



Financial Statements
June 30, 2021

Black Butte Ranch Service District

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Independent Auditor's Report

Deschutes County Commissioners and Managing Board
Black Butte Ranch Service District
Black Butte Ranch, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Black Butte Ranch Service District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary schedules described above are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedules 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 budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of property tax transactions is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of property tax transactions 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. 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 schedule of property tax transactions is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021 on our consideration of the 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 the District’s internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards of Audits of Oregon Municipal Corporations*, we have issued our report dated November 19, 2021 on our consideration of the District’s 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.



For Eide Bailly LLP
Boise, Idaho
November 19, 2021

As management of Black Butte Ranch Service District (the District), we offer readers of Black Butte Ranch Service District's financial statements this narrative overview and analysis of the financial activities of Black Butte Ranch Service District, for the fiscal year ended June 30, 2021.

Financial Highlights

- The assets and deferred outflows of resources of Black Butte Ranch Service District exceeded its liabilities and deferred inflows of resources at June 30, 2021, by \$788,341, of which \$722,155 is unrestricted.
- Total net position increased by \$69,008.
- As of June 30, 2021, Black Butte Ranch Service District's General Fund reported ending fund balance of \$1,435,097, all of which is unassigned fund balance and is 117% of total General Fund fiscal year 2021 revenues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Black Butte Ranch Service District's basic financial statements. These basic financial statements comprise 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 Black Butte Ranch Service District's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how Black Butte Ranch Service District's net position changed during the fiscal year ended June 30, 2021. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items, for example, property taxes and accrued vacation that will result in cash flows in future fiscal periods.

Each of these government-wide financial statements, Statement of Net Position and Statement of Activities, show the functions of Black Butte Ranch Service District that are supported primarily by taxes and inter-governmental revenues (governmental activities). The governmental activity of Black Butte Ranch Service District is public safety.

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

A comparison of the summarized government-wide statements to the prior year is as follows:

Statements of Net Position

	June 30, 2021	June 30, 2020	Change
Assets			
Current assets	\$ 1,455,826	\$ 1,270,394	\$ 185,432
Capital assets, net	66,186	87,966	(21,780)
Total assets	1,522,012	1,358,360	163,652
Deferred Outflows of Resources	279,080	271,833	7,247
Liabilities			
Current liabilities	49,987	56,275	(6,288)
Noncurrent liabilities	856,461	767,624	88,837
Total liabilities	906,448	823,899	82,549
Deferred Inflows of Resources	106,303	86,961	19,342
Net Position			
Investment in capital assets	66,186	87,966	(21,780)
Unrestricted	722,155	631,367	90,788
Total net position	\$ 788,341	\$ 719,333	\$ 69,008

Statements of Activities

	Year Ended June 30, 2021	Year Ended June 30, 2020	Change
Program revenues			
Charges for services	\$ 14,300	\$ 12,100	\$ 2,200
General revenues			
Property taxes	1,150,631	1,079,469	71,162
Investment earnings	10,160	26,802	(16,642)
Other	45,204	41,549	3,655
Total general revenues	<u>1,205,995</u>	<u>1,147,820</u>	<u>58,175</u>
Expenses			
Public safety	<u>1,151,287</u>	<u>1,175,215</u>	<u>(23,928)</u>
Change in Net Position	69,008	(15,295)	84,303
Net Position, Beginning of Year	<u>719,333</u>	<u>734,628</u>	<u>(15,295)</u>
Net Position, End of Year	<u>\$ 788,341</u>	<u>\$ 719,333</u>	<u>\$ 69,008</u>

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Black Butte Ranch Service District, like other state and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Black Butte Ranch Service District's fund is classified as a governmental fund.

Governmental Funds - Governmental funds are used to account for essentially the same functions 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 a government'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 government's near-term financing decisions. A reconciliation from the Governmental Fund Balance Sheet to the Government-wide Statement of Net Position and a reconciliation from the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities have been included in this report.

Black Butte Ranch Service District reported activity in one governmental fund during the fiscal year ended June 30, 2021. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund.

Black Butte Ranch Service District adopts an annual budget for its fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the annual budget.

The Basic Governmental Fund Financial Statements can be found on pages 11-15 of this report.

Notes to the Financial Statements

The notes to the 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 financial statements can be found on pages 16-36 of this report.

Government-wide Financial Analysis

Net position, at a specific point in time, serves as a useful indicator of an entity's financial position. In the case of Black Butte Ranch Service District, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$788,341 at June 30, 2021.

Approximately 8% of Black Butte Ranch Service District's net position represents its investment in capital assets (vehicles and tenant improvements). Black Butte Ranch Service District uses these capital assets to provide service to citizens and these net capital assets are not available for future spending. The remaining 92% of Black Butte Ranch Service District's net position may be used to meet on-going obligations to citizens.

Black Butte Ranch Service District's net position increased by \$69,008 during the year ended June 30, 2021. This was primarily due to various off-setting factors including an increase of investment in capital assets.

