

HARNEY COUNTY SCHOOL DISTRICT NO. 3

**INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS
AND
SINGLE AUDIT**

For the Year Ended June 30, 2021



HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
BOARD OF DIRECTORS AND OFFICIALS
June 30, 2021

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>
Randy Fulton PO Box 332 Burns, OR 97720	1 - Chair
Nanci Norris PO Box 852 Hines, OR 97738	2 - Director
Doug Gunderson 70029 Hwy 205 Burns, OR 97720	3 - Director
Dan Winn PO Box 977 Hines, OR 97738	4 - Vice Chair
Rob Frank PO Box 1381 Hines, OR 97738	5 - Director

ADMINISTRATIVE STAFF

Steve Quick	Superintendent
Son Burns	Hines Middle School
Stephanie Lardy	Henry L. Slater Elementary School
Robert Medley	Burns High School
Megan Hunter	Monroe School
Cara Wilber, Oster Professional Group, CPAs	Business Manager

190 Hines Blvd
Burns, OR 97720

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Burns, Harney County, Oregon
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Harney County School District No. 3
Burns, Harney County, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harney County School District No. 3, Burns, Oregon (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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the county as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The district's 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the district's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited the district's 2020 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, or historical context. We have applied certain limited procedures to the 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.

The schedules of PERS proportionate share of net pension liability and PERS contributions, schedules of RHIA proportionate share of Net OPEB liability and RHIA contributions, schedules of changes in OEGB total OPEB liability and OEGB contributions, and budget to actual schedule for the General Fund and Special Revenues Fund as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Supplementary and 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 accompanying budgetary comparison information, the supplementary schedules as listed in the table of contents, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, the supplementary schedules as listed in the table of contents, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are the responsibility of management and were derived from and relate 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 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 comparison information, the supplementary schedules as listed in the table of contents, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 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 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.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 23, 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.

A handwritten signature in black ink, appearing to read "Matt Hand". The signature is written in a cursive, flowing style.

For Solutions, CPAs PC
John Day, Oregon
December 23, 2021

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

As management of Harney County School District No. 3 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- Reported in the government-wide financial statements at June 30, 2021, the District's assets exceeded its liabilities by \$409,959. This is primarily due to the increase in cash of \$1,480,027.
- The District's net investment in capital assets totaled \$2,638,558.
- The District's total net position increased by \$1,996,317 (after taking into account a prior period adjustment of \$188,541). In the 2021 fiscal year the district received \$7,349,158 in state school support funding compared to \$7,343,883 that was received in 2020. The District's student enrollment decreased from 837 in 2019-2020 to 735 in 2020-2021 based on the average daily membership (ADMr).
- At June 30, 2021, the unassigned fund balance for the General Fund was \$4,046,374 or approximately 44% of total General Fund expenditures (including transfers).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position: The Statement of Net Position presents information on all of the assets and liabilities of the District at year end. Net Position is the difference remaining after liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities: The Statement of Activities presents information showing how net position of the District has changed during the year by reporting revenues, expenses, and other transactions that either increase or reduce net position. All changes in net position are recorded as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items result in cash flows into future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

In the government-wide financial statements, the District's activities are shown in one category:

Governmental activities: Most of the District's basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, facilities acquisition, and construction. These activities are primarily financed through property tax revenues, Oregon State School Fund, and other intergovernmental revenues.

The government-wide financial statements can be found on pages 14 through 16 of this report.

Fund Financial Statements: The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. 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. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District are considered governmental funds.

The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Activities.

The District maintains three major individual governmental funds and one nonmajor fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Special Revenue Fund, and Debt Service Fund, all of which are considered to be major funds. The basic governmental funds financial statements can be found on pages 17 through 24 of this report. The Capital Projects Fund is the only nonmajor fund, so its information is also presented separately within the governmental fund's financial statements.

Notes to Basic Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 25 through 50 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the General Fund, Special Revenue Fund, and Debt Service Fund. Required supplementary information can be found on pages 53 through 60 of this report.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceed liabilities by \$409,959 at June 30, 2021. As mentioned previously, the District carries significant debt through the General Obligation and Pension bonds. With the advent of GASB Statement No. 68, prepaid pension contributions are not recognized. The District's proportionate share of the net pension liability was zero percent due to the significant side account invested at PERS on the District's behalf.

Assets

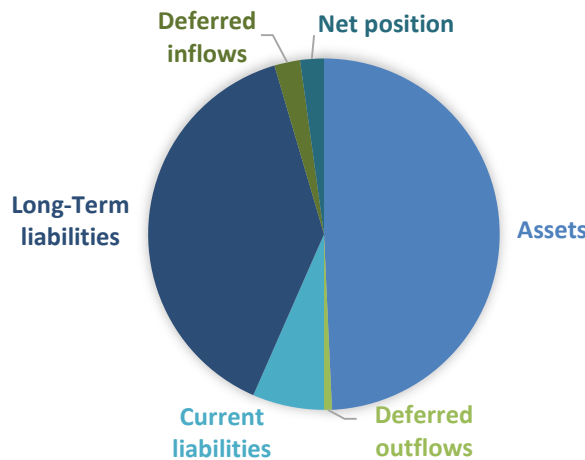
Capital assets consist of the District's land, buildings, building improvements, vehicles, and equipment, which represent approximately 41% of total assets. For the year ended June 30, 2021, larger investments in capital assets included a new 2020 77 passenger Blue Bird Bus, security systems for Hines and Slater schools, and continued expenses related to improvements for the Slater gym flooring as well as a variety of other equipment and improvements. The remaining assets consist mainly of investments, cash, grants receivable, and property taxes receivable.

Liabilities

The District's largest liability consist of three PERS Bond issues (2002, 2003 and 2011). The bonds were sold to finance the PERS unfunded actuarial liability (UAL). At June 30, 2021, the bonds totaled \$6,445,544.

The District also reported a \$499,800 liability to reflect the implicit rate subsidy for the District's retiree health insurance. The implicit rate subsidy is produced by State Statute that requires the District to offer health insurance to retirees at the lower rate paid for current employees until the retiree turns 65 years of age. In an open, private market, retirees would pay higher premiums to cover increased healthcare costs related to their age. The lower rates enjoyed by the District's retirees creates a net OPEB liability that the District is required to record on its financial statements.

In addition, the District has a 2006 General Obligation Bond, which was issued to finance capital construction and improvements. The bonds were refunded in 2018 with an estimated savings of \$128,300. The principal balance totaled \$955,133 and matures in 2026.

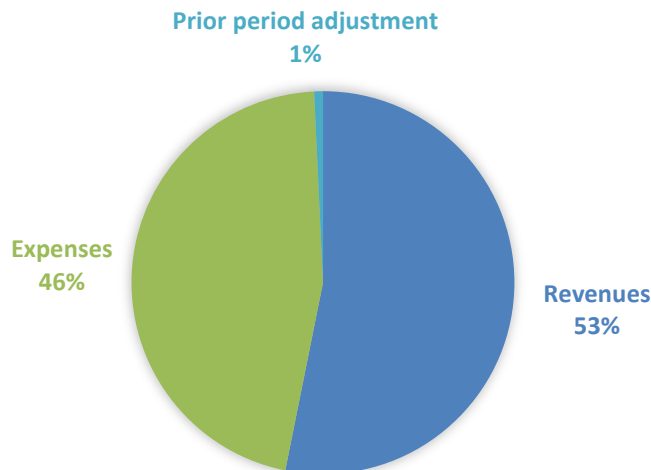


HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

Condensed Statement of Net Position
June 30, 2021

	Governmental Activities		
	2021	2020	Difference
Current and other assets	\$ 5,513,110	\$ 4,073,587	\$ 1,439,523
Capital assets, net of accumulated depreciation	3,844,338	3,885,928	(41,590)
Total assets	<u>9,357,448</u>	<u>7,959,515</u>	<u>1,397,933</u>
Deferred outflows of resources	140,064	153,355	(13,291)
Total deferred outflows of resources	<u>140,064</u>	<u>153,355</u>	<u>(13,291)</u>
Current liabilities	1,251,429	1,220,319	31,110
Long-term debt	7,384,350	8,131,759	(747,409)
Total liabilities	<u>8,635,779</u>	<u>9,352,078</u>	<u>(716,299)</u>
Deferred inflows of resources	451,774	347,150	104,624
Total deferred inflows of resources	<u>451,774</u>	<u>347,150</u>	<u>104,624</u>
Net position			
Net investment in capital assets	2,638,558	2,460,855	177,703
Restricted for special programs	303,527	126,641	176,886
Restricted for debt service	69,712	134,306	(64,594)
Restricted for capital projects	300,199	241,616	58,583
Unrestricted	(2,902,037)	(4,549,776)	1,647,739
Total net position	<u>\$ 409,959</u>	<u>\$ (1,586,358)</u>	<u>\$ 1,996,317</u>

The District's unrestricted net position of \$409,959 is due to the decreases in expenses and increase in revenues that helped increase cash balances by \$1,480,027. Net investments in capital assets make up the largest portion of district equity. The District uses these capital assets to provide services to students, staff, and other District residents; consequently, these assets are not available for future spending.



HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

Condensed Statement of Changes in Net Position
For the year ended June 30, 2021

	Governmental Activities		
	2021	2020	Difference
Revenues			
Program revenues			
Charges for services	\$ 1,089,119	\$ 1,184,542	\$ (95,423)
Operating grants and contributions	1,992,444	1,664,203	328,241
General revenues			
Property taxes	2,193,693	1,885,730	307,963
State school fund - general support	7,349,158	7,343,883	5,275
Other state and local sources	65,386	48,724	16,662
Other federal sources	93,926	149,486	(55,560)
Other unrestricted sources	673,164	612,007	61,157
Interest on investments	35,186	84,137	(48,951)
Miscellaneous	175,272	250,686	(75,414)
Gain (Loss) on Sale of Property	3,950	-	3,950
Total revenues	<u>13,671,298</u>	<u>13,223,398</u>	<u>447,900</u>
Expenses			
Instruction	6,449,675	6,334,580	115,095
Support services	4,388,942	4,602,822	(213,880)
Enterprise and community services	308,545	326,908	(18,363)
Facilities acquisition and construction	10,647	75,530	(64,883)
Interest on long-term debt	705,713	864,573	(158,860)
Total expenses	<u>11,863,522</u>	<u>12,204,413</u>	<u>(340,891)</u>
Change in Net Position	1,807,776	1,018,985	788,791
Net Position - July 1,	(1,586,358)	(2,605,343)	1,018,985
Prior period adjustment	188,541	-	188,541
Net Position - June 30	<u>\$ 409,959</u>	<u>\$ (1,586,358)</u>	<u>\$ 1,996,317</u>

For the year ended June 30, 2021, revenues increased \$447,900 from the previous year. The district received more State school funds than the prior year due to the State's higher budget for the biennium. The district also receives a significant amount of revenues related to property taxes collected through the county.

In its continual efforts to provide a quality and comprehensive education, the District had an Attendance Advocate in 2020-2021 and staff received an increase in salaries and benefits per negotiated agreements.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

General Fund: The General Fund is the primary operating fund of the District. As of June 30, 2021, unassigned budget basis fund balance was \$4,046,374. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The fund balance represents approximately 44% of total General Fund expenditures (including transfers).

- Tax revenue was \$2,012,349 for the year compared with \$1,749,826 in the prior year, which is an increase of \$292,523 attributable to increased collection rates at the county and assessed property values in the taxing district.
- Total revenue increased from \$10,029,711 in 2020 to \$10,133,955 in 2021. Increases in both property tax revenues and other operating grants helped account for an overall increase in revenues.
- Salaries and insurance benefits were increased for both certified and classified staff as a result of bargaining with both groups.

