LUCKIAMUTE VALLEY CHARTER SCHOOLS

(A Component Unit of Dallas School District)
Polk County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2021

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LUCKIAMUTE VALLEY CHARTER SCHOOLS
Polk County, Oregon

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June 30, 2021

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LUCKIAMUTE VALLEY CHARTER SCHOOLS
Polk County, Oregon

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Luckiamute Valley Charter Schools
Polk County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund information of Luckiamute Valley Charter Schools, a nonprofit charter school and a component unit of Dallas School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Basis of Modified Opinion

Management has not obtained an actuarial valuation for post-employment benefit obligations other than pensions. Accounting principles generally accepted in the United States of America require that actuarially determined annual required contributions related to postemployment benefits, attributable to employee services already rendered, be recorded as expenses as employees earn the benefits, which, if not funded would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect net position, liabilities, and expenses of the government-wide financial statements is not reasonably determinable.

Modified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Modified Opinion" paragraph, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of Luckiamute Valley Charter Schools, Polk County, Oregon as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of the School's proportionate share of the net pension liability/OPEB RHIA asset and School contributions on pages 4 through 8, and 40 through 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the aforementioned required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Luckiamute Valley Charter Schools' basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 1, 2021, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance

Accuity, LLC

By: ______________________________

Glen O. Kearns, CPA

Albany, Oregon
November 1, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

LUCKIAMUTE VALLEY CHARTER SCHOOL
Polk County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

As management of Luckiamute Valley Charter Schools, we offer readers this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021. It should be read in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- At June 30, 2021, total net position of Luckiamute Valley Charter Schools amounted to $(76,172). Of this amount, $768,508 was invested in capital assets. The remaining balance included $(844,680) of unrestricted net position.
- The School's total net position decreased by $262,866 for the year ended June 30, 2021.
- Overall expenditures were $3,125,349, which exceeded total revenues of $2,862,483 by $262,866.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements can be found on pages 9 through 10 of this report.

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The School's only fund is a governmental fund.

- **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 available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

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

  The School maintains one governmental fund. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major governmental fund. Luckiamute Valley Charter Schools adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided to demonstrate compliance with its respective budget but is not a required part of the basic financial statements.

  The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 39 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the schedules of the School's proportionate share of the net pension liability/OPEB RHIA asset and School contributions. This information can be found on pages 40 through 41 of this report.

The budgetary comparison information for the General Fund can be found immediately following the RSI on page 42.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. At June 30, 2021, the School's liabilities exceeded its assets by $76,172.

A large portion of the School's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

School's Net Position

The School's net position decreased by $262,866 during the current fiscal year. This decrease is primarily due to a decrease in state school funding.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	2021	2020
Assets		
Current and other assets	$ 886,513	$ 504,403
Net capital assets	768,508	684,487
Total assets	1,655,021	1,188,890
Deferred outflows of resources	1,047,956	732,643
Liabilities		
Current liabilities	125,526	58,033
Net pension liability	2,577,848	1,542,021
Total liabilities	2,703,374	1,600,054
Deferred inflows of resources	75,775	229,026
Net position		
Net investment in capital assets	768,508	684,487
Unrestricted	(844,680)	(592,034)
Total net position	$ (76,172)	$ 92,453

School's Changes in Net Position

The condensed statement of activities information shown below explains changes in net position.

Changes in Net Position

	Governmental Activities 2021	Governmental Activities 2020
Program revenues		
Regular programs	$ 563,528	$ 493,033
General revenues		
State school fund – general support	2,293,275	2,134,047
Investment earnings	291	420
Miscellaneous	5,389	2,808
Total general revenues	2,298,955	2,137,275
Total revenues	2,862,483	2,630,308
Program expenses		
Instruction	1,936,039	1,532,734
Support services	1,019,926	857,868
Community services	124,446	81,683
Facilities acquisition and construction	-	24,805
Unallocated depreciation	44,938	38,976
Total program expenses	3,125,349	2,536,066
Change in net position	(262,866)	94,242
Net position - beginning of year	186,694	92,452
Net position - end of year	$ (76,172)	$ 186,694

Governmental Funds

The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the School's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the School's governmental fund reported fund balance of $744,288, an increase of $43,059 from the prior year.