Financial Analysis of the District's Fund

Black Butte Ranch Service District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General Fund The focus of Black Butte Ranch Service District's general fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Black Butte Ranch Service District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending as of the end of the fiscal year.

As of June 30, 2021, \$1,435,097 is the reported ending fund balance for Black Butte Ranch Service District's only fund, the General Fund, which is an increase of \$187,777 from June 30, 2020. Revenues in excess of expenditures allows for replacement of capital assets in future years.

General Fund Budgetary Highlights

There were no differences between the Black Butte Ranch Service District's General Fund budget as originally adopted and the final budget. Actual property taxes were \$19,105 lower than estimated; total General Fund actual revenues were fewer than estimated revenues by \$3,641.

Capital Asset

Black Butte Ranch Service District's investment in capital assets for its governmental activities as of June 30, 2021, is \$66,186, net of accumulated depreciation. This investment in capital assets includes vehicles and tenant improvements.

Additional information on Black Butte Ranch Service District's depreciable capital assets is included in Note 3.

Key Economic Factors and Budget Information for the Future

Property tax revenue increased for the fiscal year ended June 30, 2021, due to growth in the local economy. The District has a voter approval serial levy that will generate additional tax revenue through fiscal year 2021.

Requests for Information

This financial report is designed to provide a general overview to those parties interested in Black Butte Ranch Service District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Black Butte Ranch Service District, 13885 Bishops Cap, Black Butte Ranch, Oregon, 97759.

Black Butte Ranch Service District
Statement of Net Position
June 30, 2021

	Primary Government - Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,433,160
Property taxes receivable	22,666
Capital assets	284,571
Accumulated depreciation	<u>(218,385)</u>
Total assets	<u>1,522,012</u>
Deferred Outflows of Resources Related to the District's Defined Benefit Pension Plan	
Net differences between projected and actual investment earnings	100,707
Differences between expected and actual experience	37,695
Changes in assumptions	45,964
Changes in employer proportion	29,014
Differences between employer contributions and proportionate share of contributions	2,302
Contributions subsequent to measurement date	<u>63,398</u>
Total deferred outflows of resources	<u>279,080</u>
Liabilities	
Current liabilities	
Accounts payable and accrued expense	2,883
Accrued compensated absences	45,756
Deferred revenue	1,348
Noncurrent liabilities	
Net pension liability	<u>856,461</u>
Total liabilities	<u>906,448</u>
Deferred Inflows of Resources Related to the District's Defined Benefit Pension Plan	
Changes in assumptions	1,610
Changes in employer proportion	82,604
Differences between employer contributions and proportionate share of contributions	<u>22,089</u>
Total deferred inflows of resources	<u>106,303</u>
Net Position	
Investment in capital assets	66,186
Unrestricted	<u>722,155</u>
Total net position	<u><u>\$ 788,341</u></u>

Black Butte Ranch Service District
Statement of Activities
Year Ended June 30, 2021

	Primary Government - Governmental Activities
Expenses	
Public safety	\$ 1,151,287
Program Revenues	
Charges for services	14,300
Net program expenses	(1,136,987)
General Revenues	
Property taxes levied for general purposes	1,150,631
Earnings on investments	10,160
Other	45,204
Total general revenues	1,205,995
Changes in Net Position	69,008
Net Position, Beginning of Year	719,333
Net Position, End of Year	\$ 788,341

Black Butte Ranch Service District
Balance Sheet – General Fund
June 30, 2021

Assets	
Cash and cash equivalents	\$ 1,433,160
Property taxes receivable	<u>22,666</u>
Total Assets	<u><u>\$ 1,455,826</u></u>
Liabilities	
Accounts payable and accrued expenses	<u>\$ 2,883</u>
Total liabilities	<u>2,883</u>
Deferred Inflows of Resources	
Unavailable revenue - property taxes	<u>17,846</u>
Fund Balance	
Unassigned	<u>1,435,097</u>
Total fund balance	<u>1,435,097</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 1,455,826</u></u>

Black Butte Ranch Service District
 Reconciliation of the Balance Sheet of the General Fund to the Statement of Net Position
 June 30, 2021

Fund Balance	\$ 1,435,097
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported on the Balance Sheet.	66,186
Some of the District's taxes will be collected after year-end, but are not currently available resources and, therefore, are deferred in the funds.	17,846
Deferred revenue	(1,348)
Net pension liabilities and related deferred outflows and inflows of resources are not financial resources and, therefore, are not reported on the Balance Sheet.	
Net pension liability	(856,461)
Deferred outflows	279,080
Deferred inflows	(106,303)
Accrued compensated absences	(45,756)
Net Position of Governmental Activities	\$ 788,341

Black Butte Ranch Service District
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund
Year Ended June 30, 2021

Revenues	
Property taxes	\$ 1,154,578
Interest	10,160
Charges for services	14,300
Other	45,204
Total revenues	1,224,242
Expenditures	
Personnel services	814,153
Materials and services	222,312
Total expenditures	1,036,465
Net Change in Fund Balance	187,777
Fund Balance, Beginning of Year	1,247,320
Fund Balance, End of Year	\$ 1,435,097

Black Butte Ranch Service District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund to
the Statement of Activities
Year Ended June 30, 2021

Net Change in Fund Balance - Total General Fund \$ 187,777

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays 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.

