
Total Noncurrent Assets	6,315,167
Total Assets	6,459,142
LIABILITIES	
Current Liabilities:	
Accounts Payable	35,935
Accrued Payroll, Withholdings and Benefits	316
Lease obligations, due in one year	253,260
Long-term obligations, due in one year	216,735
Interest Payable	3,540
Total Current Liabilities	509,786
Noncurrent Liabilities:	
Lease liability, net of current maturities	3,142,618
Long-term obligations, net of current maturities	2,311,570
Total nonurrent Liabilities	5,454,188
Total Liabilities	5,963,974
NET POSITION	
Unrestricted	$ 495,168

See accompanying notes to the basic financial statements.

HIGH DESERT EDUCATION SERVICE DISTRICT

Statement of Revenues, Expenditures and Changes in Net Position - Internal Service Funds
For the year ended June 30, 2022
(all amounts are in dollars)

OPERATING REVENUES:	
Services Provided to Other Funds	$ 874,909
Rental Income	46,453
Total Operating Income	921,362
OPERATING EXPENSES:	
Cost of Services	360,819
Total Operating Expenses	360,819
Operating Income	560,543
NONOPERATING REVENUES (EXPENSES)	
Transfer In	24,190
Interest Expense	(110,709)
Depreciation	(471,858)
Total Nonoperating Expenses	(558,377)
Change in Net Position	2,166
Net Position - Beginning	493,002
Net Position - Ending	$ 495,168

See accompanying notes to the basic financial statements.

HIGH DESERT EDUCATION SERVICE DISTRICT
Statement of Cash Flows- Internal Service Funds
For the Year Ended June 30, 2021
(all amounts are in dollars)

CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from interfund services	$	874,909
Receipts from rental activity		45,829
Salaries and wages		(35,390)
Payments to vendors		(299,485)
Net cash provided by operating activities		585,863
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds		24,190
Net cash provided by noncapital financing activities		24,190
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property, plant, and equipment		(30,371)
Principal payments on long term debt		(211,765)
Principal payments on lease obligations		(236,772)
Interest paid on long term obligations		(107,169)
Net cash used for capital and related financing activities		(586,077)
Net decrease in cash and cash equivalents		23,976
Cash Balance - Beginning		119,070
Cash Balance - Ending	$	143,046

Reconciliation of operating income to net cash provided by operating activites

Operating income	$	560,543
Change in accounts receivable		(624)
Change in prepaid expenses		(305)
Change in accounts payable		26,252
Change in payroll liabilities		(3)
	$	585,863

Noncash Capital and Related Financing Activity

Lease Financing related to the implementation of GASB 87	$	3,632,650

See accompanying notes to the basic financial statements.

HIGH DESERT EDUCATION SERVICE DISTRICT
Statement of Fiduciary Net Position - Custodial Fund
June 30, 2022
(all amounts are in dollars)

ASSETS		
Receivables:		
Grants and Other Receivables	$	39,933
Total Assets		39,933
LIABILITIES		
Due to other Funds		39,933
Total Liabilities		39,933
Net Position	$	-

See accompanying notes to the basic financial statements.

HIGH DESERT EDUCATION SERVICE DISTRICT
Statement of Changes in Fiduciary Net Position - Custodial Fund
For the year ended June 30, 2022
(all amounts are in dollars)

ADDITIONS	
Miscellaneous	$ 1,301,965
Total Additions	1,301,965
DEDUCTIONS	
Apportionment of Funds	1,301,965
Total Deductions	1,301,965
Changes in Net Position	-
Net Position - Beginning	-
Net Position - Ending	$ -

See accompanying notes to the basic financial statements.

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HIGH DESERT EDUCATION SERVICE DISTRICT

DESCHUTES COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

VI. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the High Desert Education Service District ("District" or "ESD") and its component units have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. REPORTING ENTITY

The District is a municipal corporation governed by a nine-member board. The District is a political subdivision of the State of Oregon and is organized under provisions of Oregon Revised Statutes Chapter 334.010. The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity and is fiscally independent.

As required by accounting principles generally accepted in the United States of America, these financial statements present the District and its component units; legally separate entities for which the District is financially accountable. GASB defines component units as legally separate organizations for which the elected officials of the primary government (the District) are financially accountable if it appoints a voting majority of the organization's governing body, it is able to impose its will on that organization, or there is a potential for the organization to provide specific benefits to, or impose specific financial burdens upon, the primary government.

GASB provides two methods for reporting component units in the financial statements of the primary government: discrete presentation or blended. Discrete presentation means that data will be presented in one or more separate columns to the right of the primary government data columns. Blended presentation means that the component unit's financial data is reported as though the unit is part of the primary government. If the Component Unit provides services or benefits exclusively, or almost exclusively to the primary government, or if the primary government and the component unit have "substantially identical governing bodies", the legally separate component units should be considered a blended unit. If the component units do not meet this criteria, they should be presented discreetly.

The District includes two discretely presented component units and one blended component unit. The discretely presented units include the following:

> ***Better Together***, a 501(c)(3) partially funded through the local service plan, exists to improve education outcomes for children and youth in Central Oregon.
>
> ***The Children's Forest of Central Oregon***, a 501(c)(3) partially funded through the local service plan, exists to connect children and families to nature through learning, exploration and play.

The District's blended component unit is as follows:

> ***i4Education***, a 501(c)(3) funded by the District, is an innovation ecosystem empowering educators in Central Oregon to incubate their ideas, share stories and investigate solutions to the challenges education faces. i4Education primarily serves the District, and as such is included as a blended component unit and is presented with the governmental activities of the District.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function. State school support, taxes, and other items not properly included among program revenues are reported instead as *general revenues.*

Separate fund financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements and Internal Service fund use 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

Governmental fund financial statements and the internal service fund 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, subject to the following:

Property taxes are recognized as revenue only if received within 60 days of year-end. Entitlements, shared revenues, and interest are recognized as revenue in the period to which they relate. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Charges for services are recognized as revenue in the period in which the services are performed. Other receipts are not considered measurable and available until cash is received.

Expenditures are recorded when the related fund liability is incurred.

The District reports the following major governmental funds:

General Fund - accounts for the general operations of the District. The General fund accounts for all financial resources except those required to be accounted for in another fund. The principal sources of revenue are property taxes and state school fund support from the State.

Special Revenue Fund - accounts for revenues and expenditures of specific educational programs funded from federal, state and local resources. The principal source of revenue is grant proceeds. Expenditures are primarily for vocational education, school programs for students with special needs and other special grant programs.

Debt Service Fund - accounts the accumulation of resources for the repayment of long-term debt. The primary source of revenue is interfund charges.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

There is also the following proprietary fund:

Internal Service Fund - accounts for the goods and services provided by one department to the other departments of the district on a reimbursement basis. The primary activity relates to facility costs and maintenance.

There is also the following fiduciary fund:

Custodial Fund - is used to account for assets, receipts and disbursements held by the District in a fiduciary capacity for others. Custodial Fund activity is custodial in nature and does not involve the measurement of results of operations.

C. ASSETS, LIABILITIES AND EQUITY

CASH AND CASH EQUIVALENTS

Cash and investments consist of cash on hand, demand deposits, money market accounts, and investments in the State of Oregon Local Government Investment Pool (LGIP). Investments in the LGIP are considered highly liquid investments with original maturities of three months or less to be cash equivalents.

Oregon Revised Statutes 294.035 authorizes investment in the LGIP, general obligations of the U.S. Government and its agencies, bankers' acceptances, and commercial paper rated A-2 or better by Standard & Poor's Corporation or P-2 or better by Moody's Investors Service, among others.

RECEIVABLES

Receivables expected to be collected within sixty days following year-end are considered measurable and available and are recognized as revenues in the fund financial statements. Other receivables, except grants, are offset by unavailable revenues and, accordingly, have not been recorded as revenue. Receivables, net of any allowance for doubtful accounts, are recorded as assets in the statement of net position. All receivables are considered fully collectible; accordingly no provision for uncollectible accounts has been made.

GRANTS

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as unearned revenue in the balance sheet and Statement of Net Position.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAXES

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 distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly. The county treasurers in Deschutes and Crook counties and the Jefferson County Assessor, are the tax collection agents for all taxing entities within the counties.

Uncollected property taxes are recorded on the statement of net position. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

INTERFUND TRANSACTIONS

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. This includes transfers occurring within governmental activities and interfund receivables and payables.

Internal service fund revenues and expenses are recorded to the appropriate function revenue and program expense in the statement of activities.

PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

CAPITAL ASSETS

Capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value on the date of receipt. The District defines capital assets as assets with an initial cost of more than $5,000 and an estimated life in excess of one year. Maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

The capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings and Improvements	20 - 30 years
Equipment	5 - 7 years

In the fund financial statements, acquisition of capital assets is reported as an expenditure.