The General Fund's ending fund balance on June 30, 2021 totaled \$4,046,374 compared to \$2,935,177 in the prior year.

Special Revenue Fund: Special Revenue Funds are designated for specific programs and are primarily funded from federal and state grants, state contract, food service grants, student-athlete participation fees and elementary student body fund raising. The Special Revenue Fund has a restricted fund balance totaling \$303,527 with the majority comprised of the Student Body Funds.

Debt Service Fund: The Debt Service Fund has a fund balance of \$69,712, which is restricted for the payment of debt. This fund accounts for 1) the payment of the District's PERS UAL bonds and 2) payment of its General Obligation Bond issued in 2006.

Capital Projects Fund: The Capital Projects Fund is designated for District capital purchases and/or improvements to buildings and has a fund balance of \$300,199 at June 30, 2021. The entire balance is assigned for the purpose of providing funds for capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund Budget is primarily supported by property tax revenues and state resources allocated through the State School Fund. For the year ended June 30, 2021, the State School Fund – General Support provided 72% of the District's program resources for the General Fund. The percentage climbs to 93% when taxes and other state formula sources are included. Revenues were over budget by \$407,911 and expenditures were under budget by \$2,664,729.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets includes land, building, and improvements, vehicles and equipment, and construction in progress. As of June 30, 2021, the District had invested \$3,844,336 in capital assets, net of accumulated depreciation. The District's net investment in capital assets decreased by \$41,592.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

The 2021 investments included several items: New 3d printers, boiler repairs, improvements to Slater Elementary School's flooring, Volleyball net systems, two new busses, security system upgrades for Slater Elementary and Hines Middle School, and other equipment.

Additional information on the District's capital assets can be found in note 5 on pages 33 through 34 of this report.

Long-Term Debt: At the end of the current fiscal year, the District's bonded debt totaled \$7,400,677. Of this amount, the pension bonds totaled \$6,445,544, and the General Obligation bond balance totaled \$955,133. The bonds were refunded with approximate \$128,300 savings in 2018.

The District also carried bus leases, the Burns High School heat controller lease, and the Burns High School football field lighting loan totaling \$250,645 at June 30, 2021.

Additional information on the District's long-term debt can be found in notes 6 through 10 on pages 34 through 37 and on pages 79 and 80 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors and Next Year's Budget

The District's 2021-2022 budget is based on the approximate \$9.1 billion statewide education budget proposed by the governor for the 2021-2023 biennium. The total adopted budget figure of approximately \$17,702,505 includes an ad valorem tax rate of 4.8662 per \$1000 of assessed property value for a permanent tax rate subject to the education limitation and \$215,000 excluded from the limitation for debt service for general obligation bonds.

The 2021-2022 budget includes increases for SIA and ESSER grant funding and has plans for capital purchases including classroom furniture, phone/intercoms, and various technological improvements to help improve the appearance and functionality of the schools.

The COVID-19 pandemic will have some form of budget impact for several years to come. The board and budget committee will keep that and the current student enrollment numbers in mind when preparing the 2022-2023 budget. To help assist in the technological and safety needs of its students, a K-8 Homelink/Online teacher was hired in 2021-2022 in hopes of building a new program to consider challenges with teaching during the global pandemic conditions.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) a general overview of the District's finances as well as demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information can be obtained by calling the District's business office at (541) 573-6811 or by sending a written request to: Harney County School District No. 3, Business Office 190 Hines Blvd; Burns, OR 97720.

BASIC FINANCIAL STATEMENTS

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HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
STATEMENT OF NET POSITION
June 30, 2021
(With Comparative Totals for 2020)

	Governmental Activities	
	June 30, 2021	June 30, 2020
ASSETS		
Cash and investments	\$ 4,729,784	\$ 3,249,757
Receivables		
Property taxes	171,320	216,472
Other	610,046	604,669
Discount on bonds payable (net of amortization)	1,962	2,689
Capital assets (net of accumulated depreciation)		
Construction in progress	-	10,000
Land improvements	765,788	832,323
Buildings	2,313,778	2,456,589
Equipment	764,770	587,016
Total capital assets	3,844,336	3,885,928
Total assets	9,357,448	7,959,515
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions/OPEB	140,064	153,355
LIABILITIES		
Current liabilities		
Accounts payable	104,812	92,661
Accrued liabilities	379,845	360,886
Current portion of long-term debt	766,772	766,772
Total current liabilities	1,251,429	1,220,319
Long term liabilities		
Net OPEB obligation	499,800	553,683
Leases and loans payable	250,645	275,540
General obligation bonds payable	955,133	1,149,533
Pension bonds payable	6,445,544	6,919,775
Less current portion of long term debt	(766,772)	(766,772)
Total long term liabilities	7,384,350	8,131,759
Total liabilities	8,635,779	9,352,078
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to property tax and grant revenues	167,433	-
Deferred inflows related to OPEB	284,341	347,150
Total deferred revenues	451,774	347,150
NET POSITION		
Net investment in capital assets	2,638,558	2,460,855
Restricted for special programs	303,527	126,641
Restricted for debt service	69,712	134,306
Restricted for capital projects	300,199	269,396
Unrestricted (deficit)	(2,902,037)	(4,577,556)
Total net position	\$ 409,959	\$ (1,586,358)

The Notes to Basic Financial Statements are an integral part of these statements.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
 Burns, Harney County, Oregon
STATEMENT OF ACTIVITIES
 For the Year Ended
 June 30, 2021
 (With Comparative Totals for 2020)

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities			
Instruction			
Regular programs	\$ 4,564,911	\$ 1,128	\$ 600,621
Special programs	1,786,162	-	863,824
Adult education programs	95,202	-	-
Summer school programs	3,400	-	-
Supporting services			
Students	578,519	-	271,965
Instructional staff	186,855	-	27,903
General administration	302,300	-	-
School administration	1,040,600	-	-
Business services	1,929,578	-	51,813
Central support services	351,090	-	-
Enterprise and community services			
Food services	274,502	7,606	176,318
Community services	34,043	-	-
Facilities acquisition and construction	10,647	-	-
Interest paid on long-term debt	705,713	1,080,385	-
Total governmental activities	\$ 11,863,522	\$ 1,089,119	\$ 1,992,444

General revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- State school fund
- Common school fund
- Other federal grants
- Other unrestricted funds
- Unrestricted investment earnings
- Miscellaneous

Total general revenues

Gain from sale of fixed assets

Changes in net position

Net position - beginning

Prior period adjustment

Net position - ending

The Notes to Basic Financial Statements are an integral part of these statements.

Net (Expense) Revenue and Changes in Net Position	
Governmental Activities	
June 30, 2021	June 30, 2020
\$ (3,963,162)	\$ (4,147,716)
(922,338)	(957,205)
(95,202)	(90,134)
(3,400)	-
(306,554)	(463,254)
(158,952)	(171,153)
(302,300)	(308,436)
(1,040,600)	(1,049,940)
(1,877,765)	(1,716,373)
(351,090)	(583,839)
(90,578)	(33,273)
(34,043)	(32,644)
(10,647)	(30,530)
374,672	228,829
<u>(8,781,959)</u>	<u>(9,355,668)</u>
1,978,011	1,692,077
215,682	193,653
7,349,158	7,343,883
65,386	48,724
93,926	149,486
673,164	612,007
35,186	84,137
175,272	250,686
<u>10,585,785</u>	<u>10,374,653</u>
3,950	-
1,807,776	1,018,985
(1,586,358)	(2,605,343)
188,541	-
<u>\$ 409,959</u>	<u>\$ (1,586,358)</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021
(With Comparative Totals for 2020)

	100 General Fund	200 Special Revenue Fund	300 Debt Service Fund	Nonmajor Fund
ASSETS				
Cash and investments	\$ 4,235,813	\$ 129,363	\$ 64,408	\$ 300,199
Receivables				
Property taxes	153,621	-	19,432	-
Other	225,133	383,180	-	-
Due from other funds	-	-	-	-
Total assets	\$ 4,614,567	\$ 512,543	\$ 83,840	\$ 300,199
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 63,854	\$ 40,408	\$ -	\$ -
Accrued liabilities	379,219	168,608	-	-
Due to other funds	-	-	-	-
Total liabilities	443,073	209,016	0	0
Deferred inflows of resources				
Unavailable property tax revenue	125,120	-	14,128	-
Total deferred inflows of resources	125,120	0	14,128	0
Fund balances				
Restricted	-	303,527	69,712	-
Assigned	-	-	-	300,199
Unassigned	4,046,374	-	-	-
Total fund balances	4,046,374	303,527	69,712	300,199
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,614,567	\$ 512,543	\$ 83,840	\$ 300,199

The Notes to Basic Financial Statements are an integral part of these statements.

Total	
June 30, 2021	June 30, 2020
\$ 4,729,782	\$ 3,249,758
173,053	216,472
608,313	604,669
-	423,055
<u>\$ 5,511,148</u>	<u>\$ 4,493,954</u>
\$ 104,262	\$ 92,661
547,827	360,886
-	423,055
<u>652,089</u>	<u>876,602</u>
<u>139,248</u>	<u>179,612</u>
<u>139,248</u>	<u>179,612</u>
373,239	260,947
300,199	241,616
<u>4,046,373</u>	<u>2,935,177</u>
<u>4,719,811</u>	<u>3,437,740</u>
<u>\$ 5,511,148</u>	<u>\$ 4,493,954</u>

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HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION**
June 30, 2021

Total Fund Balances		\$ 4,719,811
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 10,991,185	
Accumulated depreciation	<u>(7,146,849)</u>	3,844,336
A portion of the district's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		139,248
Current year PERS contributions are deferred outflows of resources that will be recognized as an expense in the subsequent period.		20,998
Deferred outflows and inflows related to pensions/OPEB are not reported by the governmental funds.		(165,274)
The unamortized portion of bond discounts is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds.		1,962
Liabilities not payable in the current year are not reported as governmental fund liabilities. These liabilities consist of:		
Net OPEB obligation	(499,800)	
Bus and heat controller leases payable	(250,645)	
General obligation bonds payable	(955,133)	
Pension bonds payable	<u>(6,445,544)</u>	(8,151,122)
Total Net Position		<u><u>\$ 409,959</u></u>

The Notes to Basic Financial Statements are an integral part of these statements.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**

For the Year Ended

June 30, 2021

(With Comparative Totals for 2020)

	100 General Fund	200 Special Revenue Fund	300 Debt Service Fund	Nonmajor Fund
Revenues				
Taxes	\$ 2,012,349	\$ -	\$ 221,706	\$ -
Intergovernmental	7,949,563	2,104,152	420	-
Miscellaneous	172,043	150,720	1,080,480	16,280
Total revenues	<u>10,133,955</u>	<u>2,254,872</u>	<u>1,302,606</u>	<u>16,280</u>
Expenditures				
Current				
Instruction				
Regular programs	3,853,553	560,587	-	-
Special programs	879,524	923,257	-	-
Adult/continuing education programs	25,324	70,378	-	-
Summer school programs	-	3,399	-	-
Support services				
Students	364,869	200,866	-	-
Instructional staff	147,059	40,422	-	-
General administration	300,871	2,580	-	-
School administration	889,549	104,171	-	-
Business services	1,756,944	182,378	-	-
Central support services	272,678	64,140	-	-
Food services	-	276,037	-	-
Community services	-	34,473	-	-
Facilities acquisition and construction	-	-	-	-
Capital outlay	161,072	106,974	-	52,382
Debt service	60,772	-	1,367,200	27,780
Total expenditures	<u>8,712,215</u>	<u>2,569,662</u>	<u>1,367,200</u>	<u>80,162</u>
expenditures	<u>1,421,740</u>	<u>(314,790)</u>	<u>(64,594)</u>	<u>(63,882)</u>
Other financing sources (uses)				
Transfer in	-	301,635	-	122,465
Transfer out	(424,100)	-	-	-
Proceeds on sale of assets	2,450	1,500	-	-
Total other financing sources (uses)	<u>(310,543)</u>	<u>303,135</u>	<u>0</u>	<u>122,465</u>
Net change in fund balances	1,111,197	(11,655)	(64,594)	58,583
Fund balance, July 1	2,935,177	126,641	134,306	241,616
Prior period adjustment	-	188,541	-	-
Fund balance, June 30 - by category				
Restricted	-	303,527	69,712	-
Assigned	-	-	-	300,199
Unassigned	4,046,374	-	-	-
Fund balance, June 30 - total	<u>\$ 4,046,374</u>	<u>\$ 303,527</u>	<u>\$ 69,712</u>	<u>\$ 300,199</u>

The Notes to Basic Financial Statements are an integral part of these statements.