Depreciation (21,780)

Some expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Decrease in compensated absences 7,890

Governmental funds report District pension contributions as expenditures. However in the Statement of Activities, the costs of pension benefits earned net of employee contributions is reported as pension expense.

District pension contribution 63,398

Pension expense (164,330)

Property tax revenue is recognized under the modified accrual basis of accounting only to the extent it has been collected within thirty days of year-end. On the accrual basis Statement of Activities, such revenue is recognized regardless of when collected. (3,947)

Change in Net Position of Governmental Activities \$ 69,008

Black Butte Ranch Service District
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 1,173,683	\$ 1,173,683	\$ 1,154,578	\$ (19,105)
Charges for services	13,200	13,200	14,300	1,100
Interest revenue	11,000	11,000	10,160	(840)
Other	30,000	30,000	45,204	15,204
Total revenues	1,227,883	1,227,883	1,224,242	(3,641)
Expenditures				
Personnel services	1,078,940	1,078,940	814,153	264,787
Materials and services	260,500	260,500	222,312	38,188
Capital outlay	55,000	55,000	-	55,000
Unappropriated balance	859,605	859,605	-	859,605
Total	2,254,045	2,254,045	1,036,465	1,217,580
Operating contingency	350,000	350,000	-	350,000
Total expenditures	2,604,045	2,604,045	1,036,465	1,567,580
Net Change in Fund Balance	(1,376,162)	(1,376,162)	187,777	1,563,939
Fund Balance, Beginning of Year	1,364,162	1,364,162	1,247,320	(116,842)
Fund Balance, End of Year	\$ (12,000)	\$ (12,000)	\$ 1,435,097	\$ 1,447,097

Note 1 - Organization and Summary of Significant Accounting Policies

The District

The Black Butte Ranch Service District (the District) was formed as a political subdivision of Deschutes County, Oregon, on October 18, 1989, under the authority of Oregon Revised Statutes Chapter 451 to provide services to the unincorporated community of Black Butte Ranch, Oregon. Services provided by the District are currently limited to law enforcement.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities or fiduciary funds.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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. 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 eligibility requirements imposed by the provider have been met. It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within thirty days of the end of the current fiscal period. Revenues received after this period are considered unavailable. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and other post-employment benefits are recorded only when payment is due.

Property taxes and intergovernmental revenue associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District. The District reports only one governmental fund:

General Fund - The General Fund is utilized to account for the transactions of the District. Property taxes are the principal sources of revenue. Expenditures are for the operation and administration of the District.

Budget Policy

The District prepares a budget for its fund which meets the requirements of state law. The resolution authorizing appropriations sets the level by which it is unlawful to over expend appropriations. The levels of control are personnel services, materials and services and capital outlay established by resolution. The detailed budget document contains more specific detailed information for the above-mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. The original budget requires hearings before the public, publications in newspapers and approval by the governing body. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the governing body. Appropriations lapse as of year-end.

Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of Government Accounting Standards Board's (GASB's), Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in its own name).
- The District holds the corporate powers of the organization.
- The District appoints a voting majority of the organization's board.
- The District is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the District.
- There is fiscal dependency by the organization on the District.

There were no specific agencies which required consideration under the criterion in the current fiscal year for inclusion in the District's reporting entity.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and amounts in investment pools that have the general characteristics of demand deposit accounts, such as the State of Oregon Treasurer's Local Governmental Investment Pool.

Capital Assets

Capital assets, consisting primarily of police vehicles, are reported in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased. Capital assets are recorded at historical cost. Donated assets are recorded at acquisition value as of the date of the donation.

Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset, are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is calculated on the straight-line basis over estimated useful lives of five years.

Compensated Absences

Accumulated vested vacation pay is accrued as it is earned. Accrued vacation payable is recorded at actual accrued hours times current pay rates plus related fringe benefits. The amount represents a reconciling item between the fund-level and government-wide presentations.

Sick pay, which does not vest, is recognized when leave is taken.

Property Taxes/Unavailable Revenue

Property taxes are assessed on a July 1 — June 30 fiscal year basis. The taxes are levied July 1 based on assessed values as of January 1. Property tax payments are due in three equal installments, on November 15, February 15 and May 15. A discount of 3% is available if taxes are paid in full by November 15 and a discount of 2% on the unpaid balance available if taxes are paid in two-thirds in full by November 15. Property taxes attach as an enforceable lien July 1 and are considered delinquent if not paid by the following May 15. The Deschutes County Treasurer is the tax collection agent for the District. The District's 2021 fiscal year tax levy was \$451,383.

Tax revenue is considered available for expenditure upon receipt by the County, which serves as the intermediary collection agency. Uncollected property taxes are shown on the general fund balance sheet as receivables. Collections within thirty days subsequent to year-end have been accrued and the remaining taxes receivable are recorded as unavailable revenue on the modified accrual basis of accounting, since they are not deemed available to finance operations of the current period.