ACCRUED COMPENSATED ABSENCES

Sick leave benefits are unvested and are recorded as an expenditure when paid. Unused vacation pay expires on June 30 of each year.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

UNEARNED REVENUE

Unearned revenue is reported on the Statement of Net Position when resources are received before the District has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures.

On the fund financial statements, unearned revenue arises when resources do not satisfy both the measurable and available criteria for recognition in the current year, such as property taxes received more than 60 days after year-end. In subsequent periods, when both recognition criteria are met, the revenue is recognized.

ESTIMATES

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

LONG-TERM OBLIGATIONS, BOND DISCOUNTS, AND PREMIUMS

Bonds and notes payable and other long-term obligations are reported as liabilities in the government-wide financial statements. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method in the government-wide financial statements. Bonds payable are reported net of applicable bond premium or discounts. The straight line method does not differ significantly from the effective interest rate method. Unamortized premiums and discounts are presented as additions or subtractions from the face amount of the bonds. In the fund financial statements, premiums and discounts are recognized in the current period.

The governmental fund financial statements do not report long-term obligations because they do not require the use of current financial resources. Rather, governmental funds recognize the proceeds of debt issued as another financing source and report the repayment of debt principal and interest as an expenditure.

RIGHT TO USE (LEASE) ASSETS AND LIABILITIES

The District has entered into agreements to lease certain facility spaces used for classrooms and administrative offices. A lease is defined as a non-cancellable contract that conveys control of the right to use another entity’s asset for a defined period of time in excess of one year. At the commencement of the lease, the District recognizes a lease liability, which is measured at the net present value of payments expected to be made during the lease term, using the District’s incremental borrowing rate. The District also recognizes a lease asset equal to the initial lease liability plus any payments made prior to commencement. The lease assets are amortized on a straight-line basis over the life of the lease.

RETIREMENT PLAN/PENSIONS

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ENCUMBRANCES

During the year, encumbrances are recorded in the accounting records to demonstrate that appropriations are committed. At year end, encumbrances are reversed to the extent that a liability has not been incurred and encumbrance's lapse.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred pension and OPEB outflows or resources in the statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items which qualify for reporting in this category. The first, unavailable revenue is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The second, deferred pension and OPEB inflows, are reported on the statement of net position.

NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

FUND BALANCES

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balances can be spent. The governmental fund types classify fund balances as follows:

- Nonspendable fund balance: represents amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. The nonspendable fund balance represents prepaid items and long-term receivables not expected to be converted to cash during the subsequent fiscal year.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Restricted fund balance: represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

- Committed fund balance: represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by a formal action of the District's governing board.

- Assigned fund balance: represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.

- Unassigned fund balance: is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The District reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The District reduces committed amounts first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

In 2013, the governing body adopted fiscal policy DBDB establishing a minimum fund balance policy that requires the District to set aside 5% of total general fund revenues annually. For the year ended June 30, 2022, the District has a committed fund balance of $833,300, equal to 5% of general fund revenues.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

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

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

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

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

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Legally required budgets are adopted for all funds on the modified accrual basis. The resolution authorizing appropriations sets the level by which expenditures cannot legally exceed appropriations. This resolution establishes appropriations at the functional level within each fund. A detailed budget is also prepared, containing more specific information than the above mentioned expenditure appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget.

Original budgets may be modified by the preparation of supplemental budgets. There were two supplemental budget authorized by the Board of Directors during the year. Budgets may also be modified by appropriation transfers between the levels of control. Management may make transfers of appropriations within a function. Transfers of appropriations between functions require the approval of the Board of Directors. Expenditures of the various funds were within authorized appropriations.

III. BUDGET/GAAP REPORTING DIFFERENCES

While the government-wide statements report the financial position, results of operations, and changes in fund balance/net position on the accrual basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the modified accrual basis to provide a meaningful comparison of actual results with the budget. The primary differences between the budgetary basis and GAAP basis are described in Note 1.

IV. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements as of June 30, 2022 was $1,055,899 of which $250,000 was insured by Federal Depository Insurance Corporation, and the balance was collateralized by the Oregon Public Funds Collateralization Program (PFCP).

INTEREST RATE RISK

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that exceed an 18 month maturity.

CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all bank deposits in excess of the FDIC or FSLIC insurance amounts be collateralized through the Oregon State Treasurer's Public Funds Collateralization Program. This program provides a structure for specified depositories to participate in a shared liability collateral pool.

CREDIT RISK - INVESTMENTS

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

CONCENTRATION OF CREDIT RISK

At June 30, 2022, 100% of total investments were in the State Treasurer's Investment Pool. State Statutes do not limit the percentage of investments in this instrument.

IV. CASH AND INVESTMENTS, CONTINUED

INVESTMENTS

Statutes authorize investment in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool. According to District Procedures State statutes govern cash management policies.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at $1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at $1.00 per share, it is possible to lose money by investing in the pool. We measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

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

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

Cash and Investments at June 30, 2022, (recorded at fair value) consisted of:

Deposits with Financial Institutions:		Recorded In	
Demand Deposits	$ 1,103,371	Governmental	$ 2,835,313
Investments	1,984,813	i4Education (Component Unit)	109,825
Total	$ 3,088,184	Internal Service	143,046
			$ 3,088,184

IV. CASH AND INVESTMENTS, CONTINUED

Investments and maturities at June 30, 2022 consisted of the following:

Investment Type		Investment Maturities (in months)		
	Fair Value	Less than 3	3-12	Greater than 12
State Treasurer's Investment Pool	1,984,813	1,984,813	-	-
Total	$ 1,984,813	$ 1,984,813	$ -	$ -

V. GRANTS RECEIVABLE

Special revenue fund grants receivable are comprised of claims for reimbursement of costs under various federal and state grant programs. No provision for bad debts has been made as management believes all amounts are collectible.

VI. CAPITAL ASSETS

A summary of changes in the governmental activities capital assets for the year ended June 30, 2022 is as follows:

	Restated Beginning Balance	Adjustments	Additions	Deletions	Ending Balance
Non-depreciable Assets					
Land	$ 1,045,833	$ -	$ -	$ -	$ 1,045,833
Construction in Progress	263,356	(254,256)	5,643	-	14,743
Total Depreciable Assets	1,309,189	(254,256)	5,643	-	1,060,576
Depreciable Assets					
Buildings and Improvements	5,398,978	254,256	138,005	-	5,791,239
Equipment	3,733,698	-	336,269	(21,530)	4,048,437
Right to Use Asset - Buildings	3,672,433	-	-	-	3,672,433
Total Depreciable Assets	12,805,109	254,256	474,274	(21,530)	13,512,109
Accumulated Depreciation & Amortization					
Buildings and Improvements	(1,641,439)	-	(187,637)		(1,829,076)
Equipment	(2,176,180)	-	(394,775)	21,530	(2,549,425)
Right to Use Asset - Buildings	-	-	(326,425)	-	(326,425)
Total Accumulated Depreciation & Amortization	(3,817,619)	-	(908,837)	21,530	(4,704,926)
Net Depreciable Capital Assets	$ 8,987,490	$ 254,256	$ (434,563)	$ -	$ 8,807,183

Depreciation and Amortization expense for the year was charged to the following functions:

Instruction	$ 54,462
Supporting Services	854,375
	$ 908,837

VII. INTERFUND TRANSACTIONS

Interfund transfers are comprised of the following at June 30, 2022:

	Transfers In:	Transfers Out:
Major Governmental Fund:		
General Fund	$ -	$ 4,785,383
Special Revenue Fund	5,297,706	536,513
Total Major Governmental Funds	5,297,706	5,321,896
Internal Service Fund	24,190	-
Totals	$ 5,321,896	$ 5,321,896

Transfers were made to fund operations. There were no interfund receivables/payables at June 30, 2022.

VIII. LONG TERM OBLIGATIONS

In 2012, the District signed a note payable to First Interstate Bank (FIB) for $434,110 related to improvements to a building in Redmond, Oregon. It calls for monthly payments of $2,077, including interest at 1.5%, through September, 2032. The note pledges the full faith and credit of the District and is unsecured. Payments are made from the Internal Service Fund.

In 2003, the District issued $10,682,844 of pension bonds to prepay its 25 year projected PERS liability. Interest ranges from 1.50% to 6.27% and is payable semi-annually. The bonds mature serially through June 30, 2028. The agreement is a binding, full faith and credit obligation which pledges a trust payment account. Payments are made from the Debt Service Fund which assesses funds with employees an amount that approximates the required debt payment. The bonds were issued at a discount of $73,318 which is being amortized over the life of the debt.

In 2015, the District entered into a financing agreement with First Interstate Bank (FIB) related to the purchase and subsequent improvements to a new administrative building in Redmond. Repayment terms call for monthly payments in the amount of $5,857, including interest at 2.71%. The maturity date on this loan is December 5, 2024. This financing agreement is secured by the property purchase.