Total	
June 30, 2021	June 30, 2020
\$ 2,234,054	\$ 1,919,451
10,054,135	9,813,526
1,419,523	1,523,982
<u>13,707,712</u>	<u>13,256,959</u>
4,414,140	4,296,371
1,802,781	1,767,345
95,702	90,100
3,399	-
565,735	638,759
187,481	221,089
303,451	308,219
993,720	999,086
1,939,322	1,761,918
336,818	556,578
276,037	294,944
34,473	32,769
-	14,750
320,428	415,457
<u>1,455,752</u>	<u>1,383,752</u>
<u>12,729,239</u>	<u>12,781,137</u>
<u>978,473</u>	<u>475,822</u>
424,100	380,827
(424,100)	(380,827)
3,950	-
<u>115,057</u>	<u>0</u>
1,093,530	475,822
3,437,740	2,961,918
<u>188,541</u>	<u>-</u>
373,239	260,947
300,199	241,616
<u>4,046,373</u>	<u>2,935,177</u>
<u>\$ 4,719,811</u>	<u>\$ 3,437,740</u>

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HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney 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		\$ 1,093,530
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	\$ 366,013	
Less current year depreciation	<u>(407,606)</u>	(41,593)
Difference between current year PERS contributions that will be recognized as an expense in the subsequent period and prior year PERS contributions recognized in the current year.		
		4,663
Changes in net pension/OPEB liability and related deferred outflows and inflows are not recognized in the current year in the governmental funds.		
		98,740
Debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position. This is the amount by which repayments exceeded proceeds:		
Blue Bird bus lease proceeds	(111,106)	
Capital lease payments	112,568	
Principal payments	<u>692,065</u>	693,527
Governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences:		
Amortization of discount on bonds payable		(727)
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.		
		<u>(40,364)</u>
Change in Net Position		<u><u>\$ 1,807,776</u></u>

The Notes to Basic Financial Statements are an integral part of these statements.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies

On November 8, 1988, the voters of Burns Union High School District No. 2 voted to extend the course of study to include kindergarten through grade 12. As a result, Elementary School Districts No. 1 and No. 30 merged with Burns Union High School District No. 2 to form Harney County School District No. 3 effective July 1, 1989. The administration of Harney County School District No. 3 (the district) is vested in a five-member board of directors, a district superintendent, and a business manager.

The accounting policies of the district conform to accounting principles generally accepted in the United States of America, as applicable to governmental units.

The following summary of significant accounting policies is presented to assist the reader in evaluating the district's financial statements.

A. Reporting Entity

A five-member board of directors exercises governance responsibilities over all entities related to public elementary and secondary school education within the jurisdiction of the district as set by the state of Oregon. The board receives funding from local, state, and federal sources. However, the district is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

In evaluating how to define the district for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the primary government's financial accountability. The criteria used to determine financial accountability include whether the primary government appoints a voting majority, the primary government can impose its will on the component unit, whether there is financial benefit or burden on the primary government, and if the component unit has a fiscal dependency on the primary government. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the district is financially accountable. No other entities met requirements for inclusion in the district.

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the district. These statements include the governmental financial activities of the overall district, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or other for tuition, fees, rentals, material, supplies, or services provided and (2) operating grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Net position is reported as restricted when constraints placed on net position use are either externally restricted, imposed by creditors (such as through grantors, contributors, or laws) or through constitutional provisions or enabling resolutions.

Fund Financial Statements

The fund financial statements provide information about the district's funds including those of a fiduciary nature. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The district reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the district. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund - This fund accounts for revenues and expenses of grants restricted for specific purposes. Principal revenue sources are state and federal grants.

Debt Service Fund - This fund provides for the receipt of proceeds and the payment of principal and interest on bonded debt.

C. Measurement Focus and Basis of Accounting

Government-wide and fiduciary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the district receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the district funds

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the district's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The district considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Budgets and Budgetary Accounting

A budget is prepared for each district fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, inter-agency fund transactions, contingencies, and debt service by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. Appropriations lapse at June 30.

Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the board of directors. The budget for the General Fund and special revenue funds includes capital outlay expenditures in each program for capital outlay applicable to that program.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in governmental funds. Encumbrances

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

outstanding at the year-end are reported as accounts payable and constitute expenditures and liabilities of the present year.

E. Deposits and Investments

The district's cash and cash equivalents are considered cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in savings accounts and the Oregon State Treasury Local Government Investment Pool and allocated to each fund based on the excess cash each fund has deposited.

Oregon statutes and local ordinances authorize the district to invest (short-term and long-term) in certificates of deposit (considered investments for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the United States, U.S. agency issues, general obligations of the states of Oregon, Washington, Idaho and California, certain interest bearing bonds of a county, port or school district, certain interest bearing bonds on any city in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds. All investments are stated at cost, which approximates market value.

F. Receivables and Payables

The district levies taxes on a fiscal year from July 1 to June 30. The current levy becomes a lien on July 1. Taxes are due November 15 and become delinquent May 15. Foreclosure is started three years after taxes become delinquent. The district turns all tax collection duties over to Harney County, Oregon.

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

G. Inventory

Inventories of supplies are charged to expenditures when purchased. The items in inventory remain at a relatively constant level and the amount is not material. No physical inventory of supplies was taken during the year.

H. Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The district defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. The cost of normal maintenance and repairs that do not add value to the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	10 to 20 years
Buildings and improvements	10 to 50 years
Equipment	5 to 15 years

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

I. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts
No provision is made for accumulated unpaid vacation, sick pay, and other employee benefits. The district's vacation policy varies by employee classification. A liability for accumulated sick pay does exist; however, it is not able to be estimated. Each employee may accumulate sick leave and carry it over to the succeeding year. In a year when sick leave is used, the teacher is paid the regular contract salary during the absence to the extent of sick leave earned. Substitutes must be hired by the district. When a teacher becomes employed by another district, the accumulated sick leave is transferred to that district.

J. Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The district has one item that qualifies for reporting in this category. It is the deferred amounts relating to pensions/OPEB. This amount is deferred and recognized as an outflow of resources in the period when the district recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position.

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 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. The district has two items that qualify for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The district also reports deferred amounts related to pensions/OPEB. This amount is deferred and recognized as an inflow of resources in the period when the county recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position.

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

L. Long-term Debt
In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

In the fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses. Issuance costs, whether withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

M. 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.

N. Other Post-Employment Benefits (OPEB)

PERS – Retirement Health Insurance Account

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Health Insurance Implicit Rate Subsidy

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources to OPEB, and OPEB expense, the district has relied on actuarial reports. The district allows retired employees to purchase health insurance at the same rates as active employees. The related expense is recognized as the district pays premiums or when claims are paid to health providers, depending on which insurance plan the retirees participate in.

O. Prior Period Comparative Data

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the district's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

P. Fund Balances

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

Nonspendable fund balance is the portion of net resources that cannot be spent because they are either (a) in a nonspendable form or (b) legally or contractually required to be maintained intact. Fund balance is reported as restricted when the constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the board of directors passes an ordinance or resolution that places specific constraints on how the resources may be used. The board action that imposed the limitation would need to occur no later than the close of the reporting period. The board of directors can modify or rescind the legislative action at any time through passage of an additional ordinance or resolution.

The net resources that are constrained by the district's intent to use them are reported as assigned fund balance. Intent is expressed when the board of directors approves which resources should be set aside for specific purposes during the adoption of the annual budget. The board of directors and business manager use that information to determine whether those resources should be classified as assigned in the district's financial statements. Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund.

The district applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 2. Deposits and Investments

At June 30, 2021 the carrying amount of the district's deposits was \$351,620 and the bank balance was \$473,009. The district maintains depository relationships with area financial institutions that are Federal Depository Insurance Corporation (FDIC) insured institutions. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's Oregon Public Funds Collateralization Program (PFCP) web site. Oregon Revised Statute Chapter 295 requires all Oregon bank depositories holding public fund deposits to maintain securities totaling a value not less than 110 percent of the greater of:

- a. All public funds held by the bank depository; or
- b. The average of the balances of public funds held by the bank depository, as shown on the last four immediately preceding treasurer reports.

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Custodial credit risk is the risk that in the event of a financial institution failure, the district's deposits may not be returned to it. The district does not have a policy for custodial credit risk. However, the balances in excess of the FDIC insurance are considered collateralized by PFCP. As of June 30, 2021 the district had no balances exposed to custodial credit risk.

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

Investment	Maturities	Fair Value
Local government investment pool	Varies	\$ 4,378,069
Wells Fargo investments in federal obligations	Varies	95
Total		\$ 4,378,164

The district's position in the pool is stated at cost which approximates fair value.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The district has no policy for managing interest rate or credit risk. Investments by the district held in the Local Government Investment Pool are not rated. Investments with Wells Fargo are rated AAA/Aa1 by Standard and Poor's and Moody's respectively.

The Oregon Short Term Fund is the LGIP for local governments and was established by the Oregon State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council.

Reconciliation to financial statements:

Governmental cash	\$ 351,620
Governmental investments	4,378,164
Total cash and investments	\$ 4,729,784
Cash carrying amount	\$ 351,620
Investments carrying amount	4,378,164
Total cash and investments	\$ 4,729,784

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Note 3. Receivables

Receivables are comprised of the following as of June 30, 2021:

Property Taxes	\$ 171,320
Grants	<u>610,046</u>
Total	<u><u>\$ 781,366</u></u>

Note 4. Interfund Transfers

Transfers between funds provide support for various district programs in accordance with budgetary authorizations. A transfer of \$301,635 was made from the General Fund to the Special Revenues Fund to assist in supporting the district's athletic programs. A transfer of \$122,465 was made from the General Fund to the Capital Projects Fund to provide for future capital projects. The detail of interfund transfers for the fiscal year ended June 30, 2021 is as follows:

Transfer To	Transfer From	Amount
Capital Projects Fund	General Fund	\$ 122,465
Special Revenue Fund	General Fund	301,635
	Total Transfers	<u><u>\$ 424,100</u></u>

Note 5. Changes in Capital Assets

The following is a summary of changes in capital assets:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets				
Land improvements	\$ 1,315,407	\$ -	\$ -	\$ 1,315,407
Buildings	7,061,665	62,330	-	7,123,995
Equipment and Machinery	2,445,038	313,684	(206,938)	2,551,784
Construction in Progress	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
Totals	<u>\$ 10,832,110</u>	<u>\$ 376,014</u>	<u>\$ (216,938)</u>	<u>\$ 10,991,185</u>
Accumulated depreciation				
Land improvements	\$ 483,084	\$ 66,534	\$ -	\$ 549,618
Buildings	4,605,076	205,141	-	4,810,217
Equipment and Machinery	<u>1,858,022</u>	<u>135,930</u>	<u>(206,938)</u>	<u>1,787,014</u>
Totals	<u>6,946,182</u>	<u>407,605</u>	<u>(206,938)</u>	<u>7,146,849</u>
Net capital assets	<u><u>\$ 3,885,928</u></u>	<u><u>\$ (31,591)</u></u>	<u><u>\$ (10,000)</u></u>	<u><u>\$ 3,844,336</u></u>

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Depreciation was charged to the following functions:

Regular programs	\$ 226,848
Student services	28,749
School administration	51,711
Business services – plant	62,177
Business services – transportation	20,673
Central services	<u>17,447</u>
Total depreciation	<u>\$ 407,605</u>

Note 6. Changes in Long-Term Debt

The following represents changes in long-term liabilities. Current requirements for principal and interest expenditures for bonds are accounted for in the Debt Service Fund. Principal and interest expenditures for the capital leases are accounted for in the General Fund.