Deferred Outflows/ Inflows of Resources

In addition to assets, the government-wide statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports in this category the contributions to the Public Employee Retirement System (PERS) retirement plan made subsequent to the measurement date, differences between expected and actual experience, changes in assumptions, differences between employer contributions and the proportionate share of contributions, and the changes in employer proportion.

In addition to liabilities, the government-wide statement of net position and the governmental funds balance sheet 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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources, as a result of the accounting for the District's defined benefit retirement plans, are reported on the government-wide statement of net position. Deferred inflows of resources are reported on the governmental funds balance sheet as a result of reporting using the modified accrual method. The government funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Pension Plans

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Oregon Public Employee Retirement System cost-sharing multiple employer defined benefit pension plan (benefit plan) and additions to/deductions from the benefit plan's fiduciary net position have been determined on the same basis as they are reported by the benefit plan. 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.

Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. Nonspendable, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),
2. Restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation,
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's governing board (the District's highest level of decision-making authority), and can only be reversed by taking the same type of action,
4. Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The District's board makes the assignment based on the Finance Director's recommendation, and,
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

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 then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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 effect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Tax Abatements

The District participates in a number of property tax abatement programs. All such abatement programs are authorized by Oregon revised statutes or by local resolution or ordinance. Some programs are initiated by the District and others by other local governments and state agencies. As the amount of taxes abated during FY 2020 is immaterial, no additional disclosure has been made.

Note 2 - Deposits with Financial Institutions and Investments

Custodial Credit Risk

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. Securities pledged by individual institutions may range from 10% to 110% of public fund deposits depending on the financial institution's level of capitalization as determined by its federal regulatory authority. The custodian, Federal Home Loan Bank of Seattle, is the agent for the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the depository bank, custodian bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors. The District's funds were held by financial institutions that participated in the State Treasurer's program and were in compliance with statutory requirements. The District had bank balances at June 30, 2021, as follows:

Insured (FDIC)	<u>\$ 196,643</u>
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Deposits in External Investment Pool

The District's deposits in the local government investment pool (LGIP) are recorded at cost plus accrued interest at June 30, 2021. The District's deposits in LGIP at June 30, 2021, and related maturity was as follows:

	Redemption Frequency	Amortized Cost
Oregon State Local Government Investment Pool	Daily	\$ 1,231,124

Interest Rate Risk

Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The District holds the LGIP at amortized cost in accordance with investment state statutes.

Credit Risk

State law limits investments to obligations of the United States Treasury and United States Government agencies and instrumentalities, certain bankers' acceptances, repurchase agreements, certain high-grade commercial paper and corporate bonds and obligations of states and municipalities. The District has no investment policy that would further limit its investment choices. The District's investment in the LGIP is not rated. The Pool is not registered with the SEC as an investment company and does not operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investment in the LGIP is not deemed to be a security, which is a transferable financial instrument that evidences ownership, and is, therefore, not subject to custodial credit risk.

Note 3 - Capital Assets

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

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Police vehicles	\$ 253,963	\$ -	\$ -	\$ 253,963
Equipment	15,412	-	-	15,412
Tenant improvements	15,196	-	-	15,196
	284,571	-	-	284,571
Less accumulated depreciation	(196,605)	(21,780)	-	(218,385)
	\$ 87,966	\$ (21,780)	\$ -	\$ 66,186

Depreciation expense of \$21,780 was charged to public safety.

Note 4 - Participation in Public Employees Retirement System

Name of Pension Plan

The Oregon Public Employees Retirement Systems (OPERS or the System) consists of a single cost-sharing multiple employer defined benefit pension plan.

Description of Benefit Terms

All benefits of OPERS are established by the legislature pursuant to ORS Chapters 238 and 238A.

Tier One/Tier Two Retirement Benefit Chapter 238: Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

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

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

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:

- the member was employed by an OPERS employer at the time of death,
- the member died within 120 days after termination of OPERS-covered employment,
- the member died as a result of injury sustained while employed in an OPERS-covered job, or
- the member was on an official leave of absence from an OPERS-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 OPERS judge members) for disability benefits regardless of the length of OPERS-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.

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2021 is 2%.

OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

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

- Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
- General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completed 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. Under current law, the cap on the COLA in fiscal year 2021 is 2%.

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 PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2018. The rates based on a percentage of payroll, first became effective July 1, 2019. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

The employer rate for fiscal year 2020-2021 was 22.67% for Tier 1/Tier 2, 10.96% for OPSRP general employees and 15.59% for OPSRP Police and Fire employees. The above described amount is in addition to the required 6% IAP contribution described later.

Employer contributions for the year ended June 30, 2021 were \$63,398, excluding amounts to fund employer specific liabilities.

A 10-year schedule of system-wide Defined Benefit Pension Plan Contributions can be found beginning on page 76 of the June 30, 2020 PERS CAFR. A 10-year schedule of the District's Defined Benefit Pension Plan Contributions can be found in the Required Supplementary Information of this financial report.