In 2015, the District issued $2,280,000 of full faith and credit (FF&C) obligations, through Washington Federal (WF), to refund the 2005 full faith and credit obligation owed by the District. The original use of the 2005 obligation was to finance the acquisition and improvement of two buildings and related land in Redmond and Prineville. The 2015 obligation issue calls for semiannual payments of $90,556, including interest, at 2.34% maturing June 5, 2030. The financing agreement is secured by the general revenues of the District as a binding, full faith and credit obligation.

IX. LONG TERM OBLIGATIONS (CONTINUED)

Long-term obligations are reported as liabilities on the Statement of Net Position. In the government-wide financial statements, principal payments reduce the amount of these liabilities and new debt increases these liabilities. In the fund financial statements, principal payments are reported as expenditures and new debt is reported as other financing sources.

Long-term obligation activity for the year ended June 30, 2022, is as follows:

	Outstanding 7/1/2021	Issued	Redeemed	Outstanding 6/30/2022	Due in One Year
Bonds Payable					
Pension Bonds	$ 6,150,612	$ -	$ 280,319	$ 5,870,293	$ 280,293
Direct Borrowings					
Note Payable (FIB)	228,333	-	21,646	206,687	21,976
Building Loan (FIB)	1,049,599	-	42,362	1,007,237	43,524
FF&C 2015 (WF)	1,462,138	-	147,757	1,314,381	151,235
Subtotal	2,740,070	-	211,765	2,528,305	216,735
Discount Related to Bond					
Discount	(29,756)	-	(4,371)	(25,385)	-
Total	$ 8,860,926	$ -	$ 487,713	$ 8,373,213	$ 497,028

In the event of default, the Note Payable and Building Loan are subject to acceleration clauses rendering the balances immediately due and payable at the lender's option. Lender may also increase interest rate up to 5.00 percentage points, provided it does not exceed the maximum permitted by law. The 2015 Full Faith and Credit Loan is not subject to acceleration but in the event of default the lender may increase the interest rate by 3.00 percentage points.

Annual Debt Service Requirements to Maturity:

Fiscal Year Ending June 30,	Notes Payable		Pension Bond			Building Loan	
	Principal	Interest	Principal	Discount	Interest	Principal	Interest
2022-23	21,976	1,976	280,293	(4,371)	1,011,495	43,524	26,761
2023-24	22,298	2,281	1,035,000	(4,371)	316,788	44,648	25,636
2024-25	22,642	2,178	1,160,000	(4,371)	258,724	919,065	12,360
2025-26	22,984	1,939	1,290,000	(4,371)	192,836	-	-
2026-27	23,330	1,592	1,425,000	(4,371)	119,564	-	-
2027-2031	93,457	2,796	680,000	(3,530)	38,624	-	-
	$ 206,687	$ 12,762	$ 5,870,293	$ (25,385)	$ 1,938,031	$ 1,007,237	$ 64,757

IX. LONG TERM OBLIGATIONS (CONTINUED)

Fiscal Year Ending June 30,	FF&C		Total		
	Principal	Interest	Principal	Discount	Interest
2022-23	151,235	29,877	497,028	(4,371)	1,070,109
2023-24	154,795	26,318	1,256,741	(4,371)	371,023
2024-25	158,438	22,675	2,260,145	(4,371)	295,937
2025-26	162,167	18,945	1,475,151	(4,371)	213,720
2026-27	165,984	15,128	1,614,314	(4,371)	136,284
2027-2031	521,762	21,574	1,295,219	(3,530)	62,994
	$ 1,314,381	$ 134,517	$ 8,398,598	$ (25,385)	$ 2,150,067

X. LEASES PAYABLE

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

On October 1, 2015, the District entered into a ninety-three month lease for shop and warehouse space, terminating on June 30, 2023. As of July 1, 2022, the initial measurement date for GASB 87, a lease liability was recorded in the amount of $39,784. As of June 30, 2022, the value of the lease liability is $21,447. The District is required to make monthly fixed principal and interest payments of $1,559, with a 15% increase for the fiscal year ending June 30, 2023. The lease has an assumed interest rate of 1.32%, which is the estimated borrowing date for the district at the time GASB 87 was implemented. The asset is being amortized over the remaining term of the lease. The net book value of the right to use the asset as of June 30, 2022 is $19,947. The District does not have any extension options with this lease.

On July 1, 2015, the District entered into an eight-year lease for the use of administrative space in the Bend Education Center. As of July 1, 2022, the initial measurement date for GASB 87, a lease liability was recorded in the amount of $59,157. The District is required to make monthly fixed principal and interest payments of $4,462.09, with an annual increase of 3%. The lease has an assumed interest rate of 1.32%%, which is the estimated borrowing date for the district at the time GASB 87 was implemented. The asset is being amortized over the remaining term of the lease. The net book value of the right to use the asset as of June 30, 2022 is $53,752. The District does not have any extension options with this lease.

On June 30, 2020, the District entered into a ten-year lease for the use of the Skyliner Lodge. As of July 1, 2022, the initial measurement date for GASB 87, a lease liability was recorded in the amount of $70,765. As of June 30, 2022, the value of the lease liability is $64,099. The District is required to make annual fixed principal and interest payments of $7,600. The lease has an assumed interest rate of 1.32%, which is the estimated borrowing date for the district at the time GASB 87 was implemented. The asset is being amortized over the remaining term of the lease. The net book value of the right to use the asset as of June 30, 2022 is $63,709. The District does not have any extension options with this lease.

X. LEASES PAYABLE, CONTINUED

On July 1, 2005, the District entered into a thirty year lease for classroom space in the Tamarack building. As of July 1, 2022, the initial measurement date for GASB 87, a lease liability was recorded in the amount of $3,454,677. As of June 30, 2022, the value of the lease liability is $3,272,623. The District is required to make monthly fixed principal and interest payments of $18,559, with an annual increase of 3%. The lease has an assumed interest rate of 1.32%, which is the estimated borrowing date for the district at the time GASB 87 was implemented. The asset is being amortized over the remaining term of the lease. The net book value of the right to use the asset as of June 30, 2022 is $3,208,600. The District does not have any extension options with this lease.

Annual Principal and Interest Requirements to Maturity:

Year ended June 30,	Principal	Interest	Total Payment
2023	$ 274,706	$ 43,580	$ 313,602
2024	203,602	40,353	243,866
2025	213,434	37,610	250,954
2026	223,610	34,736	258,254
2027	234,142	31,725	265,774
2028 - 2032	1,334,341	107,860	1,419,401
2033 - 2035	933,490	19,351	952,842
	$ 3,417,324	$ 315,215	$ 3,704,693

A summary of changes in the lease obligations for the year ended June 30, 2022 is as follows:

Lease Liability	Balance as of July 1, 2021	Additions	Reductions	Balance as of June 30, 2022
Buildings				
Bend Ed. Center	$ 107,207	$ -	$ (48,050)	$ 59,157
Skyliner Lodge	70,765	-	(6,667)	64,098
Tamarack	3,454,677	-	(182,054)	3,272,623
AT Shop/Warehouse	39,784	-	(18,338)	21,446
Total Lease Liabilities	**$ 3,672,433**	**$ -**	**$ (255,109)**	**$ 3,417,324**

XI. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM

Plan Description - The Oregon Public Employees Retirement System ("PERS") consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. The plan complies with Internal Revenue Service rules 401(a). The Oregon Legislature has delegated the authority to the Public Employees Retirement Board ("PERB") to administer and manage the system. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at: https://www.oregon.gov/pers/Documents/Financials/ACFR/2019-ACFR.pdf. If the link is expired please contact Oregon PERS for this information. PERS prepares their financial statements in accordance with GASB statements and generally accepted accounting principles. The accrual basis of accounting is used for all funds. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits are recognized in the month they are earned and withdrawals are recognized in the month they are due and payable. Investments are recognized at fair value, the amount at which financial institutions could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

There are currently two programs within PERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are PERS benefit member, and benefits are provided based on whether a member qualifies for Tier One or Tier Two as described below. Those employed on or after August 29, 2003 Oregon Public Service Retirement Plan ("OPSRP") Program members. PERS is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax qualified governmental defined benefit plan), and 2) the Individual Account Program ("IAP") (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

The 1995 Legislature created a second tier of benefits for those who became PERS program members after 1995 but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

Beginning January 1, 2004, all employees who were active members of PERS became members of the OPSRP IAP Program. PERS plan member contributions (the employee contribution, whether made by the employee or employer) go into the IAP portion of OPSRP. PERS plan members retain their existing PERS accounts; however, member contributions after January 1, 2004 are deposited in the member's IAP, not into the member's PERS account.

A. ***Tier I/Tier II Retirement Benefit (Chapter 238).*** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.

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

   A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General Service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

XI. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM, CONTINUED

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

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

3. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

4. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The COLA is capped at 2.0 percent.

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

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

   Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

   General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

2. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70 ½ years.

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

XI. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM, CONTINUED

C. ***Contributions*** - PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2022 were $2,796,856, excluding amounts to fund employer specific liabilities. In addition, approximately $854,590 in employee contributions were paid or picked up by the District in 2021-2022.