	Balance June 30, 2020	Issued/ Matured	Retired/ Paid	Balance June 30, 2021	Due in one year
Limited tax pensions bonds	\$ 6,919,775	\$ -	\$ 474,231	\$ 6,445,544	\$ 498,180
General obligation bonds - 2018 Refinance	1,149,533	-	194,400	955,133	201,530
BHS LED football field lighting	124,175		23,434	100,741	24,254
Blue Bird bus lease - #18	-	111,106	23,015	88,091	23,219
BHS heat controller lease	88,739	-	58,702	30,037	44,883
Blue Bird bus lease - #15	62,626	-	30,850	31,776	31,776
Total long-term debt	<u>\$ 8,344,848</u>	<u>\$ 111,106</u>	<u>\$ 804,632</u>	<u>\$ 7,651,322</u>	<u>\$ 823,842</u>

Interest expense of \$705,713 on long-term debt has been included in the direct expense of individual functions on the government-wide Statement of Activities. Authorization for general long-term debt is specific to a particular purpose; thus, an objective connection can be made to a specific program. All interest on long-term debt is reported as a direct expense of the programs for which borrowing is related.

Note 7. PERS UAL Bonds Payable

On October 9, 2003, the district issued \$4,551,352 in limited tax pension bonds to finance the unfunded pension liability to the Oregon Public Employees Retirement System. These bonds have interest rates that range from 2.06 to 5.55 percent. Interest payments are to be made semiannually on June 30 and December 30. Principal payments are to be made on June 30 of each year. Debt service is financed by a self-imposed pension expense based on a percentage of payroll costs. The debt service requirements to maturity on June 30, 2028 are as follows:

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Fiscal Year	Principal	Interest
<u>Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 345,000	\$ 170,465
2023	390,000	151,559
2024	435,000	130,148
2025	485,000	106,005
2026	545,000	79,088
2027-2029	880,000	64,380
	<u>\$ 3,080,000</u>	<u>\$ 701,645</u>

On April 3, 2003, the district issued \$5,743,750 in limited tax pension bonds to finance the unfunded pension liability to the Oregon Public Employees Retirement System. These bonds have interest rates that range from 1.50 to 5.68 percent. Interest payments are to be made semiannually on June 30 and December 30. Principal payments are to be made on June 30 of each year. Debt service is financed by a self-imposed pension expense based on a percentage of payroll costs. The debt service requirements to maturity on June 30, 2028 are as follows:

Fiscal Year	Principal	Interest
<u>Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 153,180	\$ 520,238
2023	152,364	551,054
2024	565,000	173,418
2025	635,000	141,716
2026	705,000	105,648
2026-2028	1,155,000	86,610
TOTAL	<u>\$ 3,365,544</u>	<u>\$ 1,578,684</u>

During the fiscal year ended June 30, 2012, the district issued \$320,000 in limited tax pension refunding bonds to finance the unfunded pension liability to the Oregon Public Employees Retirement System. These bonds included an interest rate of 4.115 percent. Interest payments were to be made semiannually on June 30 and December 30. The principal payments were deferred until June 30, 2021. Proceeds from the bond issuance were used to service the fiscal year 2021 principal due on the existing 2002 PERS UAL Pension Bonds. Debt service is financed by self-imposed pension expense based on a percentage of payroll costs. The estimated savings attributable to the refunding was approximately \$23,800. As of June 30, 2021, this was paid in full.

Note 8. General Obligation Bond Payable

On January 25, 2006, the district issued \$2,700,000 in general obligation bonds to finance capital construction and improvements. These bonds were refunded in fiscal year 2018.

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In fiscal year ended June 30, 2018, the district issued \$1,712,830 in General Obligation Refunding Bonds. These bonds include an interest rate of 2.24%. Interest payments are to be made semiannually on June 15 and December 15. Principal payments are due in June with regularly schedule interest payments. The estimated savings attributable to the refunding is approximately \$128,300. The debt service requirements to maturity on June 15, 2026 is as follows:

Fiscal Year Ended	Principal	Interest
2022	\$ 201,530	\$ 21,395
2023	208,394	16,881
2024	214,987	12,213
2025	226,303	7,397
2026	103,919	2,328
TOTAL	<u>\$ 955,133</u>	<u>\$ 60,214</u>

Note 9. Football Field Lighting Loan

On August 6th, 2018, the district entered into a loan agreement with Shane Group Capital, LLC to finance the football field LED lighting project. The total amount of the loan is \$187,877 and bears annual interest at 3.5%. The loan includes a down payment requirement of \$14,877, and subsequent payments of \$27,780 annually beginning May 15, 2019 and ending May 15, 2025.

Fiscal Year Ended	Principal	Interest
2022	\$ 24,254	\$ 3,526
2023	25,103	2,677
2024	25,982	1,798
2025	25,402	2,378
TOTAL	<u>\$ 100,741</u>	<u>\$ 10,379</u>

Note 10. Capital Lease Obligations

On August 15, 2020, the district entered into a capital lease with Santander Bank, N.A. to finance the purchase of a 2020 77 passenger bus. The total amount of the loan is \$111,107 and bears annual interest at 2.15%. The loan requires annual payments of \$23,219 beginning August 15, 2020 and ending August 15, 2024. Future minimum lease payments are as follows:

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Fiscal year Ended	Principal	Interest
2022	\$ 21,325	\$ 1,894
2023	21,784	1,435
2024	22,252	967
2025	22,730	489
TOTAL	<u>\$ 88,091</u>	<u>\$ 1,894</u>

The district entered into a capital lease in February 2017 for a Heat Controller at the High School requiring quarterly payments of \$15,193, including interest at 3.0 percent through January of 2022. Future minimum lease payments are as follows:

Fiscal year Ended	Principal	Interest
2022	<u>\$ 30,037</u>	<u>\$ 349</u>
TOTAL	<u>\$ 30,037</u>	<u>\$ 349</u>

The district entered into a capital lease in August 2017 for a Blue Bird bus with 5 annual payments of \$32,729, including interest at 3.0 percent through September 2021. Future minimum lease payments are as follows:

Fiscal year Ended	Principal	Interest
2022	<u>\$ 31,776</u>	<u>\$ 953</u>
TOTAL	<u>\$ 31,776</u>	<u>\$ 953</u>

Note 11. Operating Lease Obligations

The district leases certain property and equipment from others. Leased property not having elements of ownership is classified as an operating lease. Operating lease payments are recorded as expenditures when payable. The district entered into a lease agreement in May of 2018 for four copiers with a term of 60 months through June 2023 and an agreement entered into in August of 2018 for one copier with a term of 60 months through September of 2023. Total expenditures on such leases for the fiscal year ended June 30, 2021 were \$22,860. Future lease obligations at June 30, 2021 are as follows:

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Fiscal year Ended	Toshiba Copy Machines	Total Operating Leases
2022	\$ 22,860	\$ 22,860
2023	22,860	22,860
2024	5,530	5,530
2025	1,840	1,840
Total	<u>\$ 53,090</u>	<u>\$ 53,090</u>

Note 12. Pension Plan

Name of pension plan

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

Description of benefit terms

Plan Benefits

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

A. PERS Pension Chapter 238 (Tier One/Tier Two Retirement Benefit).

1. Pension Benefits

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

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 (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.

2. Death Benefits

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

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3. Disability Benefits

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

4. Benefit Changes After Retirement

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

B. OPSRP Pension Program (OPSRP DB)

1. 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:

- 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.

2. Death Benefits

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

3. Disability Benefits

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

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4. 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.

C. OPSRP Individual Account Program (OPSRP IAP)

1. 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.

2. 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.

3. Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

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

Employer contribution rates during the period were based on the December 31, 2017 actuarial valuation. 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 unfunded actuarial liability payments to establish side accounts and their rates have been reduced.

Employer contributions for the year ended June 30, 2021 were \$20,998, excluding amounts to fund employer specific liabilities. The rates, presented as a percentage of covered payroll, for the district in effect for the fiscal year ended June 30, 2021 were:

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<u>Rate Category</u>	<u>Normal Cost Rate</u>	<u>Combined UAL Rate</u>	<u>Net Rate</u>
PERS general service	13.79%	-34.22%	-20.43%
OPSRP general service	8.40%	-34.22%	-25.82%

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at:
<https://www.oregon.gov/pers/Documents/Financials/CAFR/2020-CAFR.pdf>.

Actuarial Valuations

The employer contribution rates effective July 1, 2019, through June 30, 2021, were set using the projected unit credit 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 amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

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Actuarial Methods and Assumptions

Valuation Date	12/31/2018
Measurement Date	6/30/2020
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%/0.15%) in accordance with <i>Moro</i> 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: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disable Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

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

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

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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>.

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.

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

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

	1% Decrease 6.20%	Discount Rate 7.20%	1% Increase 8.20%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -

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

At June 30, 2021, as a result of side account adjustments, the district reported no liability or asset for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on a projection of the district's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the district's proportion was 0 percent.

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For the year ended June 30, 2021, the district recognized \$1,097,032 in pension expense. Pension expense includes district expense of \$16,335 related to 2020 contributions and self-imposed expense for PERS bond retirement of \$1,080,697.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	15,226	-
Total	\$ 15,226	\$ 0

\$20,998 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as PERS expense in the year ended June 30, 2022.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2020 measurement date that would require a brief description under GASB 68.

Note 13. Defined Contribution Pension Plan – OPSRP-IAP

The defined contribution pension plan (called the Individual Account Program or IAP) is provided to all members or their beneficiaries who are PERS or OPSERP eligible. State statutes require covered members to contribute 6% of their annual covered salary to the IAP plan effective January 1, 2004. Although PERS members retain their existing PERS accounts, all current member contributions are deposited into the member’s IAP.

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Note 14. Other Post-Employment Benefits (OPEB) - RHIA

Plan Description

Organization

The Oregon Public Employees Retirement System administers the Retirement Health Insurance Account (RHIA) cost-sharing, multiple-employer defined benefit Other Post-Employment Benefit (OPEB) plan (the plan) for political subdivisions such as the district. Plan assets may be used to pay the benefits of the employees of any employer that provides OPEB through the plan.

Plan Membership

RHIA was established by ORS 238.420. The plan was closed to new entrants 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 (3) enroll in a PERS-sponsored health plan.

Contribution

Contributions are mandatory for each employer that is a member of PERS. For the fiscal year ended June 30, 2021, the district's contribution rate was 0.06 percent of PERS subject to wages. Employees are not required to contribute to the plan.

Net OPEB Liability

The district's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018.

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June 30, 2021

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: 32%; Disabled retirees: 20%
Healthcare cost trend rate	Not Applicable
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: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>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.</p>

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

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent for the OPEB 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 RHIA plan's fiduciary net position was projected to be available to make all projected future benefit

HARNEY COUNTY SCHOOL DISTRICT NO. 3
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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

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>.