Proportionate Share Allocation Methodology

The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. The rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

The projected long-term contribution effort is estimated by projecting the present value of all future Normal Cost Rate Contributions (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

An employer's PVFNC depends on both the Normal Cost Rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have three different payrolls, each with a different Normal Cost Rate:

- Tier 1/Tier 2 payroll
- OPSRP General Service payroll
- OPSRP Police & Fire payroll

A UAL exists when Plan assets are less than actuarial liability as measured by the Plan's actuarial funding valuations. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The UAL represents the portion of the projected long-term contribution effort related to past service.

The projected long-term contribution effort is equal to the sum of the PVFNC and the UAL. After the employer's projected long-term contribution effort is calculated, that amount is reduced by the value of the employer's supplemental lump-sum payments, known as side accounts, transition surpluses and pre-SLGRP (State and Local Government Rate Pool) surpluses. Side accounts decrease the employer's projected long-term contribution effort because side accounts are effectively pre-paid contributions.

The employer's projected long-term contribution effort does not include contributions toward the current value of transition liabilities and pre-SLGRP liabilities, which PERS has determined meet the definition of separately financed employer liabilities.

If the calculation of the employer's projected long-term contribution effort yields a negative number, the employer's portion of the projected long-term contribution effort will be set to zero and the employer will be allocated no proportionate share of pension amounts.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation Date	31-Dec-18
Measurement Date	30-Jun-20
Experience Study Report	2018, published July 24, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method	Market value of assets
Actuarial assumptions:	
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 adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Maro decision; blend based on service.
Mortality	<p>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..</p> <p>Active members: Pubb-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: 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.</p>

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 based on the 2018 Experience Study.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from 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.

Depletion Date Projection

GASB 68 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 (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 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) 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 Oregon PERS:

- 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 68 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 OPERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Assumed Asset Allocation

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Debt Securities	15.0%	25.0%	20.0%
Public Equity	27.5%	67.5%	32.5%
Private Equity	14.0%	21.0%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	7.5%	17.5%	15.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Risk Parity	0.0%	2.5%	2.5%
Total			<u>100%</u>

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 long-term assumptions developed by both the plan actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows the plan actuary'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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Core Fixed Income	9.60%	4.14%	4.07%	3.90%
Short-Term Bonds	9.60%	3.70%	3.68%	2.10%
Bank/Leveraged Loans	3.60%	5.40%	5.19%	6.85%
High Yield Bonds	1.20%	6.13%	5.74%	9.35%
Large/Mid Cap US Equities	16.17%	7.35%	6.30%	15.50%
Small Cap US Equities	1.35%	8.35%	6.68%	19.75%
Micro Cap US Equities	1.35%	8.86%	6.79%	22.10%
Developed Foreign Equities	13.48%	8.30%	6.91%	17.95%
Emerging Market Equities	4.24%	10.35%	7.69%	25.35%
Non US Small Cap Equities	1.93%	8.81%	7.25%	19.10%
Private Equity	17.50%	11.95%	8.33%	30.00%
Real Estate (Property)	10.00%	6.19%	5.55%	12.00%
Real Estate (REITS)	2.50%	8.29%	6.69%	21.00%
Hedge Funds of Funds - Diversified	1.50%	4.28%	4.06%	6.90%
Hedge Fund - Event - Driven	0.38%	5.89%	5.59%	8.10%
Timber	1.13%	6.36%	5.61%	13.00%
Farmland	1.13%	6.87%	6.12%	13.00%
Infrastructure	2.25%	7.51%	68.00%	13.85%
Commodities	1.13%	5.34%	3.79%	18.70%
Assumed Inflation - Mean			2.50%	1.65%

Sensitivity Analysis of Net Pension (Asset)/Liability to Changes in the Discount Rate

	1% Decrease: 6.20%	Current Discount	1% Increase: 8.20%
Employers' Net Pension Liability - Employer-Specific	\$ 1,271,773	\$ 856,461	\$ 508,203

Mortality

Healthy Retired Members – The following healthy retired mortality tables were first adopted in the December 31, 2018 valuation.

Healthy Retired Members	
Basic Table	Pub-2010 Healthy Retiree, Sex Distinct, Generational Projection with Unisex Social Security Data Scale
School District male	Blend 80% Teachers and 20% General Employees, no set back
Other General Service male (including male beneficiary)	General Employees, set back 12 months
Police and Fire male	Public Safety, no set back
School District female	Teachers, no set back
Other female (including female beneficiary)	General Employees, no set back
Police & Fire Female	Public Safety, set back 12 months

Non-Annuitant Members – The following non-annuitant mortality tables were first adopted in the December 31, 2018 valuation.