D. Pension Asset or Liability

At June 30, 2022, the District reported a net pension liability of $14,519,052 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement dates of June 30, 2021 and 2020, the District's proportion was .121 and .126, respectively. Pension expense for the year ended June 30, 2022 was $1,877,111.

Employer Pension Expense		
Employer's proportionate share of collective system Pension Expense/(Income)	$	2,106,031
Net amortization of employer-specific deferred amounts from:		
Changes in proportionate share (per paragraph 54 of GASB 68)		(19,275)
Differences between employer contributions and employer's proportionate share of system contributions (per paragraph 55 of GASB 68)		(209,645)
Total Pension Expense	$	1,877,111

The rates in effect for the year ended June 30, 2022 were:

(1) Tier 1/Tier 2 – 17.52%
(2) OPSRP general services – 14.41%

XI. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM, CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,359,078	$ -
Changes of assumptions	3,634,556	38,211
Net difference between projected and actual earnings on investments	-	10,748,342
Changes in proportionate share	305,633	702,781
Differences between employer contributions and employer's proportionate share of system contributions	9,694	403,599
Total (prior to post-MD contributions)	5,308,961	11,892,933
Contributions subsequent to the MD	2,796,856	-
Net Deferred Outflow/(Inflow) of Resources	$ 8,105,817	$ 11,892,933

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts recognized as deferred outflows and deferred inflows of resources will be recognized in pension expense in subsequent years as follows:

Year ended June 30:	
2023	$ (1,062,285)
2024	(1,305,362)
2025	(1,713,771)
2026	(2,763,748)
2027	261,195
Thereafter	-
Total	$ (6,583,972)

*E. **Actuarial Methods and Assumptions***

1. **Actuarial Valuations** - The employer contribution rates effective July 1, 2017 through June 30, 2021, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

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

XI. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM, CONTINUED

2. Actuarial Assumptions:

Actuarial Methods and Assumptions

	Pension
Valuation date	December 31, 2019
Measurement date	June 30, 2021
Experience Study	2018, published July 24, 2019
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.40 percent
Long-term expected rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increases	3.40 percent
Cost-of-living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision; blend based on service.
Mortality	*Healthy retirees and beneficiaries:* Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. *Active members:* Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. *Disabled retirees:* Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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

3. Assumed Asset Allocation:

Asset Class/Strategy	OIC Policy Range	OIC Target Allocation	Asset Class/Strategy	Actual Allocation[2]
Debt Securities	15.0 - 25.0 %	20.0 %	Debt Securities	20.8 %
Public Equity	27.5 - 37.5	32.5	Public Equity	29.4
Real Estate	9.5 - 15.5	12.5	Real Estate	10.5
Private Equity	14.0 - 21.0	17.5	Private Equity	25.1
Alternatives Portfolio	7.5 - 17.5	15.0	Alternatives Portfolio	9.5
Opportunity Portfolio[1]	0.0 - 5.0	0.0	Opportunity Portfolio	2.3
Risk Parity	0.0 - 2.5	2.5	Risk Parity	2.4
Total		100.0 %	Total	100.0 %

[1]Opportunity Portfolio is an investment strategy and it may be invested up to 5% of total Fund assets.

[2]Based on the actual investment value at 6/30/2021.

Source: June 30, 2021 PERS ACFR; p. 104

XI. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM, CONTINUED

4. Long-Term Expected Rate of Return:

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

Long-Term Expected Rate of Return [1]				
Asset Class	Target Allocation	Annual Arithmetic Return [2]	20-Year Annuallized Geometric Mean	Annual Standard Deviation
Global Equity	30.62 %	7.11 %	5.85 %	17.05 %
Private Equity	25.50	11.35	7.71	30.00
Core Fixed Income	23.75	2.80	2.73	3.85
Real Estate	12.25	6.29	5.66	12.00
Master Limited Partnerships	0.75	7.65	5.71	21.30
Infrastructure	1.50	7.24	6.26	15.00
Commodities	0.63	4.68	3.10	18.85
Hedge Fund of Funds - Multistrategy	1.25	5.42	5.11	8.45
Hedge Fund Equity - Hedge	0.63	5.85	5.31	11.05
Hedge Fund - Macro	5.62	5.33	5.06	7.90
US Cash	-2.50 [3]	1.77	1.76	1.20
Assumed Inflation - Mean			2.40 %	1.65 %

[1] Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, including revisions adopted at the OIC meeting on June 2, 2021.

[2] The arithmetic mean is a component that goes into calculating the geometric mean. Expected rates of return are presented using the geometric mean, which the Board uses in setting the discount rate.

[3] Negative allocation to cash represents levered exposure from allocation to Risk Parity strategy.

Source: June 30, 2021 PERS ACFR; p. 74

5. Discount Rate:

The discount rate used to measure the total pension liability, as of the measurement date June 30, 2021 was 6.90 for the Defined Benefit Pension Plan, reduced from the previous rate of 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

XI. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM, CONTINUED

6. 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 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage point higher (7.90 percent) than the current rate.

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of system NPL	$ 28,511,945	$ 14,519,052	$ 2,812,079

7. Changes Subsequent to the Measurement Date

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

There are no changes subsequent to the June 30, 2021 Measurement Date that meet this requirement and would require a brief description under the GASB standard.

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

https://www.oregon.gov/pers/emp/pages/GASB.aspx

XII. OTHER POST EMPLOYMENT BENEFITS PLAN - (RHIA)

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

XII. OTHER POST EMPLOYMENT BENEFITS PLAN - (RHIA), CONTINUED

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

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by PERS, and the District currently contributes 0.06% of annual covered OPERF payroll and 0.00% of OPSRP payroll under a contractual requirement in effect until June 30, 2022. The PERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions equaled the required contributions each year.

At June 30, 2022, the District reported a net RHIA- OPEB asset of $362,845 for its proportionate share of the net OPEB asset. The OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. Consistent with GASB Statement No. 75, paragraph 59(a), The District's proportion of the net OPEB asset is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. As of the measurement dates of June 30, 2021 and 2020, the District's proportion was 0.106% and 0.193%, respectively. OPEB income for the year ended June 30, 2022 was $37,228.

Employer's proportionate share of collective system OPEB Expense/(Income)	$	(59,342)
Net Amortization of employer- specific deferred amounts from:		
Changes in proportionate share (per paragraph 64 of GASB 75)		22,114
Employer's Total OPEB Expense/(Income)	$	(37,228)

Components of Deferred Outflows/Inflows of Resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 10,095
Changes in Assumptions	7,139	5,398
Net difference between projected and actual investment earnings	-	86,231
Net changes in proportionate share	107,121	36,120
Subtotal - Amortized deferrals (below)	114,260	137,844
District contributions subsequent to measurement date	3,366	-
Deferred Outflows (Inflows) of resources	$ 117,626	$ 137,844

XII. OTHER POST EMPLOYMENT BENEFITS PLAN - (RHIA), CONTNUED

District contributions subsequent to measurement date for RHIA are $3,366. The amount of contributions subsequent to the measurement date will be included as a reduction of the net OPEB asset in the fiscal year ended June 30, 2022. Other amounts recognized as deferred outflows and deferred inflows of resources will be recognized in pension expense in subsequent years as follows:

Year Ended June 30:	
2023	(3,372)
2024	26,714
2025	(19,687)
2026	(27,239)
2027	-
Thereafter	-
	(23,584)

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS Retirement Health Insurance Account Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the Year Ended June 30, 2021. That independently audited report was dated Feb 25, 2022 and can be found at:

https://www.oregon.gov/pers/EMP/Documents/GASB/

A. Actuarial Methods and Assumptions:

Actuarial Methods and Assumptions

	RHIA
Valuation date	December 31, 2019
Measurement date	June 30, 2021
Experience Study	2018, published July 24, 2019
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.40 percent
Long-term expected rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increases	3.40 percent
Retiree healthcare participation	Healthy retirees: 32% Disabled retirees: 20%
Healthcare cost trend rate	Not applicable
Mortality	***Healthy retirees and beneficiaries:*** Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. ***Active members:*** Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. ***Disabled retirees:*** Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Source: June 30, 2021 RHIA ACFR; p. 37

XII. OTHER POST EMPLOYMENT BENEFITS PLAN - (RHIA), CONTNUED

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

2. Discount Rate:
The discount rate used to measure the total OPEB liability as of the measurement date of June 30, 2021 and 2020, was 6.90 percent and 7.20 percent, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

2. 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 2015, revised as of April 24, 2019, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Long-Term Expected Rate of Return [1]				
Asset Class	Target Allocation	Annual Arithmetic Return [2]	20-Year Annuallized Geometric Mean	Annual Standard Deviation
Global Equity	30.62 %	7.11 %	5.85 %	17.05 %
Private Equity	25.50	11.35	7.71	30.00
Core Fixed Income	23.75	2.80	2.73	3.85
Real Estate	12.25	6.29	5.66	12.00
Master Limited Partnerships	0.75	7.65	5.71	21.30
Infrastructure	1.50	7.24	6.26	15.00
Commodities	0.63	4.68	3.10	18.85
Hedge Fund of Funds - Multistrategy	1.25	5.42	5.11	8.45
Hedge Fund Equity - Hedge	0.63	5.85	5.31	11.05
Hedge Fund - Macro	5.62	5.33	5.06	7.90
US Cash	-2.50 [3]	1.77	1.76	1.20
Assumed Inflation - Mean			2.40 %	1.65 %

[1] Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, including revisions adopted at the OIC meeting on June 2, 2021.
[2] The arithmetic mean is a component that goes into calculating the geometric mean. Expected rates of return are presented using the geometric mean, which the Board uses in setting the discount rate.
[3] Negative allocation to cash represents levered exposure from allocation to Risk Parity strategy.