This amount constitutes unassigned fund balance, which is available for spending at the School's discretion. The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the total fund balance of the General Fund was $744,288, which was unassigned.

Capital Assets

The School's investment in capital assets for its governmental activities as of June 30, 2021 amounted to $768,508, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and equipment. Depreciation expense for the year amounted to $44,938. Additional information on the School's capital assets can be found on page 21 of this report.

Key Economic Factors and Budget Information for the Future

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

- Management anticipates an increase in student enrollment.

- Employer contribution rates for the Oregon Public Employees Retirement System remain the same.

- Expenses for online learning and related costs are expected to increase as the School continues to serve students through the COVID-19 pandemic.

All of these factors were considered in preparing the School's budget for fiscal year 2020-2021. The unassigned ending fund balance of the General Fund was $744,288, which will be available for program resources in the 2021-2022 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Luckiamute Valley Charter Schools' finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the Administrator, Tammy Pryce, Luckiamute Valley Charter Schools, 17475 Bridgeport Rd., Dallas, OR 97338.

BASIC FINANCIAL STATEMENTS

LUCKIAMUTE VALLEY CHARTER SCHOOLS
Polk County, Oregon

STATEMENT OF NET POSITION

June 30, 2021

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 765,200
Accounts receivable	104,614
Total current assets	869,814
OPEB Asset - RHIA	3,086
Capital assets not being depreciated	63,470
Capital assets being depreciated, net	705,038
Total assets	1,641,408
DEFERRED OUTFLOWS OF RESOURCES	1,047,956
LIABILITIES	
Current liabilities	
Accounts payable	16,160
Payroll liabilties	109,366
Total current liabilities	125,526
Noncurrent liabilties	
Net pension liability	2,564,235
Total liabilties	2,689,761
DEFERRED INFLOWS OF RESOURCES	75,775
NET POSITION	
Net investment in capital assets	768,508
Unrestricted	(844,680)
Total net position	$ (76,172)

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

LUCKIAMUTE VALLEY CHARTER SCHOOLS
Polk County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Instruction	$ 1,936,039	$ 242,544	$ 320,984	$ (1,372,511)
Support services	1,019,926	-	-	(1,019,926)
Community services	124,446	-	-	(124,446)
Unallocated depreciation	44,938	-	-	(44,938)
Total governmental activities	$ 3,125,349	$ 242,544	$ 320,984	(2,561,821)
	General revenues			
	State school fund - general support			2,293,275
	Investment earnings			291
	Miscellaneous			5,389
	Total general revenues			2,298,955
	Change in net position			(262,866)
	Net position - beginning			186,694
	Net position - ending			$ (76,172)

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

LUCKIAMUTE VALLEY CHARTER SCHOOLS
Polk County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2021

		General Fund
ASSETS		
Cash and cash equivalents	$	765,200
Accounts receivable		104,614
Total assets	$	869,814
LIABILITIES		
Liabilities		
Accounts payable	$	16,160
Payroll liabilties		109,366
Total liabilities		125,526
FUND BALANCES		
Unassigned		744,288
Total liabilities and fund balances	$	869,814

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

LUCKIAMUTE VALLEY CHARTER SCHOOLS
Polk County, Oregon

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

June 30, 2021

Total fund balance		$ 744,288
Capital assets are not financial resources and are therefore not reported in the governmental funds.		
Cost	1,041,976	
Accumulated depreciation	(273,468)	768,508
Amounts relating to the School's proportionate share of the net pension liability for the Oregon Public Employees Retirement System (PERS) are not reported in the governmental fund statements. In the governmental fund statements, pension expense is recognized when due. These amounts consist of:		
Deferred outflows of resources relating to pension expense	1,047,956	
Deferred inflows of resources relating to return on pension assets	(75,775)	
OPEB Asset - RHIA	16,699	
Net pension asset (liability)	(2,577,848)	(1,588,968)
Net position of governmental activities		$ (76,172)