Non-Annuitant Members	
Basic Table	Pub-2010 Employee, Sex Distinct, Generational Projection with Unisex Social Security Data Scale
School District male	125% of same table and set back as Healthy Annuitant assumption
Other General Service male	115% of same table and set back as Healthy Annuitant assumption
Police and Fire male	100% of same table and set back as Healthy Annuitant assumption
School District female	100% of same table and set back as Healthy Annuitant assumption
Other female	125% of same table and set back as Healthy Annuitant assumption
Police and Fire female	100% of same table and set back as Healthy Annuitant assumption

Disabled Retired Members – The following disabled retiree mortality rates were first adopted for the December 31, 2018 actuarial valuation.

Disabled Retired Members

Basic Table	Pub-2010 Disabled Retiree, Sex Distinct, Generational Projection with Unisex Social Security Data Scale
Police & Fire Male	Blended 50% Public Safety, 50% Non-Safety, no set back
Other General Service Male	Non-Safety, set forward 24 months
Police & Fire Female	Blended 50% Public Safety, 50% Non-Safety, no set back
Other General Service Female	Non-Safety, set forward 24 months

Ad Hoc Postemployment Benefit Changes

See changes in plan provisions.

Change in Proportionate Share

For fiscal year ending June 30, 2021, the proportionate share was .00392450%, which was a change from the proportionate share for the year ending June 30, 2020, which was .00443775%.

Deferred Inflows of Resources and Deferred Outflows of Resources

Deferred inflow of resources and deferred outflows of resources are calculated at the Plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2021, employers will report the following deferred inflows of resources and/or deferred outflows of resources:

- Difference between expected and actual experience
- Changes in assumptions
- Changes in employer proportion since the prior measurement date
- Difference between projected and actual earnings
- Differences between employer contributions and proportionate share of contributions

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 pension expense based on the balance of the closed period layers attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are described below:

Year ended June 30, 2020 - 5.3 years
 Year ended June 30, 2019 - 5.2 years
 Year ended June 30, 2018 - 5.2 years
 Year ended June 30, 2017 - 5.3 years
 Year ended June 30, 2016 - 5.3 years
 Year ended June 30, 2015 - 5.4 years
 Year ended June 30, 2014 - 5.6 years

The difference between projected and actual earnings attributable to each measurement period is amortized over a closed five-year period.

In addition, employers may need to recognize a difference between their actual employer contributions and their proportionate share of contributions, which is not reflected in the Schedule of Pension Amounts by Employer. GASB 68 requires employers to amortize that difference over the remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employer contributions made after the measurement date are also excluded from the Schedule of Pension Amounts by Employer. Appropriate treatment of such amounts is the responsibility of the employer.

Employer Contributions

PERS includes accrued contributions when due pursuant to legal requirements, as of June 30 in its Statement of Changes in Fiduciary Net Position. These are normally included in the employer statements cut off as of the fifth of the following month. PERS does not try to accrue contributions based on pay date.

Elements of Changes in Net Position

Information regarding system-wide changes in net position can be found in the Schedule of Changes in Net Pension Liability found on page 76, of the June 30, 2020 PERS CAFR at <https://www.oregon.gov/PERS/Pages/Financials/Actuarial-Presentations-and-Reports.aspx>.

Net Pension Liability

Net pension liabilities are calculated at the system-wide level and are allocated to employers based on their proportionate share. UAL Side Accounts are included as assets in this calculation. The rate setting actuarial valuation will continue to allocate the UAL Side Account, transitional or pre-SLGRP liabilities or surpluses as adjustments to the respective employers.

Individual Account Plan (IAP) Plan Description – OPSRP Individual Account Program (OPSRP IAP)

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.

The required employee contribution of 6% is paid by the District as a result of a collective bargaining agreement.

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.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

Schedule of Pension Amounts under GASB 68

Measurement Date [MD] of the Net Pension Liability/(Asset) [NPL/(A)]	June 30, 2020
Actuarial Valuation Date (liability rolled forward to MD)	December 31, 2018
The District's proportionate share at MD	0.00392450%
The District's proportionate share of system NPL at MD	\$ 856,461
District's Pension Expense for Measurement Period	
District's proportionate share of system Pension Expense	\$ 195,898
Net amortization of deferred amounts from:	
Changes in proportionate share	(26,268)
Differences between District contributions and District's proportionate share of system contributions and adjustment	(6,910)
	(6,910)
District's Total Pension Expense	\$ 162,720

	Deferred Outflow of Resources	Deferred Inflow of Resources
Net difference between projected and actual earnings on investments	\$ 100,707	\$ -
Changes in assumptions	45,964	1,610
Differences between expected and actual experience	37,695	-
Changes in employer proportion	29,014	82,604
Differences between employer contributions and proportionate share of contributions	2,302	22,089
Employer contributions subsequent to the measurement date	63,398	-
Total	\$ 279,080	\$ 106,303

For the year ended June 30, 2021, \$63,398 is reported as deferred outflows of resources resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Amounts reported as deferred outflows or inflows of resources related to pension will be recognized in pension expense as follows:

<u>Subsequent fiscal years</u>	<u>Amounts Reported</u>
2021-2022	\$ 14,863
2022-2023	38,836
2023-2024	39,313
2024-2025	20,401
2025-2026	(4,034)
Total	\$ 109,379