(Source: June 30, 2021 PERS ACFR; p. 74)

XII. OTHER POST EMPLOYMENT BENEFITS PLAN - (RHIA), CONTNUED

3. Sensitivity of the District's proportionate share of the net OPEB asset to changes in the discount rate:

The following presents the District's proportionate share of the net OPEB asset calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1- percentage point higher (7.90 percent) than the current rate.

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Total OPEB (RHIA) Asset	$ (320,883)	$ (362,845)	$ (398,690)

4. Changes Subsequent to the Measurement Date

There are no changes subsequent to the June 30, 2021 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

XIII. OTHER POST EMPLOYMENT BENEFITS – IMPLICIT SUBSIDY

Plan Description - The District is subject to ORS 243.303, which requires that early retirees (those not covered by Medicare) be allowed to stay on the District's health plan on a self-pay basis. The Statutory requirement under ORS 243.303 can result in an "implicit subsidy" (the difference between expected early retiree claim costs and the premium paid for the retiree) requiring an additional cost and liability recognition under GASB 75. The District participates in the Oregon Educators Benefit Board ("OEBB"), a statewide cost-sharing multiple-employer plan, as defined in GASB 75. In OEBB, the individual employer health plans are rated collectively, rather than individually by employer, and the same blended premium rates is charged to all active employees and non-Medicare-eligible retirees. The calculated OPEB liability is derived using the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the patter of sharing of costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to the past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective.

XIII. OTHER POST EMPLOYMENT BENEFITS – IMPLICIT SUBSIDY, CONTINUED

Actuarial Methods and Assumptions - The Total OPEB Liability for the current year was determined as part of the July 1, 2019 actuarial valuation using the entry age normal method. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost and the healthcare cost trend. The actuarial assumptions included:

<table>
<tr><td>Valuation Date</td><td>July 1, 2021</td></tr>
<tr><td>Actuarial Cost Method</td><td>Entry Age Normal, level percent of salary</td></tr>
<tr><td>Discount Rate</td><td>3.5% Per year, based on all years discounted at municipal bond rate</td></tr>
<tr><td>Inflation rate</td><td>2.0%</td></tr>
<tr><td>Annual salary rate increase</td><td>3.0%</td></tr>
<tr><td>Salary Merit</td><td>Total payroll increase is overall payroll growth plus merit table below. Sample rates are as follows:

<table><tr><th>Duration</th><th>Rate</th></tr><tr><td>0</td><td>4.15%</td></tr><tr><td>5</td><td>2.98%</td></tr><tr><td>10</td><td>1.79%</td></tr><tr><td>15</td><td>0.72%</td></tr><tr><td>20</td><td>-0.11%</td></tr><tr><td>25</td><td>-0.55%</td></tr><tr><td>30+</td><td>-0.59%</td></tr></table></td></tr>
<tr><td>Annual premium trend rate</td><td>The assumed increases for medical plans are:

<table><tr><th>Year</th><th>Rate</th><th>Year</th><th>Rate</th></tr><tr><td>2021-22</td><td>3.50%</td><td>2031-32</td><td>5.50%</td></tr><tr><td>2022-23</td><td>4.00%</td><td>2032-33</td><td>5.40%</td></tr><tr><td>2023-24</td><td>4.50%</td><td>2033-34</td><td>5.30%</td></tr><tr><td>2024-25</td><td>5.00%</td><td>2034-35</td><td>5.20%</td></tr><tr><td>2025-26</td><td>5.50%</td><td>2035-36</td><td>5.10%</td></tr><tr><td>2026-27</td><td>6.00%</td><td>2036-37</td><td>5.00%</td></tr><tr><td>2027-28</td><td>5.90%</td><td>2037-38</td><td>4.90%</td></tr><tr><td>2028-29</td><td>5.80%</td><td>2038-39</td><td>4.80%</td></tr><tr><td>2029-30</td><td>5.70%</td><td>2039-40</td><td>4.70%</td></tr><tr><td>2030-31</td><td>5.60%</td><td>2040-41</td><td>4.60%</td></tr><tr><td></td><td></td><td>2041+</td><td>4.50%</td></tr></table>
The initial rates in the table above are based in part on the 2019 Segal Health Plan Cost Trend Survey, tempered by our expectation of the impact of ORS 243.866, as amended in 2017. Rates are trended down in subsequent years in accordance with prevalent actuarial practice, based in part on the Society of Actuaries - Getzen Long Term Healthcare Trends Resource Model, as updated October 2018.</td></tr>
</table>

XIII. OTHER POST EMPLOYMENT BENEFITS – IMPLICIT SUBSIDY, CONTINUED

<table>
<tr><td>Mortality</td><td>Basic Table: Pub 2010 Teachers Table, separate Employee/Healthy Annuitant, sex distinct, generational, no setback.

Mortality rates for active male participants are 125% of above rates and for active female participants are 100% of above rates.

Beneficiaries: Pub 2010 General Employees table, Healthy Annuitant, sex distinct, generational, set back 12 months for males, no set-back for females.

Improvement scale: Unisex social security data scale (60 year average), with data through 2017.</td></tr>
<tr><td>Turnover Rate</td><td>As developed for the valuation of benefits under Oregon PERS. For the current school year, it is assumed that terminations are reflected in the census data provided.

<table><tr><th>Years of Service</th><th>Male</th><th>Female</th></tr><tr><td>0</td><td>16.63%</td><td>13.50%</td></tr><tr><td>5</td><td>6.86%</td><td>7.13%</td></tr><tr><td>10</td><td>3.31%</td><td>3.85%</td></tr><tr><td>15</td><td>2.30%</td><td>2.68%</td></tr><tr><td>20</td><td>1.62%</td><td>1.95%</td></tr><tr><td>25</td><td>1.20%</td><td>1.50%</td></tr><tr><td>30 +</td><td>1.20%</td><td>1.50%</td></tr></table></td></tr>
<tr><td>Disability Rates</td><td>As developed for the valuation of benefits under Oregon PERS. Sample rates are as follows:

<table><tr><th>Age</th><th>Rate</th></tr><tr><td>30</td><td>0.0164%</td></tr><tr><td>35</td><td>0.0252%</td></tr><tr><td>40</td><td>0.0406%</td></tr><tr><td>45</td><td>0.0666%</td></tr><tr><td>50</td><td>0.1151%</td></tr></table></td></tr>
</table>