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

LUCKIAMUTE VALLEY CHARTER SCHOOLS
Polk County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2021

		General Fund
REVENUES		
Local revenue	$	249,348
State revenue		2,344,212
Federal revenue		268,923
Total revenues		2,862,483
EXPENDITURES		
Current		
Instruction		1,638,859
Support services		965,238
Community services		114,614
Capital outlay		100,713
Total expenditures		2,819,424
Excess (deficiency) of revenues over (under) expenditures		43,059
Fund balance - beginning		701,229
Fund balance - ending	$	744,288

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

LUCKIAMUTE VALLEY CHARTER SCHOOLS
Polk County, Oregon

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

For the Year Ended June 30, 2021

Net change in fund balance		$ 43,059
Governmental funds report expenditures for capital assets; however in the statement of activities the costs of these assets are allocated over their estimated useful lives and are reported net of depreciation expense. This is the amount by which capital outlay exceeded depreciation in this current period.		
Expenditures for capital asset additions	130,659	
Capital asset disposals, net	(29,946)	
Current year depreciation	(44,938)	55,775
Pension expense that does not meet the measurable and available criteria is not recognized as expense in the current year in the governmental funds. In the statement of activities, pension expense is recognized when determined to have been accrued.		
Pension and OPEB expense		(361,700)
Change in net position		$ (262,866)

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

NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Luckiamute Valley Charter Schools have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

Luckiamute Valley Charter Schools operates under the authority of Dallas School District, who grants a charter to the School and exercises oversight, as required by Oregon law. The School is subject to ORS 338 in connection with the operation of public charter schools. In accordance with ORS 338, the School is organized as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. The School is governed by a five-member board of directors.

Management evaluates tax positions annually based on the guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740. FASB ASC 740 prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing, in the financial statements, tax positions taken or expected to be taken on a tax return, including positions that the Organization is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits. Generally, the School is subject to examination by U.S. federal and state income tax authorities for three years from the filing of a tax return.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from all governmental funds.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column.

All remaining governmental funds, if any, are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental fund:

General Fund – The General Fund is the School's primary operating fund. It accounts for all financial resources of the School. The primary sources of revenue are payments of state school support passed through Dallas School District, program fees, fundraising, and donations.

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The School did not implement the most current accounting guidance: GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which are GAAP departures. If the Schools reported in accordance with the most recent GASB requirements, reported results may differ from those currently presented.

F. Budgetary Information

The School is not subject to Oregon Budget Law. The School prepares an annual budget for management purposes, and for submission to its sponsor School, as required under the terms of its charter. Budgetary comparison schedules are included in this report for additional analysis. Annual budgets are adopted on the modified accrual basis of accounting. Budget amounts shown in the financial statements reflect the original budget amounts.

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

1. Cash and Cash Equivalents

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

2. Capital Assets

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

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

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the asset constructed.

Land and construction in progress are not depreciated. Property, plant, and equipment of the School are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Equipment	5-10
Buildings and improvements	7-39

3. Deferred Outflows/Inflows of Resources (Non-Pension Related)

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time.

4. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

5. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance).

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

6. Fund Balance Policies

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

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

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

Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The School has not formally adopted a policy for commitment or assignment of unrestricted fund balance.

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

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts that School intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

H. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Pensions

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

I. Use of Estimates

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

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the School's deposits may not be returned.

The School holds interest-bearing accounts at Columbia Bank, for which deposits are insured by the Federal Depository Insurance Corporation (FDIC) up to $250,000. Additionally, in March of 2021, the School signed a Demand Deposit Marketplace (DDM) Sweep agreement, which sweeps up to $30,000,000 into multiple banks in order to keep each respective balance under the $250,000 limitation. At June 30, 2021, the School had deposits of $769.527 fully insured by the FDIC.