Note 5 - Other Post-Employment Benefits

Oregon Public Employees Retirement System — Retirement Health Insurance Account (RHIA)

Plan Description As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution (currently \$60 per month) toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The Plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy - Because RHIA was created by enabling legislation ORS 238.420 contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 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 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 a 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 public employers are contractually required to contribute to RHIA at a rate assessed each biennium by OPERS. For fiscal year 2021 the rate is 0.50% of annual covered payroll for Tier 1/Tier 2 employees and 0.43% for OPSRP employees. The OPERS sets the net-retiree healthcare rate based on the estimated OPEB expense of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The OPEB expense represents the annual cost allocated to the current year (service cost) and the amortization of any unfunded accrued liability of the plan. The unfunded accrued liabilities are amortized over a closed period equal to the average of the expected remaining lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees). The District's contributions to RHIA were consistent with the net-retiree healthcare rate as charged by OPERS. The District's participation in RHIA is immaterial to the financial statements.

Black Butte Ranch Service District Retiree Health Plan

Plan Description The District does not have a formal post-employment benefits plan for any employee groups. However, the District is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Although the District does not pay any portion of the retirees' healthcare insurance, a retired employee could receive an implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active employees.

Funding Policy Although the District does not currently have any retirees participating in their health insurance plan, it will, when applicable, collect insurance premiums from all retirees each month and deposit them in the General Fund. The District will then pay healthcare insurance premiums for all retirees at the blended rate for each family classification. Since the existing coverage is through a multiple-employer plan, given the District's small size in relation to the other employers, the District's rate is not affected by the age of its participants in the Plan. Therefore, as there is no implicit benefit considered to be earned by current employees, the District does not report a liability for any potential accrued liability under GASB Statement No. 75.

The District reported no Net OPEB liability for the year ended June 30, 2021.

Note 6 - Lease Commitment

The District leases facilities from Black Butte Ranch Corporation under an operating lease agreement. The lease commenced in January 2008 and renewed January 1, 2016, for a five-year term. The agreement includes indefinite renewal options of five years each based on the District obtaining additional funding through voter approved tax levies.

Future minimum payments under the lease are the following for the fiscal years ending June 30:

2022		\$	52,554
2023			52,554
2024			52,554
2025			52,554
2026			52,554
			52,554
			\$ 262,770

Rental expense on the lease totaled \$50,589 for the year ended June 30, 2021.

Note 7 - Compensated Absences

The following is a summary of compensated absences transactions for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Compensated absences	\$ 53,646	\$ 76,852	\$ (84,742)	\$ 45,756	\$ 45,756

Note 8 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. To reduce the risk of incurring material losses related to the above, the District pays annual insurance premiums to a commercial supplier. Limitations on claims are as follows: General liability up to \$10,000,000 and pollution liability up to \$250,000. The District also carries commercial insurance for workers' compensation and employee health and accident insurance. Settled claims from those risks have not exceeded commercial insurance coverage in any of the past three years.



Required Supplementary Information
June 30, 2021

Black Butte Ranch Service District

Black Butte Ranch Service District
 Schedule of Proportionate Share of the Net Pension Liability
 Oregon Public Employee Retirement System Defined Benefit Pension Plan
 Last 10 Fiscal Years*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Proportion of the net pension liability (asset)	N/A	N/A	0.004%	0.004%	0.006%	0.005%	0.004%	0.004%	0.004%	0.004%
Proportionate share of the net pension liability (asset)	N/A	N/A	\$ 216,029	\$ (95,956)	\$ 325,776	\$ 729,588	\$ 558,351	\$ 611,651	\$ 767,624	\$ 856,461
Covered payroll	N/A	N/A	\$ 444,839	\$ 418,330	\$ 464,273	\$ 503,743	\$ 499,903	\$ 528,384	\$ 447,092	\$ 437,075
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	N/A	N/A	48.56%	-22.94%	70.17%	144.83%	111.69%	115.76%	171.69%	195.95%
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	91.97%	103.60%	91.88%	80.53%	83.12%	82.10%	80.20%	75.80%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Date reported is measured as of the measurement date which lags one year behind the fiscal year.

Black Butte Ranch Service District
Schedule of Employer Contributions
Oregon Public Employee Retirement System Defined Benefit Pension Plan
Last 10 Fiscal Years*

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually Required contributions	N/A	N/A	\$ 50,644	\$ 44,155	\$ 47,537	\$ 44,999	\$ 59,825	\$ 54,592	\$ 81,415	\$ 63,398
Contributions in relation to the contractually required contribution	N/A	N/A	\$ 50,644	\$ 45,944	\$ 45,856	\$ 41,190	\$ 43,947	\$ 36,659	\$ 75,537	\$ 74,505
Contribution deficiency (excess)	N/A	N/A	\$ -	\$ 1,789	\$ (1,681)	\$ (3,809)	\$ (15,878)	\$ (17,933)	\$ (5,878)	\$ 11,107
Covered payroll	N/A	N/A	\$ 418,330	\$ 464,273	\$ 503,743	\$ 499,903	\$ 528,384	\$ 447,092	\$ 437,075	\$ 448,009
Contributions as a percentage of covered-payroll	N/A	N/A	12.11%	11.14%	9.88%	8.24%	8.32%	8.20%	17.28%	16.63%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of the fiscal year end.