XIII. OTHER POST EMPLOYMENT BENEFITS – IMPLICIT SUBSIDY, CONTINUED

<table>
<tr><td>Retirement Rates</td><td>As developed for the valuation of benefits under Oregon PERS. For the current school year, it is assumed that retirements are reflected in the census data provided. It is also assumed employees will retire by the time both employee and dependent have reached age 65, the age at which they can no longer receive subsidized health benefits.
<table>
<tr><th></th><th colspan="3">Tier 1 / Tier 2</th><th colspan="3">OPSRP</th></tr>
<tr><th></th><th colspan="3">Years of Service</th><th colspan="3">Years of Service</th></tr>
<tr><th>Age</th><th>< 15</th><th>15 - 29</th><th>30 +</th><th>< 15</th><th>15 - 29</th><th>30 +</th></tr>
<tr><td><55</td><td>0.0%</td><td>0.0%</td><td>25.0%</td><td>0.0%</td><td>0.0%</td><td>0.0%</td></tr>
<tr><td>55</td><td>1.5%</td><td>3.5%</td><td>25.0%</td><td>0.5%</td><td>2.5%</td><td>5.0%</td></tr>
<tr><td>56</td><td>1.5%</td><td>3.5%</td><td>25.0%</td><td>0.5%</td><td>2.5%</td><td>5.0%</td></tr>
<tr><td>57</td><td>1.5%</td><td>3.5%</td><td>25.0%</td><td>1.0%</td><td>2.5%</td><td>7.5%</td></tr>
<tr><td>58</td><td>1.5%</td><td>11.0%</td><td>27.5%</td><td>1.5%</td><td>3.0%</td><td>30.0%</td></tr>
<tr><td>59</td><td>4.5%</td><td>11.0%</td><td>27.5%</td><td>1.5%</td><td>3.0%</td><td>25.0%</td></tr>
<tr><td>60</td><td>6.5%</td><td>12.5%</td><td>27.5%</td><td>2.5%</td><td>3.75%</td><td>20.0%</td></tr>
<tr><td>61</td><td>6.5%</td><td>12.5%</td><td>27.5%</td><td>2.5%</td><td>5.0%</td><td>20.0%</td></tr>
<tr><td>62</td><td>15.0%</td><td>21.0%</td><td>34.0%</td><td>6.0%</td><td>12.0%</td><td>30.0%</td></tr>
<tr><td>63</td><td>13.0%</td><td>19.5%</td><td>27.5%</td><td>6.0%</td><td>10.0%</td><td>20.0%</td></tr>
<tr><td>64</td><td>13.0%</td><td>19.5%</td><td>27.5%</td><td>6.0%</td><td>10.0%</td><td>20.0%</td></tr>
<tr><td>65</td><td>15.5%</td><td>33.5%</td><td>45.0%</td><td>12.5%</td><td>35.0%</td><td>20.0%</td></tr>
<tr><td>66</td><td>13.0%</td><td>36.5%</td><td>45.0%</td><td>12.5%</td><td>33.0%</td><td>20.0%</td></tr>
<tr><td>67</td><td>11.0%</td><td>34.5%</td><td>38.0%</td><td>11.0%</td><td>22.0%</td><td>30.0%</td></tr>
<tr><td>68</td><td>11.0%</td><td>28.0%</td><td>28.5%</td><td>9.0%</td><td>20.0%</td><td>25.0%</td></tr>
<tr><td>69</td><td>11.0%</td><td>28.0%</td><td>28.5%</td><td>9.0%</td><td>20.0%</td><td>25.0%</td></tr>
<tr><td>70</td><td>11.0%</td><td>28.0%</td><td>28.5%</td><td>9.0%</td><td>20.0%</td><td>25.0%</td></tr>
<tr><td>71</td><td>11.0%</td><td>28.0%</td><td>28.5%</td><td>9.0%</td><td>20.0%</td><td>25.0%</td></tr>
<tr><td>72</td><td>11.0%</td><td>28.0%</td><td>28.5%</td><td>9.0%</td><td>20.0%</td><td>25.0%</td></tr>
<tr><td>73</td><td>11.0%</td><td>28.0%</td><td>28.5%</td><td>9.0%</td><td>20.0%</td><td>25.0%</td></tr>
<tr><td>74</td><td>11.0%</td><td>28.0%</td><td>28.5%</td><td>9.0%</td><td>20.0%</td><td>25.0%</td></tr>
<tr><td>75</td><td>100.0%</td><td>100.0%</td><td>100.0%</td><td>100.0%</td><td>100.0%</td><td>100.0%</td></tr>
</table></td></tr>
<tr><td>Participation</td><td>80% of active eligible employees are enrolled</td></tr>
<tr><td>Plan Enrollment</td><td>Current and future retirees are assumed to remain enrolled in the plans in which they are currently enrolled, if any.</td></tr>
<tr><td>Lapse</td><td>Of the current and future retirees assumed to enroll n coverage, 2.0% are assumed to drop coverage each year.</td></tr>
</table>

Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year. The present value of benefits accrued as of the valuation date is called the accrued liability.

Funding Status and Funding Progress - As of July 1, 2021, the plan was 0% funded. The actuarial accrued liability for benefits was $843,715, and the actuarial value of assets was $0. Estimated covered payroll was $23,473,553.

At June 30, 2022, the following employees were covered by the benefit terms:

Active Participants	255
Inactive Participants	8
	263

XIII. OTHER POST EMPLOYMENT BENEFITS – IMPLICIT SUBSIDY, CONTINUED

Changes in Total OPEB Liability:

	2022
Total OPEB Liability - beginning	$ 889,836
Changes for the Year	
Service Costs	82,465
Interest	21,332
Differences between expected and actual experience	(12,216)
Effect of Assumption Changes or Inputs	(89,254)
Benefit Payments	(48,448)
Net Changes in Total OPEB Liability	(46,121)
Total OPEB Liability - end of year	$ 843,715

Sensitivity of the District's proportionate share of the net OPEB asset to changes in the discount rate:

The following presents the District's proportionate share of the net OPEB asset calculated using the discount rate of 3.5 percent, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1- percentage point higher (4.5percent) than the current rate.

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB (Health Insurance) Liability	$ 900,055	$ 843,715	$ 790,499

Sensitivity of the District's proportionate share of the net OPEB asset to changes in health care rates:

The following presents the District's proportionate share of the net OPEB asset calculated using the assumed rate increase for the various health plans, as well as what the District's net OPEB asset would be if it were calculated using a rate that is 1-percentage-point lower or 1- percentage point higher than the current rate.

	1% Decrease 2.5% Graded up to 5.00% then down to 3.5%	Current Trend Rate 3.5% Graded up to 6.0% then back down to 4.5%	1% Increase 4.5% Graded up to 7.00% then down to 5.5%
Total OPEB (Health Insurance) Liability	$ 755,149	$ 843,715	$ 947,648

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense for the Implicit Subsidy of $86,088 in the government wide Statement of Activities.

Change in Total OPEB Liability	$ (46,121)
(Increase)/Decrease in Deferred Outflows	2,920
Increase/(Decrease) in Deferred Inlows	70,233
Contributions Employer	48,448
OPEB Expense	$ 75,480

XIII. OTHER POST EMPLOYMENT BENEFITS – IMPLICIT SUBSIDY, CONTINUED

At June 30, 2022, components of deferred inflows and outflows related to OPEB Implicit Subsidy were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 60,697
Changes of assumptions or other inputs	6,388	76,503
	$ 6,388	**$ 137,200**

Amounts recognized as deferred outflows and deferred inflows of resources will be recognized in pension expense in subsequent years as follows:

Year Ended June 30:	
2023	$ (28,317)
2024	(28,315)
2025	(30,694)
2026	(14,496)
2027	(14,496)
Thereafter	(14,494.00)
	$ (130,812)

XIV. PROPERTY TAX LIMITATIONS

The voters of the State of Oregon imposed a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to $5.00 for each $1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The state voters further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

XV. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which commercial insurance is carried. Settled claims have not exceeded this commercial coverage for any of the past three fiscal years.

XVI. COMMITMENTS AND CONTINGENCIES

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

Additionally, on November 29, 2022 the district entered into a seven year facility lease with the option of two 5-year extensions. The lease will commence on May 1, 2023 and monthly payments will be $7,746.30 with a 3% escalation annually. This is a triple net (NNN) lease with monthly charges of $.53 sq/ft, adding an additional expense of $2,683.39 each month.

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HIGH DESERT EDUCATION SERVICE DISTRICT

DESHUTES COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

HIGH DESERT EDUCATION SERVICE DISTRICT
Schedule of the Proportionate Share of the Net Pension Liability - PERS
For the Last Nine Fiscal Years

Year Ended June 30,	(a) District's proportion of the net pension liability (asset)	(b) District's proportionate share of the net pension liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.12133102%	$ 14,519,052	$ 14,702,317	98.8%	87.6%
2021	0.12566091%	27,423,533	14,206,163	193.0%	75.8%
2020	0.12564731%	21,733,976	13,116,684	165.7%	80.2%
2019	0.12701772%	19,241,512	12,353,811	155.8%	82.1%
2018	0.11000000%	15,384,214	11,153,809	137.9%	83.1%
2017	0.12000000%	18,048,172	10,861,589	166.2%	80.5%
2016	0.12000000%	7,033,886	10,163,852	69.2%	91.9%
2015	0.14000000%	(3,062,445)	10,111,538	-30.3%	103.6%
2014	0.14000000%	6,894,606	10,002,374	68.9%	92.0%

HIGH DESERT EDUCATION SERVICE DISTRICT
Schedule of Required Penson Contributions - PERS
For the Last Nine Fiscal Years

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2022	$ 2,796,856	$ 2,796,856		$ 17,796,546	15.7%
2021	2,421,312	2,421,312	-	14,702,317	16.5%
2020	2,982,906	2,982,906	-	14,206,163	21.0%
2019	2,819,543	2,819,543	-	13,116,684	21.5%
2018	2,701,122	2,701,122	-	12,353,811	21.9%
2017	2,050,130	2,050,130	-	11,153,809	18.4%
2016	1,953,710	1,953,710	-	10,861,589	18.0%
2015	1,891,704	1,891,704	-	10,163,852	18.6%
2014	1,855,716	1,855,716	-	10,111,538	18.4%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

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

HIGH DESERT EDUCATION SERVICE DISTRICT
Schedule of the Proportionate Share of the Net OPEB Asset - RHIA
For the Last Four Fiscal Years

Year Ended June 30,	(a) District's proportion of the net OPEB liability (asset)	(b) District's proportionate share of the net liability (asset)	(c) District's covered payroll	(b/c) District's proportionate share of the liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total liability
2022	-0.11056623%	$ (362,845)	$ 14,702,317	-2.5%	183.9%
2021	-0.19301847%	(393,295)	14,206,163	-2.8%	150.1%
2020	-0.11559328%	(228,764)	13,116,684	-1.7%	144.4%
2019	-0.11838598%	(129,033)	12,353,811	-1.0%	123.9%