The School's deposits at June 30, 2021 are as follows:

Checking account	$ 765,200

Cash and cash equivalents by fund:

Governmental activities - unrestricted	
General Fund	$ 765,200

B. Capital Assets

Capital asset transactions for the year ended June 30, 2021 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 63,470	$ -	$ -	$ 63,470
Construction in progress	29,946	-	(29,946)	-
Total capital assets not being depreciated	229,305	-	(29,946)	63,470
Capital assets being depreciated				
Buildings and improvements	712,937	130,659	(6,044)	837,552
Equipment	140,954	-	-	140,954
Total capital assets being depreciated	578,417	130,659	(6,044)	978,506
Less accumulated depreciation for				
Buildings and improvements	(126,798)	(34,826)	6,044	(155,580)
Equipment	(107,776)	(10,112)	-	(117,888)
Total accumulated depreciation	(161,186)	(44,938)	6,044	(273,468)
Total capital assets being depreciated, net	417,231	85,721	-	705,038
Governmental activities capital assets, net	$ 646,536	$ 85,721	$ (29,946)	$ 768,508

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	$ 63,470	$ -	$ 63,470
Buildings and improvements	837,552	(155,580)	681,972
Equipment	140,954	(117,888)	23,066
Total capital assets	$ 1,041,976	$ (273,468)	$ 768,508

Depreciation expense was charged to functions/programs of the School as follows:

Governmental activities	
Unallocated depreciation	$ 44,938

III. OTHER INFORMATION

A. Risk Management

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

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

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

Plan Membership

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

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

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

Plan Benefits

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

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

Pension Benefits

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. Police and Fire members may purchase increased benefits that are payable between the date of retirement and age 65.

Death Benefits

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

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

Disability Benefits

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

Benefit Changes after Retirement

Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations caused by changes in the fair value of the underlying global equity investments of that account.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision. The COLA is capped at 2.0 percent.

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

Pension Benefits

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

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

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

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

Benefit Changes After Retirement

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

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

Pension Benefits

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

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

Death Benefits

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

Contributions

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

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

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

Employer contributions for the year ended June 30, 2021 were $404,797.

Pension Plan Comprehensive Annual Financial Report (CAFR)

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

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

Actuarial Valuations

The employer contribution rates effective July 1, 2019, through June 30, 2021, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2018
Measurement Date	June 30, 2020
Experience Study	2018, published July 24, 2019
Actuarial Assumptions:	
Actuarial Cost Method	Entry age normal

Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with *Moro* decision; blend based on service.
Mortality	**Health 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 the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2018 Experience Study, which reviewed experience for the four-year period ended December 31, 2018. There were no differences between the assumptions and plan provisions used for June 30, 2020 measurement date calculations compared to those shown above.

Actuarial Methods and Assumptions

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

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

<u>Discount Rate</u>

The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Depletion Date Projection

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment. The following circumstances justify an alternative evaluation of sufficiency for OPERS:

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

- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.

- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

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

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors.

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

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

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

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

Asset Class/Strategy	OIC Policy Low Range	OIC Policy High Range	OIC Target Allocation	Actual Allocation[3]
Debt Securities	15.0%	25.0%	20.0%	20.0%
Public Equity	27.5%	37.5%	32.5%	31.8%
Real Estate	9.5%	15.5%	12.5%	11.4%
Private Equity	14.0%	21.0%	17.5%	22.9%
Alternatives Portfolio	7.5%	17.5%	15.0%	10.5%
Opportunity Portfolio[1]	0.0%	3.0%	0.0%	2.1%

Risk Parity[2]	0.0%	2.5%	2.5%	1.3%
Total			100.0%	100.0%

[1]Opportunity Portfolio is an investment strategy, and it may be invested up to 3% of total plan net position.
[2] Risk Parity is a new investment strategy added to the asset allocation mix in 2019.
[3] Based on the actual investment value at 6/30/2020.