Sensitivity of the District's Proportionate Share of Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 8.20%	Discount Rate 7.20%	1% Increase 8.20%
District's proportionate share of the net OPEB liability (asset)	\$ (120,640)	\$ (149,431)	\$ (174,048)

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

At June 30, 2021, the District reported an asset of \$149,431 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was 0.07333674 percent.

For the year ended June 30, 2021, the District recognized OPEB income of \$41,299. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 15,276
Changes in assumptions	-	7,943
Net difference between projected and actual earnings on OPEB plan investments	16,618	-
Changes in proportion and differences between District contributions and proportionate share of contributions	158	33,221
District contributions subsequent to the measurement date	22,910	-
Total	\$ 39,686	\$ 56,440

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

Fiscal Year	Deferred outflow or (inflow) of Resources
2022	\$ (32,238)
2023	(18,811)
2024	6,143
2025	5,242
2026	-
Thereafter	-
Total	\$ (39,664)

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2020 measurement date that would require a brief description under GASB standard.

Note 15. Other Post-Employment Benefits (OPEB) –Health Insurance Implicit Rate Subsidy

Plan Description

A single-employer retiree benefit plan that provides post-employment health benefits to eligible employees and their spouses. There are active members in the plan.

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June 30, 2021

The post-retirement healthcare plan is established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the district's implicit employer contribution.

The district did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

Funding Policy

The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the district to fund these benefits in advance.

Annual OPEB Cost and Total OPEB Liability

The annual other post-employment benefit (OPEB) cost is calculated based on the Total OPEB Liability; an amount actuarially determined in accordance with the parameters of GASB Statement 75. The annual OPEB expense is an accounting item designed to recognize certain changes to the Total OPEB Liability in the current period income statement. Additionally, changes to the Total OPEB Liability not fully recognized in a given year's OPEB expense will be tracked as deferred inflows and outflows and recognized incrementally in the OPEB expense over time. See Schedule of Changes in Total OPEB Liability and Related Ratios for detailed information and a table showing the components of the district's annual OPEB costs and liabilities.

Actuarial Methods and Assumptions

The Total OPEB Liability for the current year was determined as part of the June 30, 2020 actuarial valuation using the entry age normal method. Actuarial valuations of an ongoing plan involve estimates of the value or reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost and the healthcare cost trend. The actuarial assumptions included; (a) a rate of return on investment of present and future assets of 2.25% compounded annually; (b) an inflation rate of 2.5%; and (c) no post-retirement benefit increases, and a payroll increase of 3.5%. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following table shows sensitivity of the Total OPEB Liability to changes in discount and trend rates, as determined by the June 30, 2021 actuarial valuation.

1% Decrease	Discount Rate	1% Increase
1.25%	2.25%	3.25%
\$ 686,856	\$ 649,231	\$ 613,547

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June 30, 2021

<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
\$ 588,933	\$ 649,231	\$ 720,848

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 70,298
Changes of assumptions or other input	108,062	157,603
Total	\$ 108,062	\$ 227,901

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

<u>Fiscal year</u>	<u>Deferred outflow or (inflow) of Resources</u>
2022	\$ (69,569)
2023	(69,568)
2024	27,630
2025	(4,167)
2026	(4,165)
Thereafter	-
Total	\$ (119,839)

Program membership consisted of 116 active and 10 inactive participants per the June 30, 2021 valuation.

Note 16. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government and the state of Oregon. Any disallowed claims, including amounts already collected, may constitute a liability to the district. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although district management expects such amounts, if any, to be immaterial.

The district is dependent on the state of Oregon for a substantial portion of its operating funds. Due to funding uncertainties at the state level, future funding for school districts may be reduced. The ultimate effect of this possible reduction in funding on the district's future operations is not yet determinable.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

Note 17. Tax Abatement Disclosures

The GASB issued Statement No. 77, Tax Abatement Disclosures in August 2015. GASB 77 requires governments that enter into tax abatement agreements to disclose information about those agreements. GASB Statement No. 77 is effective for the district for fiscal year ending June 30, 2017. The district did not have any tax abatements at June 30, 2021.

Note 18. Prior period Adjustment

A prior period adjustment of \$188,541 is reported by management on the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance – Government Funds. The amount represents the prior year balance of the Associated Student Body funds. This amount was reported as fiduciary funds in the prior year and governmental funds in the current year.

REQUIRED SUPPLEMENTARY INFORMATION

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HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - 100 GENERAL FUND

For the Year Ended
June 30, 2021

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Taxes	\$ 2,012,349	\$ 1,725,000	\$ 1,725,000	\$ (287,349)
Local sources	172,043	175,000	175,000	2,957
Intermediate sources	424,181	496,610	496,610	72,429
State sources	7,431,456	7,254,434	7,254,434	(177,022)
Federal sources	93,926	75,000	75,000	(18,926)
Total revenues	<u>10,133,955</u>	<u>9,726,044</u>	<u>9,726,044</u>	<u>(407,911)</u>
Expenditures				
1000 Instruction	4,758,401	6,178,665	6,178,665	1,420,264
2000 Supporting services	3,893,042	4,846,955	4,846,955	953,913
5000 Debt service	60,772	63,000	63,000	2,228
6000 Contingency	-	288,324	288,324	288,324
Total expenditures	<u>8,712,215</u>	<u>11,376,944</u>	<u>11,376,944</u>	<u>2,664,729</u>
Excess of revenues over (under) expenditures	<u>1,421,740</u>	<u>(1,650,900)</u>	<u>(1,650,900)</u>	<u>(3,072,640)</u>
Other financing (uses)				
Transfers out	(424,100)	(424,100)	(424,100)	-
5300 Proceeds on sale of assets	2,450	-	-	(2,450)
5500 Proceeds from capital lease	111,107	-	-	(111,107)
Total other financing (uses)	<u>(310,543)</u>	<u>(424,100)</u>	<u>(424,100)</u>	<u>(113,557)</u>
Net change in fund balance	1,111,197	(2,075,000)	(2,075,000)	(3,186,197)
Available fund balance, July 1	<u>2,935,177</u>	<u>2,075,000</u>	<u>2,075,000</u>	<u>(860,177)</u>
Available fund balance, June 30	<u>\$ 4,046,374</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (4,046,374)</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - 200 SPECIAL REVENUE FUND

For the Year Ended
June 30, 2021

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Local sources	\$ 150,720	\$ 492,600	\$ 492,600	\$ 341,880
State sources	920,122	1,336,234	1,336,234	416,112
Federal sources	1,184,030	939,857	1,195,495	11,465
Total revenues	<u>2,254,872</u>	<u>2,768,691</u>	<u>3,024,329</u>	<u>769,457</u>
Expenditures				
1000 Instruction	1,608,960	1,799,390	1,977,460	368,500
2000 Supporting services	650,192	963,361	1,040,929	390,737
3000 Enterprise and community services	310,510	390,737	390,737	80,227
Total expenditures	<u>2,569,662</u>	<u>3,153,488</u>	<u>3,409,126</u>	<u>839,464</u>
Excess of revenues over (under) expenditures	<u>(314,790)</u>	<u>(384,797)</u>	<u>(384,797)</u>	<u>(70,007)</u>
Other financing (uses)				
Proceeds on sale of assets	1,500	500	500	(1,000)
Transfers in	301,635	274,100	274,100	(27,535)
Total other financing (uses)	<u>303,135</u>	<u>274,600</u>	<u>274,600</u>	<u>(28,535)</u>
Net change in fund balance	(11,655)	(110,197)	(110,197)	(98,542)
Available fund balance, July 1	126,641	110,197	110,197	(16,444)
Prior period adjustment	188,541	-	-	(188,541)
Available fund balance, June 30	<u>\$ 303,527</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (303,527)</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended
June 30, 2021

Budgetary Reporting

In accordance with Oregon Revised Statutes, the board of directors annually adopts a budget following required public notice and hearing for all funds except private purpose trust and agency funds. The budget may be amended during the year through statutorily prescribed procedures. The District's budget is prepared on the modified accrual or GAAP basis of accounting. Appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon major classes of expenditures known as functions within each fund. The functions include: instruction, support services, enterprise and community services, facilities acquisition and construction, debt services, contingencies and transfers. The District adopted one budget amendment during the year as authorized by local budget law.

During the year ended June 30,2021, disbursements in the General Fund and the major special revenue funds were within certified budget amounts in all functions.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
OREGON PUBLIC RETIREMENT SYSTEM
Last 10 Fiscal Years*

Year Ended, June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (asset) (NPL/A)	(c) District covered payroll	(b/c) NPL/A as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.00000000%	\$ -	\$ 5,327,842	0.00%	0.00%
2020	0.00000000%	\$ -	\$ 4,465,464	0.00%	0.00%
2019	0.00000000%	\$ -	\$ 4,168,909	0.00%	0.00%
2018	0.00000000%	\$ -	\$ 4,150,743	0.00%	0.00%
2017	0.00000000%	\$ -	\$ 4,085,771	0.00%	0.00%
2016	0.00000000%	\$ -	\$ 3,787,890	0.00%	0.00%
2015	0.00000000%	\$ -	\$ 3,941,408	0.00%	0.00%
2014	0.00000000%	\$ -	\$ 4,206,184	0.00%	0.00%

* The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

SCHEDULE OF DISTRICT CONTRIBUTIONS
OREGON PUBLIC RETIREMENT SYSTEM
Last 10 Fiscal Years*

Year Ended, June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	District covered payroll	Contributions as a percent of covered payroll
2021	\$ 20,998	\$ 20,998	\$ -	\$ 5,743,684	0.37%
2020	\$ 10,563	\$ 10,563	\$ -	\$ 5,327,842	0.20%
2019	\$ 28,323	\$ 28,323	\$ -	\$ 4,465,464	0.63%
2018	\$ 23,711	\$ 23,711	\$ -	\$ 4,168,909	0.57%
2017	\$ 25,338	\$ 25,338	\$ -	\$ 4,150,743	0.61%
2016	\$ 44,595	\$ 44,595	\$ -	\$ 4,085,771	1.09%
2015	\$ 25,967	\$ 25,967	\$ -	\$ 3,787,890	0.69%
2014	\$ 23,447	\$ 23,447	\$ -	\$ 3,941,408	0.59%

* The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
RETIREE HEALTH INSURANCE ACCOUNT PERS
Last 10 Fiscal Years*

Year Ended, June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net OPEB liability (asset) (NOL/A)	(c) District covered payroll	(b/c) NOL/A as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.07333674%	\$ (149,431)	\$ 5,327,842	-2.80%	150.10%
2020	0.04075560%	\$ (78,755)	\$ 4,465,464	-1.76%	64.90%
2019	0.04116693%	\$ (45,953)	\$ 4,168,909	-1.10%	123.99%
2018	0.04314943%	\$ (18,008)	\$ 4,150,743	-0.43%	108.90%

* The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

SCHEDULE OF DISTRICT CONTRIBUTIONS
RETIREE HEALTH INSURANCE ACCOUNT PERS
Last 10 Fiscal Years*

Year Ended, June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	District covered payroll	Contributions as a percent of covered payroll
2021	\$ 4,664	\$ 4,664	\$ -	\$ 5,743,684	0.08%
2020	\$ 20,221	\$ 20,221	\$ -	\$ 5,327,842	0.38%
2019	\$ 19,759	\$ 19,759	\$ -	\$ 4,465,464	0.44%
2018	\$ 21,482	\$ 21,482	\$ -	\$ 4,168,909	0.52%

* The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTH INSURANCE
Last 10 Fiscal Years*