Other Supplementary Information
June 30, 2021

Black Butte Ranch Service District

Black Butte Ranch Service District
Schedule of Property Tax Transactions
Year Ended June 30, 2021

Tax Year	Beginning Balance and 2020-21 Levy	Adjustments	Interest (Discounts)	Collections	Taxes Receivable June 30, 2021
2020-2021 Local Option Levy	\$ 451,383	\$ (469)	\$ (11,733)	\$ (434,875)	\$ 4,306
2020-2021	729,087	(758)	(19,073)	(702,300)	6,956
2019-2020 Local Option Levy	4,738	(7)	247	(3,414)	1,564
2019-2020	9,048	(14)	298	(6,344)	2,988
2018-2019 Local Option Levy	1,877	(9)	207	(1,261)	814
2018-2019	3,584	(16)	251	(2,264)	1,555
2017-2018 Local Option Levy	1,049	(9)	240	(995)	285
2017-2018	2,005	(18)	292	(1,733)	546
2016-2017 Local Option Levy	388	(6)	122	(438)	66
2016-2017	740	(13)	149	(753)	123
2015-2016 Local Option Levy	40	(3)	24	(70)	(9)
2015-2016	78	(5)	29	(119)	(17)
2014-2015 Local Option Levy	73	(2)	24	(63)	32
2014-2015	136	(4)	29	(104)	57
2013-2014 Local Option Levy	18	-	2	(6)	14
2013-2014	34	-	3	(9)	28
Prior	306	(4)	37	(74)	265
Totals	<u>\$ 1,204,584</u>	<u>\$ (1,337)</u>	<u>\$ (28,852)</u>	<u>(1,154,822)</u>	<u>\$ 19,573</u>
Reconciling item				838	
Adjustments for Accruals					
June 30, 2020				(3,669)	
June 30, 2021				3,075	
Modified accrual basis tax revenue				<u>\$ (1,154,578)</u>	



Additional Reports
June 30, 2021

Black Butte Ranch Service District



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Deschutes County Commissioners and Managing Board
Black Butte Ranch Service District
Black Butte Ranch, Oregon

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 statement of the governmental activities and the general fund of Black Butte Ranch Service District (the District), which comprise the statement of net position as of June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 may exist that have not yet been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
November 19, 2021

Audit Comments and Disclosures Required by State Regulations

Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.



Independent Auditor’s Report Required by Oregon State Regulations

Deschutes County Commissioners and Managing Board
 Black Butte Ranch Service District
 Black Butte Ranch, Oregon

We have audited the basic financial statements of Black Butte Ranch Service District (the District) as of and for the year ended June 30, 2021, and have issued our report thereon dated November 19, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards of Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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 provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statements amounts:

OAR	Section	Instances of Non-Compliance Identified
162-010-0000	Preface	Not Applicable
162-010-0010	Definitions	Not Applicable
162-010-0020	General Requirements	None noted
162-010-0030	Contracts	None noted
162-010-0050	Financial Statements	None noted
162-010-0115	Required Supplementary Information (RSI)	None noted
162-010-0120	Supplementary Financial Information	None noted
162-010-0130	Schedule of Revenues, Expenditures / Expenses, and Changes in Fund Balances / Net Position, Budget and Actual (Each Fund)	None noted
162-010-0140	Schedule of Accountability for Independently Elected Officials	Not Applicable
162-010-0150	Schedule of Property Tax Transactions or Acreage Assessments	None noted
162-010-0190	Other Financial or Statistical Information	Not Applicable
162-010-0200	Independent Auditor's Review of Fiscal Affairs	None noted
162-010-0230	Accounting Records and Internal Control	None noted
162-010-0240	Public Fund Deposits	None noted
162-010-0250	Indebtedness	Not Applicable
162-010-0260	Budget	None noted
162-010-0270	Insurance and Fidelity Bonds	Not Applicable
162-010-0280	Programs Funded from Outside Sources	Not Applicable

OAR	Section	Instances of Non-Compliance Identified
162-010-0295	Highway Funds	Not Applicable
162-010-0300	Investments	None noted
162-010-0310	Public Contracts and Purchasing	Not Applicable
162-010-0315	State School Fund	Not Applicable
162-010-0316	Public Charter Schools	Not Applicable
162-010-0320	Other Comments and Disclosures	Not Applicable
162-010-0330	Extensions of Time to Deliver Audit Reports	Not Applicable

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 test disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

Internal Control Over Financial Reporting

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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 may exist that have not yet been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Seulen Miller". The signature is written in a cursive, flowing style.

For Eide Bailly LLP
Boise, Idaho
November 19, 2021