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

At June 30, 2021, the School reported a liability of $2,564,235 for its proportionate share of the net pension liability.

The net pension liability was measured at June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the School's proportion was 0.01174991%.

For the year ended June 30, 2021, the School recognized pension expense of $613,575. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 112,857	$ -
Changes of assumptions	137,614	(4,822)
Net difference between projected and actual earnings on investments	301,521	-
Changes in proportionate share	169,635	(64,934)
Differences between employer contributions and employer's proportionate share of system contributions	56,586	(5,388)
Total (prior to post-MD contributions)	778,213	(75,144)
Contributions subsequent to the MD	262,076	-
Total (subsequent to post-MD contributions)	$ 1,040,289	$ (75,144)

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

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
1st Fiscal Year	156,316
2nd Fiscal Year	196,722
3rd Fiscal Year	196,061
4th Fiscal Year	141,828
5th Fiscal Year	12,142

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a higher discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

School's proportionate share of the net pension liability (asset):

1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
$ 3,807,676	$ 2,564,235	$ 1,521,551

Changes Subsequent to the Measurement Date

The legislation held a second special session, August 10, 2020, and passed two budget bills that pertain to PERS. House Bill (HB) 4304 contained the policy updates needed to complete the budget reductions passed in Senate Bill (SB) 5723, reducing the Employer Incentive Fund (EIF) by $35,248,198 with the money going back to the general fund. Additionally, all current and future revenue streams for the EIF were eliminated. The School District Unfunded Liability Fund (SDULF) was reduced by $11,539,471 with that money also going back into the general fund. Governor Brown line-item vetoed parts of HB 4304 restoring funding to the EIF and the SDULF.

The SDULF receives an annual transfer from the proceeds on unclaimed property from the Common School Fund and will receive a transfer in January 2021. While these funding streams currently have no revenue, this does raise the possibility of both of these programs begin funded again in the future.

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

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

C. Other Post-Employment Benefits (GASB 75) RHIA – Oregon PERS Plan

1. Oregon Public Employees Retirement System (PERS) Retirement Health Insurance Account (RHIA) Other Post-Employment Benefit (OPEB) Plan (the Plan)

General Information about the OPEB Plan

The Oregon PERS RHIA consists of a single cost-sharing multiple-employer defined benefit OPEB plan for units of state governmental, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the Plan. As of June 30, 2020, there were 811 participating employers.

Plan Benefits – PERS RHIA (Chapter 238)

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

OPEB Membership

RHIA was established by ORS 238.420 and authorizes a payment of up to $60 from RHIA toward the monthly costs of health insurance.

The Plan is closed to new members hired on or after August 29, 2003. 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 (C) enroll in a PERS-sponsored health plan.

As of June 30, 2020, the inactive RHIA plan participants currently receiving benefits totaled 43,797, and there were 47,611 active and 13,044 inactive members who meet the requirements to receive RHIA benefits when they retire.

Basis of Accounting

Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements. These are amounts normally included in the employer statements cut off as of the fifth of the following month. The schedules of OPEB amounts by Employer does not reflect deferred outflows of resources related to contributions made by employers after the measurement date. Consistent with GASB Statement No. 75, paragraph 59(a), employer proportions are determined as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined.

Contributions

Employer contributions for the year ended June 30, 2020 were $57.

OPEB RHIA Plan Comprehensive Annual Financial Report (CAFR)

All assumptions, methods, and plan provisions used in these calculations are described in the Oregon PERS RHIA Cost-Sharing Multiple-Employer OPEB Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the year ended June 30, 2020. That independently audited report was dated March 5, 2021 and can be found at:

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

Proportionate Share Allocation Methodology

The basis for the employer's proportion 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. If the employer did not make contributions during the fiscal year, their proportionate share will be set to zero and the employer will be allocated no proportionate share of the OPEB amounts.