Year Ended, June 30,	Total OPEB Liability Beginning	Service Cost	Interest	Differences Expected and Actual Experience	Changes of Assumptions
2021	\$ 632,438	\$ 44,703	\$ 14,756	\$ -	\$ -
2020	\$ 450,698	\$ 41,149	\$ 24,809	\$ (46,908)	\$ 212,266
2019	\$ 431,383	\$ 27,329	\$ 16,235	\$ -	\$ -
2018	\$ 991,428	\$ 49,344	\$ 29,645	\$ (110,376)	\$ (472,811)

* The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

SCHEDULE OF DISTRICT CONTRIBUTIONS
RETIREE HEALTH INSURANCE
Last 10 Fiscal Years*

Year Ended, June 30,	Actuarially Determined Contribution	Contributions During Year	Difference	District covered payroll	Contributions as a percent of covered payroll
2021	\$ 42,666	\$ 42,666	\$ -	\$ 5,215,522	0.82%
2020	\$ 49,576	\$ 49,576	\$ -	\$ 5,307,852	0.93%
2019	\$ 24,249	\$ 24,249	\$ -	\$ 4,829,561	0.50%
2018	\$ 55,847	\$ 55,847	\$ -	\$ 4,918,481	1.14%

* The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

<u>Benefit Payments</u>	<u>Total OPEB Liability Ending</u>	<u>Estimated Covered Payroll</u>	<u>Total OPEB Liability as a % of Covered Payroll</u>
\$ (42,666)	\$ 649,231	\$ 5,215,522	12.45%
\$ (49,576)	\$ 632,438	\$ 4,829,561	13.10%
\$ (24,249)	\$ 450,698	\$ 4,918,481	9.16%
\$ (55,847)	\$ 431,383	\$ 5,091,303	8.47%

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SUPPLEMENTARY SCHEDULES

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - 300 DEBT SERVICE FUND

For the Year Ended
June 30, 2021

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
1100 Taxes	\$ 221,706	\$ 212,000	\$ 212,000	\$ (9,706)
1510 Interest on investments	95	250	250	155
1970 Services to other funds	1,080,385	1,030,000	1,030,000	(50,385)
2199 Other intermediate sources	420	-	-	(420)
Total revenues	<u>1,302,606</u>	<u>1,242,250</u>	<u>1,242,250</u>	<u>(60,356)</u>
Expenditures				
5000 Debt service				
5110 Bond payment	<u>1,367,200</u>	<u>1,305,000</u>	<u>1,305,000</u>	<u>(62,200)</u>
Total debt service	<u>1,367,200</u>	<u>1,305,000</u>	<u>1,305,000</u>	<u>(62,200)</u>
Total expenditures	<u>1,367,200</u>	<u>1,305,000</u>	<u>1,305,000</u>	<u>(62,200)</u>
Excess of revenues over (under) expenditures and net changes in fund balance	(64,594)	(62,750)	(62,750)	1,844
Available fund balance, July 1	<u>134,306</u>	<u>62,750</u>	<u>62,750</u>	<u>(71,556)</u>
Available fund balance, June 30	<u>\$ 69,712</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (69,712)</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3

Burns, Harney County, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - 400 CAPITAL PROJECTS FUND**

For the Year Ended

June 30, 2021

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
1920 Donations	\$ 16,280	\$ 80,000	\$ 80,000	\$ 63,720
3299 Restricted state grants	-	4,000,000	4,000,000	4,000,000
Total revenues	<u>16,280</u>	<u>4,080,000</u>	<u>4,080,000</u>	<u>4,063,720</u>
Expenditures				
1000 Instruction				
1131 High school programs	-	10,000	10,000	10,000
Total instruction	<u>0</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
4000 Facilities acquisition and construction				
4150 Building construction and improvement	52,382	12,245,000	12,245,000	12,192,618
Total facilities acquisition and construction	<u>52,382</u>	<u>12,245,000</u>	<u>12,245,000</u>	<u>12,192,618</u>
5000 Other uses				
5100 Long-term debt service	27,780	30,000	30,000	2,220
Total other uses	<u>27,780</u>	<u>30,000</u>	<u>30,000</u>	<u>2,220</u>
Total expenditures	<u>80,162</u>	<u>12,285,000</u>	<u>12,285,000</u>	<u>12,204,838</u>
Excess of revenues over (under) expenditures	<u>(63,882)</u>	<u>(8,205,000)</u>	<u>(8,205,000)</u>	<u>(8,141,118)</u>
Other financing sources				
Transfers in	122,465	150,000	150,000	27,535
5100 Long term debt financing	-	8,000,000	8,000,000	8,000,000
Total other financing sources	<u>122,465</u>	<u>8,150,000</u>	<u>8,150,000</u>	<u>8,027,535</u>
Net change in fund balance	58,583	(55,000)	(55,000)	(113,583)
Available fund balance, July 1	<u>241,616</u>	<u>55,000</u>	<u>55,000</u>	<u>(186,616)</u>
Available fund balance, June 30	<u>\$ 300,199</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (300,199)</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended
June 30, 2021

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services
1000 Instruction			
1111 Primary, K-3	\$ 992,574	\$ 586,786	\$ 11,744
1113 Elementary extracurricular	-	-	-
1121 Middle and junior high programs	565,061	359,215	9,233
1122 Middle and junior high school extracurricular	-	-	-
1131 High school programs	759,477	413,966	7,065
1132 High school extracurricular	11,023	3,219	494
1210 Programs for talented and gifted	-	-	-
1250 Resource rooms	450,276	356,416	18,332
1271 Remediation	27,322	16,463	-
1280 Alternative education	-	-	-
1283 Alternative education	-	-	-
1291 English second language programs	1,000	292	-
1300 Adult/continuing education programs	-	-	25,324
Total 1000 instruction	<u>2,806,733</u>	<u>1,736,357</u>	<u>72,192</u>
2000 Support services			
2110 Attendance and social work services	-	-	354
2112 Attendance services	-	-	-
2119 Other attendance work and social work services	-	-	14,832
2120 Guidance services	-	-	-
2126 Placement services	2,500	722	-
2130 Health services	-	-	-
2132 Medical services	-	-	3,891
2140 Psychological services	-	-	24,647
2143 Psychological counseling services	-	-	27,500
2150 Speech pathology and audiology services	92,589	53,212	409
2160 Other student treatment services	-	-	35,013
2190 Student direction support	52,328	21,275	25,850
2210 Improvement of instruction	-	34,495	-
2213 Curriculum development	4,400	2,102	613
2220 Educational media	45,329	30,483	-
2230 Assessment and testing	4,400	2,102	-
2240 Instructional staff development	1,350	390	15,690
2310 Board of education	-	-	36,797
2320 Executive administration	169,938	83,506	5,292
2410 Office of the principal	547,503	309,100	10,450

(Continued on next page)

400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total	Budget		(Over)Under Budget
				Original	Final	
\$ 58,019	\$ -	\$ 327	\$ 1,649,451	\$ 1,989,210	\$ 1,989,210	\$ 339,759
267	-	-	267	300	300	33
19,915	-	327	953,752	1,201,360	1,201,360	247,608
-	-	-	-	3,610	3,610	3,610
54,589	-	250	1,235,347	1,551,580	1,551,580	316,233
-	-	-	14,736	15,655	15,655	919
-	-	-	-	37,645	37,645	37,645
4,376	-	-	829,400	1,272,675	1,272,675	443,275
-	-	-	43,785	51,475	51,475	7,690
397	-	-	397	1,100	1,100	703
4,650	-	-	4,650	8,000	8,000	3,350
-	-	-	1,292	16,055	16,055	14,763
-	-	-	25,324	30,000	30,000	4,676
<u>142,213</u>	<u>0</u>	<u>904</u>	<u>4,758,401</u>	<u>6,178,665</u>	<u>6,178,665</u>	<u>1,420,264</u>
4,018	-	-	4,372	26,710	26,710	22,338
-	-	-	-	200	200	200
-	-	-	14,832	14,000	14,000	(832)
1,314	-	-	1,314	700	700	(614)
-	-	-	3,222	3,500	3,500	278
848	-	-	848	15,900	15,900	15,052
-	-	-	3,891	1,000	1,000	(2,891)
-	-	-	24,647	39,200	39,200	14,553
-	-	-	27,500	26,000	26,000	(1,500)
1,155	-	-	147,365	179,000	179,000	31,635
-	-	-	35,013	46,500	46,500	11,487
2,412	-	-	101,865	131,850	131,850	29,985
-	-	-	34,495	30,170	30,170	(4,325)
-	-	-	7,115	13,960	13,960	6,845
5,705	-	-	81,517	113,125	113,125	31,608
-	-	-	6,502	13,605	13,605	7,103
-	-	-	17,430	38,205	38,205	20,775
260	-	3,952	41,008	73,400	73,400	32,392
1,128	-	-	259,863	282,300	282,300	22,437
18,042	-	4,455	889,549	994,375	994,375	104,826

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended
June 30, 2021

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services
2000 Support services (continued)			
2520 Fiscal services	\$ 21,528	\$ 36,005	\$ 74,857
2540 Operation and maintenance of plant	283,975	183,425	488,683
2543 Care and upkeep of grounds	17,760	5,690	3,001
2550 Student transportation	145,148	130,096	48,729
2642 Recruitment and placement	-	-	1,703
2645 Health services	-	-	-
2649 Other staff services	-	-	986
2660 Technology services	97,676	61,973	24,853
2662 Systems analysis services	-	-	-
2690 Other central support	-	-	-
2669 Other technology services	-	-	-
Total 2000 support services	<u>1,486,424</u>	<u>954,576</u>	<u>844,150</u>
5000 Debt service			
5110 Long-term debt service	-	-	-
Total 5000 debt service	<u>0</u>	<u>0</u>	<u>0</u>
6000 Contingency			
6110 Contingency	-	-	-
Total 6000 contingency	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>\$4,293,157</u>	<u>\$2,690,933</u>	<u>\$ 916,342</u>

400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total	Budget		(Over)Under Budget
				Original	Final	
\$ 21,315	\$ -	\$ 3,115	\$ 156,819	\$ 145,225	\$ 145,225	\$ (11,594)
114,169	9,980	117,022	1,197,254	1,548,865	1,548,865	351,611
9,304	-	-	35,755	109,965	109,965	74,210
35,263	121,702	17,860	498,798	470,050	470,050	(28,748)
-	-	-	1,703	10,500	10,500	8,797
-	-	-	-	500	500	500
-	-	6,974	7,960	7,150	7,150	(810)
73,641	29,390	4,671	292,204	455,750	455,750	163,546
-	-	-	-	20,000	20,000	20,000
201	-	-	201	250	250	49
-	-	-	-	35,000	35,000	35,000
<u>288,775</u>	<u>161,072</u>	<u>158,049</u>	<u>3,893,042</u>	<u>4,846,955</u>	<u>4,846,955</u>	<u>953,913</u>
-	-	60,772	60,772	63,000	63,000	2,228
<u>0</u>	<u>0</u>	<u>60,772</u>	<u>60,772</u>	<u>63,000</u>	<u>63,000</u>	<u>2,228</u>
-	-	-	-	288,324	288,324	288,324
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>288,324</u>	<u>288,324</u>	<u>288,324</u>
<u>\$ 430,988</u>	<u>\$ 161,072</u>	<u>\$ 219,725</u>	<u>\$ 8,712,215</u>	<u>\$11,376,944</u>	<u>\$11,376,944</u>	<u>\$ (2,664,729)</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended
June 30, 2021