HIGH DESERT EDUCATION SERVICE DISTRICT
Schedule of Required Contributions - RHIA
For the Last Four Fiscal Years

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) District's covered payroll	(b/c) Contributions as a percent of covered payroll
2022	$ 3,131	$ 3,131	-	$ 17,796,546	0.0%
2021	12,275	12,275	-	14,702,317	0.1%
2020	58,378	58,378	-	14,206,163	0.4%
2019	55,482	55,482	-	13,116,684	0.4%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

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

HIGH DESERT EDUCATION SERVICE DISTRICT
Schedule of Changes in SERHB OPEB Liability and Related Ratios
Last Five Fiscal Years

Subsidized Early Retirement Health Benefits

	2022	2021	2020	2019	2018
Total OPEB Liability - beginning	$ 889,836	$ 849,209	$ 886,247	811,367	752,308
Changes for the Year					
Service Costs	82,465	79,676	68,122	65,818	64,213
Interest	21,332	20,233	32,691	32,194	32,224
Differences between expected and actual experience	(12,216)	-	(100,449)	-	-
Effect of Assumption Changes or Inputs	(89,254)	-	3,276	14,246	-
Benefit Payments	(48,448)	(59,282)	(40,678)	(37,378)	(37,378)
Net Changes in Total OPEB Liability	(46,121)	40,627	(37,038)	74,880	59,059
Total OPEB Liability - end of year	$ 843,715	$ 889,836	$ 849,209	886,247	811,367
District's covered-employee payroll	$ 23,473,553	$ 21,940,132	$ 19,284,488	$ 17,058,258	$ 16,406,645
Total OPEB Liability as a percentage of covered payroll	3.59%	4.06%	4.40%	5.20%	4.95%

NOTES TO SCHEDULE

The District does not hold assets in a trust that meets the criteria of GASB Statement 77, paragraph 4, to pay related benefits.

10-year trend information will be presented as it becomes available.

HIGH DESERT EDUCATION SERVICE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
BUDGET AND ACTUAL
For the year ended June 30, 2022
(all amounts are in dollars)

	GENERAL FUND				
REVENUES	ORIGINAL BUDGET	FINAL BUDGET		Actual	VARIANCE TO FINAL BUDGET
Local Sources	$ 5,466,388	$ 5,466,388		$ 5,248,240	$ (218,148)
State Sources	11,972,856	11,972,856		11,417,767	(555,089)
Total Revenues	17,439,244	17,439,244		16,666,007	(773,237)
EXPENDITURES					
Instruction	2,781,970	2,781,970	(1)	2,175,413	606,557
Support Services	7,073,071	7,023,071	(1)	6,619,376	403,695
Facilities Acquisition & Construction	-	50,000	(1)	2,350	47,650
Total Expenditures	9,855,041	9,855,041		8,797,139	1,057,902
Excess of Revenues Over (Under) Expenditures	7,584,203	7,584,203		7,868,868	284,665
OTHER FINANCING SOURCES, (USES)					
Transfers (Out)	(4,897,248)	(4,897,248)	(1)	(4,785,383)	111,865
Apportionment of Funds	(3,082,185)	(3,082,185)	(1)	(2,598,028)	484,157
Total Other Financing Sources, (Uses)	(7,979,433)	(7,979,433)		(7,383,411)	596,022
Net Changes in Fund Balance	(395,230)	(395,230)		485,457	880,687
Beginning Fund Balance	1,267,194	1,267,194		2,020,466	753,272
Ending Fund Balance	$ 871,964	$ 871,964		$ 2,505,923	$ 1,633,959

(1) Appropriation Level

Reconciliation from budgetary basis to modified accrual basis:

Net Change in Fund Balance	$ 485,457
Reconciling items:	
Instruction	(18,708)
Debt Service	18,708
	$ 485,457

HIGH DESERT EDUCATION SERVICE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
BUDGET AND ACTUAL
For the year ended June 30, 2022
(all amounts are in dollars)

SPECIAL REVENUE FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:					
Local Sources	$ 15,018,249	$ 15,018,249		$ 11,611,330	$ (3,406,919)
State Sources	12,833,336	12,833,336		12,751,041	(82,295)
Federal Sources	7,581,785	7,581,785		6,677,779	(904,006)
Total Revenues	35,433,370	35,433,370		31,040,150	(4,393,220)
EXPENDITURES:					
Instruction	19,353,489	19,353,489	(1)	15,670,278	3,683,211
Support Services	19,509,642	19,239,642	(1)	17,045,884	2,193,758
Enterprise and Community Services	74,148	94,148	(1)	83,802	10,346
Facilities Acquisition & Construction	-	250,000	(1)	117,644	132,356
Contingency	992,721	992,721	(1)	-	992,721
Total Expenditures	39,930,000	39,930,000		32,917,608	7,012,392
Excess of Revenues Over (Under) Expenditures	(4,496,630)	(4,496,630)		(1,877,458)	2,619,172
OTHER FINANCIAL SOURCES, (USES)	35,433,370	35,433,370		31,040,150	(4,393,220)
Transfers In	5,696,914	5,696,914		5,297,706	(399,208)
Transfers (Out)	(571,512)	(571,512)	(1)	(536,513)	34,999
Apportionment of Funds	(5,953,755)	(5,953,755)	(1)	(2,936,016)	3,017,739
Total Other Financing Sources, (Uses)	(828,353)	(828,353)		1,825,177	2,653,530
Net Changes in Fund Balance	(5,324,983)	(5,324,983)		(52,281)	5,272,702
Beginning Fund Balance	5,324,983	5,324,983		3,929,942	(1,395,041)
Ending Fund Balance	$ -	$ -		$ 3,877,661	$ 3,877,661

(1) Appropriation Level

Reconciliation from budgetary basis to modified accrual basis:

-	$ 3,877,661
Reconciling items	
Support Services	(336,269)
Facilities Acquisition & Construction	(110,927)
Capital Outlay	447,196
Total Change in Net Position	$ 3,877,661

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HIGH DESERT EDUCATION SERVICE DISTRICT

DESCHUTES COUNTY, OREGON

SUPPLEMENTARY INFORMATION

HIGH DESERT EDUCATION SERVICE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
BUDGET AND ACTUAL
For the year ended June 30, 2022
(all amounts are in dollars)

DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:					
Local Sources	$ 1,484,132	$ 1,484,132		$ 1,231,964	$ (252,168)
EXPENDITURES:					
Debt Service	1,231,787	1,231,787	(1)	1,231,788	(0)
Excess of Revenues Over (Under) Expenditures	252,345	252,345		176	(252,168)
OTHER FINANCING SOURCES:					
Transfers from Other Funds	(252,345)	(252,345)		-	252,345
TOTAL OTHER FINANCING SOURCES	(252,345)	(252,345)		-	252,345
Net Changes in Fund Balance	-	(0)		176	(252,168)
Beginning Fund Balance	-	-		1,599	1,599
Ending Fund Balance	$ -	$ (0)		$ 1,775	$ (250,569)

(1) Appropriation Level

HIGH DESERT EDUCATION SERVICE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
ACTUAL AND BUDGET
For the year ended June 30, 2022
(all amounts are in dollars)

INTERNAL SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:					
Local Sources	$ 877,224	$ 877,224		$ 921,362	$ 44,138
Total Revenues	877,224	877,224		921,362	44,138
EXPENDITURES:					
Support Services	781,366	756,366	(1)	670,577	85,789
Debt Service	251,396	276,396	(1)	276,319	77
Total Expenditures	1,032,762	1,032,762		946,896	85,866
Excess of Revenues Over (Under) Expenditures	(155,538)	(155,538)		(25,534)	130,004
OTHER FINANCING SOURCES, (USES)					
Transfers from Other Funds	24,190	24,190		24,190	-
Total Other Financing Sources (Uses)	24,190	24,190		24,190	-
Net Changes in Fund Balance	(131,348)	(131,348)		(1,344)	130,004
Beginning Fund Balance	131,348	131,348		109,068	(22,280)
Ending Fund Balance	$ -	$ -		$ 107,724	$ 107,724

(1) Appropriation Level

Reconcilitation to net position reported in accordance with generally accepted accounting principles:	
Net Changes in Fund Balance	$ (1,344)
Reconciling items	
Capital assets additions	30,371
Depreciation	(471,858)
Principal repayments	448,537
Accrued interest	(3,540)
Total Change in Net Position	$ 2,166
Beginning Net Position	493,002
Ending Net Position	$ 495,168