Actuarial Methods and Assumptions:

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

Actuarial Assumptions:	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Retiree healthcare participation	Healthy retirees: 35%; disabled retirees: 20%
Mortality	**Health 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 Employees, 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 Retirees, 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 the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

- The H.R. 1865 Further Consolidated Appropriations Act, which was signed into law on December 20, 2019, repealed the Cadillac tax on high-cost health plans. The RHIPA Total OPEB asset as of the June 30, 2020 measurement date shown reflects the repeal of the Cadillac tax.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2020 was 7.20. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the 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 was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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

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

Depletion Date Projection

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses.

A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 75 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 75 (paragraph 82) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for OPEB Plan:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 75 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 75 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

There remains substantial uncertainty regarding the impact of COVID-19 on plan costs, including whether the pandemic will increase or decrease costs in the near and longer term. For example, health care expenditures unrelated to COVID-19 have decreased substantially since stay-at-home orders have been in place on account of physician practices closing for most visits and nonemergency surgeries being postponed. Some services will be postponed until a later date while others may never occur, and the drop in utilization for services unrelated to COVID-19 may offset potential increases in health costs related to COVID-19. Therefore, we have deferred making an adjustment to expected plan costs until more information is known. It is possible that the COVID-19 pandemic could have a material impact on the projected costs.

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the School reported an asset of $3,086 for its proportionate share of the OPEB asset. The OPEB asset was measured at June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date.

The School's proportion of the net OPEB asset was based on a projection of the School's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2019 the School's proportion was 0.00151456%. For the year ended June 30, 2021, the School recognized OPEB expense of $3,134.

At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 315
Changes of assumptions	-	164
Net difference between projected and actual earnings on investments	343	-
Changes in proportionate share	7,267	152
Total (prior to post-MD contributions)	7,610	631
Contributions subsequent to the MD	57	-
Total (subsequent to post-MD contributions)	$ 7,667	$ 631

Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service life determined as of the beginning of the June 30, 2020 measurement period is 2.9 years.

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2021.

Other amounts reported by the School as deferred outflows or inflows of resources related to OPEB will be recognized in OPEB expense in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
1st Fiscal Year	3,377
2nd Fiscal Year	3,366
3rd Fiscal Year	127
4th Fiscal Year	108
5th Fiscal Year	-

Sensitivity of the School's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following presents the School's proportionate share of the net OPEB asset calculated using the discount rate of 7.20 percent, as well as what the School's proportionate share of the net OPEB asset would be if it were calculated using a higher discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

School's proportionate share of the net OPEB (asset) liability:

1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
$ (2,491)	$ (3,086)	$ (3,594)

Changes Subsequent to the Measurement Date

We are not aware of any changes subsequent to the June 30, 2020 measurement date that meet the requirement requiring a brief description under the GASB standard.

D. Concentrations of Funding Sources

Luckiamute Valley Charter Schools received a significant portion of its revenue from the state school fund. For the year ended June 30, 2021, the School received approximately 80% of its total revenue from the state school fund.

E. Commitments and Contingencies

1. Commitments

In May 2021, the School signed agreements with Jackson Excavating & Paving for asphalt repairs totaling $32,497 with a 50% down payment and the remainder due upon completion. As of June 30, 2021, the School's outstanding balance was $16,249.

2. Contingencies

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

F. New Pronouncements

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

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

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

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

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

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

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

G. Subsequent Events

Management has evaluated subsequent events through November 1, 2021, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LUCKIAMUTE VALLEY CHARTER SCHOOLS
Polk County, Oregon