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services
1000 Instruction			
1111 Primary, K-3	\$ 23,153	\$ 7,403	\$ 25,291
1113 Elementary extracurricular	1,085	317	-
1121 Middle and junior high programs	-	-	2,232
1122 Middle and junior high school extracurricular	8,653	2,217	1,572
1131 High school programs	-	-	5,099
1132 High school extracurricular	69,276	17,031	24,618
1250 Resource rooms	174,493	152,530	-
1271 Remediation	-	-	-
1272 Remediation	116,921	82,681	805
1283 District alternative programs	-	-	-
1291 Designated programs	-	-	-
1294 Youth corrections programs	192,728	115,459	1,552
1300 Adult/continuing education programs	34,097	27,383	1,527
1400 Summer school programs	498	142	-
Total 1000 instruction	620,904	405,163	62,696
2000 Support services			
2110 Attendance services	73,264	46,551	13
2120 Guidance services	-	-	-
2126 Placement services	-	-	-
2129 Other guidance services	-	-	-
2134 Nurse services	40,040	23,695	-
2139 Other health services	-	-	-
2143 Psychological counseling	4,186	4,065	-
2150 Speech pathology and audio services	-	-	34
2190 Student direction support	-	-	919
2210 Improvement of instruction	-	-	-
2220 Educational media	-	-	-
2240 Instructional staff development	15,000	4,363	14,512
2300 General administration	-	-	813
2410 Office of the principal services	44,000	21,015	4,861
2490 Other support services	-	-	80
2491 Activities Director	18,288	9,528	-
2520 Fiscal services	-	-	-
2540 Operation and maintenance of plant	-	-	1,364
2543 Care and upkeep of grounds services	-	-	-
2546 Security	-	-	-
2550 Student transportation	9,271	7,995	1,093
2559 Other student transportation	-	-	9,239

(Continued on next page)

400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total	Budget		(Over)Under Budget
				Original	Final	
\$ 106,282	\$ -	\$ -	\$ 162,128	\$ 159,542	\$ 283,379	\$ 121,251
-	-	-	1,402	-	-	(1,402)
26,913	-	-	29,145	5,000	31,246	2,101
7,368	9,159	260	29,229	88,419	97,769	68,540
130,170	29,704	-	164,973	106,570	129,357	(35,616)
93,453	12,476	8,195	225,049	466,462	447,312	222,263
-	-	150	327,173	279,900	279,900	(47,273)
15,162	-	-	15,162	-	-	(15,162)
-	-	-	200,407	240,763	240,763	40,356
2,130	-	-	2,130	-	3,000	870
-	-	-	-	16,200	16,200	16,200
68,632	-	14	378,385	367,150	379,150	765
7,371	-	-	70,378	69,384	69,384	(994)
2,759	-	-	3,399	-	-	(3,399)
<u>460,240</u>	<u>51,339</u>	<u>8,619</u>	<u>1,608,960</u>	<u>1,799,390</u>	<u>1,977,460</u>	<u>368,500</u>
-	-	3,466	123,294	132,405	132,405	9,111
-	-	-	-	45,625	45,625	45,625
200	-	-	200	-	-	(200)
1,200	-	-	1,200	25,870	25,870	24,670
2,627	-	-	66,362	71,100	71,100	4,738
-	-	-	-	111,150	111,150	111,150
-	-	-	8,251	110,390	110,390	102,139
-	-	308	342	-	-	(342)
-	-	298	1,217	4,423	4,423	3,206
-	-	-	-	5,000	5,000	5,000
120	-	2,680	2,800	-	-	(2,800)
3,747	-	-	37,622	47,000	47,279	9,657
1,172	-	595	2,580	-	2,200	(380)
3,721	-	2,678	76,275	75,150	82,650	6,375
-	-	-	80	500	500	420
-	-	-	27,816	32,175	32,175	4,359
-	-	53,823	53,823	56,274	64,143	10,320
25,524	-	-	26,888	42,745	71,245	44,357
-	-	-	-	3,000	3,000	3,000
9,249	35,635	-	44,884	-	-	(44,884)
8,872	20,000	55,948	103,179	165,754	169,319	66,140
-	-	-	9,239	32,700	33,700	24,461

HARNEY COUNTY SCHOOL DISTRICT NO. 3
 Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
 For the Year Ended
 June 30, 2021

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services
2000 Support services (continued)			
2640 Staff services	\$ -	\$ -	\$ 395
2642 Recruitment	-	-	-
2660 Technology services	-	-	7,227
Total 2000 support services	<u>204,049</u>	<u>117,212</u>	<u>40,550</u>
3000 Enterprise and community services			
3100 Food services	80,842	81,833	2,091
3300 Community services	16,571	17,902	-
Total 3000 enterprise and community services	<u>97,413</u>	<u>99,735</u>	<u>2,091</u>
Total expenditures	<u>\$ 922,366</u>	<u>\$ 622,110</u>	<u>\$ 105,337</u>

400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total	Budget		(Over)Under Budget
				Original	Final	
\$ -	\$ -	\$ -	\$ 395	\$ 100	\$ 100	\$ (295)
5,505	-	-	5,505	-	-	(5,505)
51,013	-	-	58,240	2,000	28,655	(29,585)
<u>112,950</u>	<u>55,635</u>	<u>119,796</u>	<u>650,192</u>	<u>963,361</u>	<u>1,040,929</u>	<u>390,737</u>
109,400	-	1,871	276,037	350,500	350,500	74,463
-	-	-	34,473	40,237	40,237	5,764
<u>109,400</u>	<u>0</u>	<u>1,871</u>	<u>310,510</u>	<u>390,737</u>	<u>390,737</u>	<u>80,227</u>
<u>\$ 682,590</u>	<u>\$ 106,974</u>	<u>\$ 130,286</u>	<u>\$ 2,569,662</u>	<u>\$ 3,153,488</u>	<u>\$ 3,409,126</u>	<u>\$ 839,464</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
 Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - DEBT SERVICE FUND
 For the Year Ended
 June 30, 2021

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services
5000 Debt service			
5110 Bond payment	\$ -	\$ -	\$ -
Total 5000 debt service	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total	Budget		(Over)Under Budget
				Original	Final	
\$ -	\$ -	\$1,367,200	\$ 1,367,200	\$ 1,305,000	\$ 1,305,000	\$ (62,200)
0	0	1,367,200	1,367,200	1,305,000	1,305,000	(62,200)
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,367,200</u>	<u>\$ 1,367,200</u>	<u>\$ 1,305,000</u>	<u>\$ 1,305,000</u>	<u>\$ (62,200)</u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
 Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - CAPITAL PROJECT FUND
 For the Year Ended
 June 30, 2021

Function	100 Salaries	200 Associated Payroll Costs	300 Purchased Services
1000 Instruction			
1131 High school programs	\$ -	\$ -	\$ -
Total 1000 instruction	<u>0</u>	<u>0</u>	<u>0</u>
4000 Facilities acquisition and construction			
4150 Building acquisition, construction and improvement	-	-	-
Total 4000 facilities acquisition and construction	<u>0</u>	<u>0</u>	<u>0</u>
5000 Other uses			
5110 Long-term debt service	-	-	-
Total 4000 facilities acquisition and construction	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

400 Supplies & Materials	500 Capital Outlay	600 Other Objects	Total	Budget		(Over)Under Budget
				Original	Final	
\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ 10,000
0	0	0	0	10,000	10,000	10,000
-	52,382	-	52,382	12,245,000	12,245,000	12,192,618
0	52,382	0	52,382	12,245,000	12,245,000	12,192,618
-	-	27,780	27,780	30,000	30,000	2,220
0	0	27,780	27,780	30,000	30,000	2,220
<u>\$ 0</u>	<u>\$ 52,382</u>	<u>\$ 27,780</u>	<u>\$ 80,162</u>	<u>\$12,285,000</u>	<u>\$12,285,000</u>	<u>\$12,204,838</u>

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CONTINUING DISCLOSURE REQUIREMENTS
FOR BONDED DEBT

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
For the Year Ended
June 30, 2021

2020-21 Assessed valuation of taxable property	\$425,006,562
Tax rate (Dollars per \$1,000 assessed value)	\$4.8662

Ratio of annual debt service requirements for bonded debt to total General Fund Expenditures and Transfers:

	<u>Principal</u>	<u>Interest</u>	<u>Total Bonded Debt Service</u>	<u>General Fund Expenditures and Transfers</u>	<u>Ratio of Debt Service to General Fund Expenditures and Transfers</u>
2020-21	\$ 668,631	\$ 698,569	\$ 1,367,200	\$ 9,136,315	14.96%

Ratio of Net Bonded Debt to Assessed Value:

	<u>Assessed Valuation</u>	<u>Net Bonded Debt (1)</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>
2020-21	\$ 425,006,562	\$ 7,330,965	1.72%

(1) Computed as gross bonded debt less amount available for retirement of debt in Debt Service Fund

Principal Taxpayers for Harney County School District No. 3

	<u>Assessed Valuation</u>	<u>Percent of Total County Value</u>
<u>Private Enterprises</u>		
West Hines Solar, LLC	\$ 197,194,650	46.40%
Biodynamics LLC	20,832,830	4.90%
Starvation Solar 1, LLC	20,399,465	4.80%
ATM Holdings, LLC	2,952,470	0.69%
Rattlesnake Creek Land & Cattle, Co	3,982,482	0.94%
Rory & Ryan, LLC	2,410,290	
<u>Public Utilities</u>		
Centurylink	14,007,000	3.30%
Pacific Corp (PP&L)	16,043,000	3.77%
Idaho Power Company	8,752,000	2.06%
Charter Communications	3,954,100	0.93%
<u>All other taxpayers</u>	<u>\$134,478,275</u>	<u>31.65%</u>
Total	<u><u>\$ 425,006,562</u></u>	<u><u>100.00%</u></u>

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
For the Year Ended
June 30, 2021

Summary of General Fund State Revenue:

	State Sources	State Sources as % of Total Revenues	Total Revenues
2020-21	\$ 7,349,158	71.72%	\$ 10,247,511

Computation of Legal Debt Margin:

Real Market Value	\$ 908,131,520
Allowable proportion	0.0795
	72,196,456
Debt limit: 7.95% of real market value (1)	
Amount of debt applicable to debt limit:	
Bonded debt	7,400,677
Less: amount available in debt service funds	(69,712)
	7,330,965
Amount of debt applicable to debt limit	
Legal debt margin	\$ 64,865,491

Allowable percentage of real market value:

A) Kindergarten through eighth grade, 9 x .0055	4.95%
B) Ninth through twelfth, 4 x .0075	3.00%
Allowable percentage	7.95%

(1) ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Aggregates are governed by real market values of all taxable properties within the district based on the following:

- A. For each grade from kindergarten to eighth for which the district operates schools, fifty-five one-hundredths of one percent of the real market value.
- B. For each grade from ninth to twelfth for which the district operates schools, seventy-five one-hundredths of one percent of the real market value.

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INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

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

Board of Directors
Harney County School District No. 3
Burns, 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 basic financial statements of Harney County School District No. 3 (the district) as of and for the year ended June 30, 2021, and have issued our report thereon dated December 23, 2021.

COMPLIANCE

As part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).
- State school fund factors and calculation.

In connection with our testing nothing came to our attention that caused us to believe the district was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, with exception of the following:

- Budgets legally required (ORS Chapter 294)
 - Debt Service Fund – 5000 Debt Service expenditures in excess of appropriations by \$62,200
- Public Contracts and Purchasing (ORS Chapters 279A, 279B, 279C)
 - Intermediate procurement made without documented quotes

OAR 162-10-0230 INTERNAL CONTROL

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

Our 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* dated December 23, 2021, is presented under separate cover.