HIGH DESERT EDUCATION SERVICE DISTRICT
DESCHUTES COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

Program Title		Pass Through Organization	Federal CFDA Number	Subgrant Number	Period Covered	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Education - DOE							
Migrant Education State Grant Programs							
Title IC Grants to Local Educational Agencies		Oregon Department of Education	84.011	68121	07/01/21-09/30/22	$ 134,536	$ -
Title IC Grants to Local Educational Agencies		Oregon Department of Education	84.011	68132	07/01/21-09/30/22	20,100	-
Title IC Grants to Local Educational Agencies		Oregon Department of Education	84.011	58933	07/01/20-09/30/21	338,314	-
Title IC Grants to Local Educational Agencies		Oregon Department of Education	84.011	58915	07/01/20-09/30/21	2,599	-
Title IC Grants to Local Educational Agencies		Oregon Department of Education	84.011	57319	07/01/20-09/30/22	34,302	-
Title IC Grants to Local Educational Agencies		Oregon Department of Education	84.011	57312	03/15/20-09/30/20	16,500	-
Title IC Grants to Local Educational Agencies		Oregon Department of Education	84.011	66107	07/01/21-09/30/22	150,297	-
Title IC Grants to Local Educational Agencies		Oregon Department of Education	84.011	61678	07/01/20-0930/21	2,155	-
Total Migrant Education State Grant Programs						**698,803**	**-**
Title I - Programs for Neglected and Delinquent Children		Oregon Department of Education	84.013	10999	07/01/18 - 06/30/22	1,810	-
Education for Homeless Children and Youth							
McKinney Homeless Grant		Oregon Department of Education	84.196	66230	10/01/21-09/30/22	54,324	-
McKinney Homeless Grant		Oregon Department of Education	84.196	65235	10/30/20-09/30/21	13,993	-
Total Education for Homeless Children and Youth						**68,317**	-
Career and Technical Education - Perkins IV							
Vocational Ed - Perkins	(1)	Oregon Department of Education	84.048	57588	07/01/20-09/30/21	139,896	-
Vocational Ed - Perkins	(1)	Oregon Department of Education	84.048	66142	07/01/21-09/30/22	835,080	-
Vocational Ed - Perkins	(1)	Oregon Department of Education	84.048	57616	07/01/20-09/30/21	21,177	-
Vocational Ed - Perkins	(1)	Oregon Department of Education	84.048	66179	07/01/21-09/30/22	191,231	-
Vocational Ed - Perkins	(1)	Oregon Department of Education	84.048	64743	01/01/21-09/30/21	114,222	-
Mathematics and Science Partnerships (OrPACS)	(1)	Oregon Department of Education	84.048	52038	10/01/2018-9/30/2021	52,855	-
Total Career and Technical Education - Perkins IV						**1,354,461**	-
Special Education Cluster							
Special Education Grants to States		Oregon Department of Education	84.027	11111	07/01/17 - 06/30/22	625,759	-
Special Education Grants to States		Oregon Department of Education	84.027x	11111	07/01/17 - 06/30/22	333,943	-
Special Education Grants to States		Oregon Department of Education	84.027	11042	07/01/17 - 06/30/22	959,226	-
Special Education Grants to States		Oregon Department of Education	84.027x	11042	07/01/21 - 06/30/22	88,857	-
Special Education Grants to States		Oregon Department of Education	84.173	11111	07/01/17 - 06/30/22	127,730	-
Special Education Grants to States		Oregon Department of Education	84.173x	11111	07/01/17 - 06/30/22	89,588	-
CPS Local Sites		Oregon Department of Education	84.173	61168	9/1/2020 - 8/31/22	12,889	-
Total Special Education Cluster						**2,237,992**	**-**
Special Education - Grants for Infants and Families							
Special Education Grants to States		Oregon Department of Education	84.181	11111	07/01/17 - 06/30/22	555,211	-
Special Education Grants to States		Oregon Department of Education	84.181x	11111	07/01/17 - 06/30/22	127,724	-
Total Special Education - Grants for Infants and Families						**682,935**	**-**
High School Equivalency Program		Better Together Central Oregon	84.141A	S141A190019	07/01/20-06/30/24	333,016	-
Vocational Rehabilitation		Oregon Department of Education	84.126	10199	07/01/19-06/30/22	206,882	-
Mathematics and Science Partnerships (OrPACS)		Oregon Department of Education	84.015E	52038	10/01/2018-9/30/2021	31,847	-
Preschool Development Grants		Oregon Department of Education	93.434	66163	7/01/2021-6/30/2022	52,000	-
Total U.S. Department of Education						**$ 5,668,063**	**$ -**
U.S. Dept of Health & Human Services - HHS							
Maternal Infant & EC Homevisitor		Dept. Of Human Services	93.870	162369	10/1/2021-6/30/2022	$ 35,805	$ 23,376
Maternal Infant & EC Homevisitor		Dept. Of Human Services	93.870	162369	10/1/2020-6/30/2021	38,095	$ 18,563
Injury Prevention and Control Research		University of Oregon	93.136			4,118	-
Total U.S. Department of Health and Human Services						**$ 78,018**	**$ 41,939**

U.S. Dept. of Agriculture - USDA							
USDA Forest Service - Partnership Agreements		Children's Forest of Central Oregon	10.699		7/01/2021-6/30/2022	$ 3,500	$ -
USDA Forest Service - Partnership Agreements		USDA	10.699	15-CS-11060120-040	7/01/2017-6/30/2022	36,183	-
Total USDA Forest Service - Partnership Agreements						**39,683**	-
Total US Dept. of Agriculture						**$ 39,683**	$ -
U.S. Dept. of Homeland Security							
Grants to States for Emergency Management		Oregon Department of Education	84.184Q	12519	09/01/19-09/30/22	$ 53,290	$ -
Total US Dept. of Homeland Security						**$ 53,290**	**$ -**
U.S. Department of Treasury							
Elementary and Secondary School Emergency Relief	(1)	Oregon Department of Education	84.425D	65024	03/13/20-11/14/23	501,344	-
Elementary and Secondary School Emergency Relief	(1)	Oregon Department of Education	84.425D	64802	03/13/21-9/30/21	18,902	-
Total Elementary and Secondary School Emergency Relief						**520,246**	-
Total US Dept. of Treasury						**$ 520,246**	**$ -**
U.S. Department of Labor							
WIOA Cluster							
WIOA Adult Program		Oregon Higher Ed. Coordinating Commission	17.258	AA-33251-19-55-A-41	7/1/2019-6/30/2022	$ 9,447	$ -
Total WIOA Cluster						**9,447**	-
Total US Dept. of Labor						**$ 9,447**	**$ -**
Total Grants Expended or Passed Through to Subrecipients						**$ 6,368,747**	**$ 41,939**

(1) Audited as a major program

Reconciliation to Federal Revenue	
Federal Expenditures	$ 6,368,747
Funds received in Advance	141,482
Federal funds received as a contractor	$ 167,550
Federal revenues reported in fund statements	$ 6,677,779

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HIGH DESERT EDUCATION SERVICE DISTRICT

DESCHUTES COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
High Desert Education Service District
Deschutes County, Oregon

We have audited the basic financial statements of the High Desert Education Service District, Deschutes County, Oregon (the District) as of and for the year ended June 30, 2022 and have issued our report thereon dated December 1, 2022. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **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, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

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

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

Brenda Bartlett, CPA
Sensiba San Filippo, LLP
Bend, Oregon

December 1, 2022

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HIGH DESERT EDUCATION SERVICE DISTRICT

DESCHUTES COUNTY, OREGON

GRANT COMPLIANCE REVIEW

Independent Auditor's Report

The Board of Directors
High Desert Education Service District

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund, of High Desert Education Service District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise High Desert Education Service District's basic financial statements, and have issued our report thereon dated December 1, 2022. Our report disclaimed an opinion on the discretely presented component units which are required to be included in High Desert Education Service District's financial reporting entity. The discretely presented component units are unaudited and as such, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered High Desert Education Service District's internal control over financial reporting (internal control) as a basis for designing 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 High Desert Education Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of High Desert 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether High Desert Education Service District's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brenda Bartlett

Sensiba San Filippo, LLP
Bend, Oregon

December 1, 2022

Independent Auditor's Report

Board of Directors
High Desert Education Service District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited High Desert Education Service District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of High Desert Education Service District's major federal programs for the year ended June 30, 2022. High Desert Education Service District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, High Desert Education Service District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of High Desert Education Service District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of High Desert Education Service District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to High Desert Education Service District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on High Desert Education Service District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the

report on compliance about High Desert Education Service District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding High Desert Education Service District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of High Desert Education Service District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of High Desert Education Service District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Brenda Bartlett

Sensiba San Filippo, LLP
Bend, Oregon

December 1, 2022

HIGH DESERT EDUCATION SERVICE DISTRICT
DESCHUTES COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified, Disclaimer on Discretely Presented Component Units
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	No
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

Assistance Listing No.	Name of Federal Program or Cluster
84.425d	Elementary and Secondary School Emergency Relief Fund
84.048	Career and Technical Education

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

HIGH DESERT EDUCATION SERVICE DISTRICT
DESCHUTES COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

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