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS

OREGON PERS SYSTEM

Schedule of the School's Proportionate Share of the Net Pension Liability

	2021	2020	2019	2018	2017	2016	2015
School's proportion of the net pension liability	0.01174991%	0.01051197%	0.01017924%	0.01150498%	0.01157011%	0.01322321%	0.00971505%
School's proportionate share of the net pension liability	$ 2,564,235	$ 1,818,319	$ 1,542,021	$ 1,550,876	$ 1,736,942	$ 759,205	$(1,172,899)
School's covered-employee payroll	$ 1,000,505	$ 785,328	$ 744,444	$ 772,932	$ 680,582	$ 747,313	$ 470,499
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	256%	232%	207%	201%	255%	102%	-249%
Plan fiduciary net position as a percentage of the total pension liability	75.79%	80.20%	82.07%	83.12%	80.53%	91.88%	103.59%

Schedule of the School's Contributions

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 404,797	$ 347,066	$ 278,449	$ 253,524	$ 200,137	$ 199,981	$ 195,816
Contributions in relation to the contractually required contribution	404,797	347,066	278,449	253,524	200,137	199,981	195,816
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	1,313,975	1,119,568	966,266	991,842	861,292	843,943	815,240
Contributions as a percentage of covered-employee payroll	30.81%	31.00%	28.82%	25.56%	23.24%	23.70%	24.02%

LUCKIAMUTE VALLEY CHARTER SCHOOLS
Polk County, Oregon

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE
OTHER POST EMPLOYMENT BENEFITS AND DISTRICT CONTRIBUTIONS

OREGON PERS SYSTEM RHIA

Schedule of the School's Proportionate Share of the Other Post Employment Benefits

	2021	2020	2019	2018
School's proportion of the OPEB liability (asset)	0.00151456%	0.00864164%	0.00815173%	0.00753874%
School's proportionate share of the OPEB liability (asset)	$ (3,086)	$ (16,699)	$ (9,100)	$ (3,146)
School's covered-employee payroll	$ 1,000,505	$ 785,328	$ 744,444	$ 772,932
School's proportionate share of the OPEB liability (asset) as a percentage of its covered-employee payroll	-0.3%	-2.1%	-1.2%	-0.4%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	150.07%	144.40%	123.99%	108.88%

Schedule of the School's Contributions

	2021	2020	2019	2018
Contractually required contribution	$ 57	$ 108	$ 4,831	$ 4,959
Contributions in relation to the contractually required contribution	57	108	4,831	4,959
Contribution deficiency (excess)		$ -	$ -	$ -
School's covered-employee payroll	1,313,975	1,119,568	966,266	991,842
Contributions as a percentage of covered-employee payroll	0.00%	0.01%	0.50%	0.50%

OTHER INFORMATION

LUCKIAMUTE VALLEY CHARTER SCHOOLS
Polk County, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual
REVENUES			
Local revenue	$ 64,400	$ 184,948	$ 249,348
State revenue	2,646,602	$ (302,390)	2,344,212
Federal revenue	176,618	$ 92,305	268,923
Total revenues	2,887,620	(25,137)	2,862,483
EXPENDITURES			
Current			
Instruction	1,756,492	(117,633)	1,638,859
Support services	1,093,268	(128,030)	965,238
Community services	117,314	(2,700)	114,614
Capital outlay	108,000	(7,287)	100,713
Contingency	20,000	(20,000)	-
Total expenditures	3,095,074	(275,650)	2,819,424
Excess (deficiency) of revenues over (under) expenditures	(207,454)	250,513	43,059
Fund balance - beginning	708,936	(7,707)	701,229
Fund balance - ending	$ 501,482	$ 242,806	$ 744,288

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Luckiamute Valley Charter Schools
Polk County, Oregon 97452

We have audited the financial statements of Luckiamute Valley Charter Schools as of and for the year ended June 30, 2021 and have issued our report thereon dated November 1, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Luckiamute Valley Charter Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

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

Public charter school requirements

In connection with our testing, nothing came to our attention that caused us to believe the School was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the School'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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting. However, we noted certain matters that we have reported to management of the School in a separate letter dated November 1, 2021.

This report is intended solely for the information and use of the board of directors and management of Luckiamute Valley Charter Schools, Dallas School District, and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.

Accuity, LLC

Accuity, LLC

November 1, 2021