RESTRICTIONS ON USE

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



For Solutions, CPAs PC
John Day, Oregon
December 23, 2021



Oregon Secretary of State – Audits Division

Summary of Revenues and Expenditures

A. Municipal corporation information			
Municipality name: <u>Harney County School District 3</u>			
Address line 1: <u>190 Hines Blvd</u>	Reporting period: From <u>07/01/2020</u>	To <u>06/30/2021</u>	
Address line 2: _____	City, state, ZIP: <u>Burns</u> <u>OR</u> <u>97720</u>		
Check if new address: <input type="checkbox"/>	Report type: <u>Audit</u>	Opinion issued: <u>Unmodified</u>	
If this is the final report, please enter the last date of operations: _____		Basis of accounting: <u>GAAP</u>	

B. Financial statement audit – Reported deficiencies	
1. Regarding internal controls over financial reporting, how many significant deficiencies and material weaknesses were reported? <u>0</u>	3. How were deficiencies communicated? Check all that apply. <input type="checkbox"/> Report issued in accordance with Government Auditing Standards <input type="checkbox"/> Communication in accordance with Statements on Auditing Standards AU-C 265 "Communicating Internal Control Related Matters Identified in an Audit" <input type="checkbox"/> Other (specify communication): _____ <input checked="" type="checkbox"/> No deficiencies
2. Of those control deficiencies reported, how many resulted in the following: Accounting errors/Misstatements: _____ Noncompliance: _____	Per OAR 162-010-0230, a copy must be filed with Secretary of State.

C. Summary of revenues and expenditures

Revenues and/or receipts		Expenditures and/or disbursements	
a. Revenues from government-wide statement of activities:	\$ 13,671,298	a. Expenditures from government-wide statement of activities:	\$ 11,863,522
b. Fiduciary fund additions:		b. Fiduciary fund deductions:	
c. Gross revenues subtotal (a + b):	\$ 13,671,298	c. Gross expenditures subtotal (a + b):	\$ 11,863,522
d. Revenues of component units:		d. Component unit expenditures reported with primary government:	
e. Taxes, assessments and other collections to be distributed to other governments:		e. Turnovers to other municipal corporations:	
f. Exempt revenue subtotal (d + e):	\$ 0	f. Exempt expenditures subtotal (d + e):	\$ 0
g. Net revenues (c – f):	\$ 13,671,298	g. Net expenditures (c – f):	\$ 11,863,522

D. Filing fee:	\$ 350
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E. Submitted by	
Auditor name: <u>Mitch T. Saul, CPA</u>	Municipal license number: <u>1525</u>
Firm name: <u>Solutions, CPAs PC</u>	Date: <u>12/23/2021</u>
Municipal contact name, title: <u>Cara Wilber, Business Manager (OPG)</u> Municipal phone: <u>(541) 573-6151</u>	

Within 30 days of delivering the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Audits Division, and one copy must be delivered to the municipal corporation. If deficiencies are communicated in a separate letter or in a report issued in accordance with *Government Auditing Standards*, a copy of that communication must also be filed. (OAR 162-010-0230)

OREGON DEPARTMENT OF EDUCATION
REQUIRED INFORMATION

FORM 581-3211 - SUPPLEMENTAL INFORMATION

HARNEY COUNTY SCHOOL DISTRICT NO. 3
 Burns, Harney County, Oregon
OREGON DEPARTMENT OF EDUCATION REQUIRED INFORMATION
FORM 581-3211 - SUPPLEMENTAL INFORMATION
 June 30, 2021

A. ENERGY BILLS FOR HEATING - Enter **all funds** total expenditures for electricity and fuel (gas, oil, and coal) for the following two functions.

Function	Objects 325, 326, and 327
2540	\$382,657
2550	\$6,530

B. EQUIPMENT REPLACEMENT - Enter **general fund** expenditures for replacement of equipment and vehicles (Objects 542) for all functions **excluding** the functions listed below.

- | | |
|---------------------------------|---------------------------|
| 1113 Cocurricular activities | 2550 Pupil transportation |
| 1122 Cocurricular activities | 3100 Food services |
| 1132 Cocurricular activities | 3300 Community services |
| 1140 Prekindergarten | 4150 Construction |
| 1300 Adult/continuing education | |
| 1400 Summer school | |

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HARNEY COUNTY SCHOOL DISTRICT NO. 3

SINGLE AUDIT

For the Year Ended June 30, 2021

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HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SINGLE AUDIT
June 30, 2021

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HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2021

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Additional Award Detail</u>	<u>Pass Through Entity Number</u>	<u>Period Covered</u>	<u>Expenditures</u>
U.S. Department of Agriculture					
Passed through the Oregon Department of Education					
School Breakfast Program	10.553		1308001	7/1/20-6/30/21	\$ 53,484
Child Nutrition Programs - Commodity Distribution	10.555		1308001	7/1/20-6/30/21	13,598
Nation School Lunch Program	10.555		1308001	7/1/20-6/30/21	83,779
Summer Food Service Program	10.559		1308001	7/1/20-6/30/21	10,118
Summer Food Service Program - CARES	10.559	COVID-19	1308001	7/1/20-6/30/21	13,964
Total Child Nutrition Cluster					<u>174,943</u>
Passed through Harney County, Oregon					
Schools and Roads - Grants to Counties	10.666		NA	7/1/20-6/30/21	91,341
Total Forest Service Schools and Roads Cluster					<u>91,341</u>
Total U.S. Department of Agriculture					<u>266,284</u>
U.S. Department of Education					
Passed through the Oregon Department of Education					
Title I Grants to Local Educational Agencies	84.010		53276/58272	7/1/20-6/30/21	259,024
Title I Grants to Local Educational Agencies - Part A Program	84.010		54302	7/1/20-6/30/21	9,479
Total Title I Grants to Local Educational Agencies					<u>268,503</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		12374	7/1/20-6/30/21	40,800
			49888/53779/		
Special Education Grants to States - Part B	84.027		56658/60665	7/1/20-6/30/21	271,965
Special Education Grants to States - YCEP	84.027		12374	7/1/20-6/30/21	8,300
Total Special Education Cluster (IDEA)					<u>280,265</u>
Rural Education	84.358		60326	7/1/20-6/30/21	9,335
Supporting Effective Instruction State Grants	84.367		53538/58764	7/1/20-6/30/21	43,620
Student Support and Academic Enrichment Program	84.424		54528/58582	7/1/20-6/30/21	18,425
Elementary and Secondary school Emergency Relief Fund	* 84.425D	COVID-19	57819	7/1/20-6/30/21	120,203
Elementary and Secondary school Emergency Relief Fund-YCEP I	* 84.425D	COVID-19	57819	7/1/20-6/30/21	897
Elementary and Secondary school Emergency Relief Fund-YCEP II	* 84.425D	COVID-19	64783	7/1/20-6/30/21	255
Governor's Emergency Education Relief Fund	* 84.425C	COVID-19	60949	7/1/20-6/30/21	142,549
Passed through Oregon Department of Human Services					
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		160718	7/1/20-6/30/21	72,664
Passed through High Desert Education Service District					
Education for Homeless Children and Youth	84.196		46122	7/1/20-6/30/21	2,585
Direct Programs					
Indian Education Grants to Local Educational Agencies	84.060		S060A190418/ SO60A200418	7/1/20-6/30/21	11,571
Total U.S. Department of Education					<u>1,011,672</u>
Total federal assistance					<u>\$ 1,277,956</u>

* Major Program

See accompanying notes to the schedule of expenditures of federal awards

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2021

Purpose of the schedule

The accompanying schedule of expenditures of federal awards (SEFA) is a supplementary schedule to the district financial statements and is presented for purposes of additional analysis. Because the schedule presents only a selected portion of the activities of the district, it is not intended to and does not present the financial position or changes in fund balances of the district.

Significant accounting policies

Basis of presentation

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Federal financial assistance

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major programs

The Uniform Guidance establishes criteria to be used in defining major federal financial assistance programs. Major programs for the district are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting entity

The reporting entity is fully described in the notes to financial statements. The schedule includes all federal programs administered by the district for the year ended June 30, 2021.

Revenue and expenditure recognition

The receipt and expenditure of federal awards are accounted for using the modified accrual basis of accounting. Revenues are recognized when measurable and available. Expenditures are recorded when a liability is incurred.

Indirect Cost Rate

The district has not elected to use the 10% de minimis indirect cost rate.

Federal Forest Fees

The district includes federal forest fees in the schedule due to requirements of the Oregon Department of Education. These expenditures aren't subject to Uniform Guidance audit due to treatment based on guidance provided by both the Oregon Department of Education and United States Department of Agriculture.

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

Type of Report Issued

In our report for the district, our opinion was unmodified.

Material Weakness in Internal Control

Our audit of the financial statements of the district did not identify any material weakness in internal control over financial reporting.

Significant Deficiencies in Internal Control

Our audit of the financial statements of the district did not identify any significant deficiencies in internal control over financial reporting.

Noncompliance Material to Financial Statements

Our audit of the financial statements of the district did not disclose any noncompliance which is material to the financial statements.

Material Weakness in Internal Control Over Major Programs

Our audit of the district did not identify any material weaknesses in internal control over major federal programs.

Significant Deficiencies in Internal Control Over Major Programs

Our audit of the district did not identify any significant deficiencies in internal control over major programs.

Type of Report Issued on Compliance for Major Programs

We have issued an unmodified opinion on compliance with requirements that have a direct and material effect on each major federal program.

Audit Findings

Our audit of the district did not disclose any audit findings we are required to report in accordance with 2 CFR 200.516(a).

Identification of Major Programs

For the identification of major programs see the preceding Schedule of Expenditures of Federal Awards.

Dollar Threshold Used to Distinguish Between Type A and Type B Programs

Type A programs are the programs with total program expended funds of \$750,000 or more.

Risk Classification of Auditee

We have determined that the district qualifies as a low-risk auditee.

Classification of Federal Awards Expended

We have determined that the district has expended federal funds in the following forms:

1. Non-cash assistance – USDA Commodities – 10.555 - \$13,598
2. Insurance in effect during the period – \$0
3. Loans or loan guarantees, including interest subsidies, outstanding at year end – \$0

HARNEY COUNTY SCHOOL DISTRICT NO. 3
Burns, Harney County, Oregon
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

MATERIAL WEAKNESSES IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

CURRENT YEAR

The audit for the year ended June 30, 2021 did not report any material weaknesses in accordance with *Government Auditing Standards*.

PRIOR YEAR

The audit for the year ended June 30, 2020 did not report any material weaknesses in accordance with *Government Auditing Standards*.

SIGNIFICANT DEFICIENCIES IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

CURRENT YEAR

The audit for the year ended June 30, 2021 did not report any significant deficiencies in accordance with *Government Auditing Standards*.

PRIOR YEAR

The audit for the year ended June 30, 2020 did not report any significant deficiencies in accordance with *Government Auditing Standards*.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CURRENT YEAR FINDINGS

Our audit did not disclose any findings and questioned costs as defined by 2 CFR 200.516(a) for the year ended June 30, 2021.

PRIOR YEAR FINDINGS

Our audit did not disclose any findings and questioned costs as defined by 2 CFR 200.516(a) for the year ended June 30, 2020.

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

Board of Directors
Harney County School District No. 3
Burns, Harney County, 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 statements of the governmental activities and each major fund of Harney County School District No. 3 (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, and have issued our report thereon dated December 23, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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 grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



For Solutions, CPAs PC
John Day, Oregon
December 23, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
UNIFORM GUIDANCE**

Board of Directors
Harney County School District No. 3
Burns, Oregon

Report on Compliance for Each Major Federal Program

We have audited Harney County School District No. 3's (the district) compliance with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the district's major federal programs for the year ended June 30, 2021. The district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the district's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the district's compliance.

Opinion on Each Major Federal Program

In our opinion, the district complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the district is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the district's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the district's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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



For Solutions, CPAs PC
John Day, Oregon
December 23, 2021