



SCHOOL BOARD MEETING REPORT

Board Meeting Date: 1/19/22 Superintendent: Dave Valenzuela

Administrator/Staff: Lisa Cross

Type of Item: Informational Action

Please state your proposal briefly and clearly. What do you want the board to know, discuss, or decide?

I recommend the Board accept the 2020-2021 Financial Statements and Independent Audit's Report as presented.

Provide history/background information on your proposal:

The District's 2020-2021 Financial Statements and Independent Auditor's Report have been completed and submitted to various state and federal agencies as required. Included here is the auditor communication letter to the board and a summary of the audit results. The full report will be distributed separately and is posted on the district website.

List the advantages of your proposal:

List possible disadvantages of your proposal:

List possible alternatives that could also offer a solution to your proposal. Why were they not recommended?

Superintendent's recommendation(s): Approve: Yes No



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December 21, 2020

To the Board of Education
Three Rivers School District
Murphy, Oregon

We have audited the financial statements of Three Rivers School District (the District) as of and for the year ended June 30, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 8, 2020, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimates affecting the District's financial statements were:

- Management's estimate of the accumulated depreciation and related expense for the current year was based on management's estimate of the life expectancy of the fixed assets. We reviewed the capital asset listing, selected a sample, and recalculated the accumulated and current year depreciation expense. We were satisfied that the calculations used were reasonable.
- Management's estimate of the property taxes receivable is based on information obtained from the Jackson and Josephine County Tax Departments. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.
- There are two estimates of post-employment benefits (OPEB) included in the Statement of Net Position. One is an asset and one is a liability. The OPEB asset and associated deferred outflows and deferred inflows is related to the Oregon Public Employees Retirement System (OPERS) Retirement Health Insurance Account (RHIA) which is management's estimate of the cost of Medicare companion health insurance premiums of eligible retirees. This information is subject to significant assumptions. In addition to testing certain contributions made by the District we have relied on the audit of OPERS plan. Based on the audit of OPERS and the procedures performed the OPEB related entries appear reasonably stated. The other OPEB and the is a liability and the estimate is a valuation of implicit explicit rate subsidies retirees receive from medical insurance they purchase through the District. Management contracted with an outside party to perform an actuarial analysis to estimate these benefits. The actuary performed the analysis based on information provided by management. We reviewed the information provided by the actuary and applied it to the financial statements.
- There are two estimates of pension liabilities in the Statement of Net Position. One estimate is a net pension liability and the associated outflows and deferred inflows related to the OPERS cost-sharing multiple-employer defined benefit plan and is based on information provided by OPERS. This information is subject to significant assumptions. In addition to testing certain contributions made by the District we have relied on the audit of OPERS plan. Based on the audit of OPRES and the procedures performed the pension related entries appear reasonably stated. The other estimate is a total pension liability on the early retirement stipend pension plan it will pay to certain employees under their employment contracts. This estimate was based on the retirees currently covered, the length of continued payments and the current amount of the monthly payment. We reviewed the information provided by the actuary and applied it to the financial statements.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

- The disclosure of Long-term Debt in *Note 6* of the financial statements.
- The disclosure of Other Post-employment Benefits Other Than Pensions in *Note 9* to the financial statements.
- The disclosure of Pension and Retirement Plans in *Note 10* to the financial statements.
- The disclosure of Uncertainties in *Note 17* to the financial statements.
- The disclosure of Subsequent Events in *Note 18* to the financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated December 21, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have applied certain limited procedures to management's discussion and analysis, other post-employment benefit schedules, certain pension schedules, and the general fund and special revenue funds budgetary comparison schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit management's discussion and analysis, other post-employment benefit schedules, and certain pension schedules and do not express an opinion or provide any assurance on these items.

We were engaged to report on the general fund and special revenue major governmental funds budgetary comparison schedules. With respect to these schedules, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled these schedules to the underlying accounting records used to prepare the financial statements or to do the financial statements themselves.

We were engaged to report on the budgetary comparison schedules, the other financial schedules and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

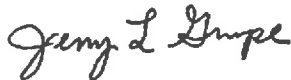
Restriction on Use

This report is intended solely for the information and use of the Board of Education and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

General Comment

During our audit we found the management and staff to be very receptive to our comments and suggestions. They were hard-working, diligent, and conscientious about their assigned responsibilities and duties. They were a pleasure to work with.

Very truly yours,

A handwritten signature in cursive script that reads "Jeny L. Grupe".

Jeny L. Grupe CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 21, 2020

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2021**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unmodified opinion on whether the financial statements of Three Rivers School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weakness in internal controls were disclosed by the audit of the Financial Statements of Three Rivers School District.
3. No instances of noncompliance material to the financial statements of Three Rivers School District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal programs were disclosed by the audit.
5. The auditor’s report on compliance for the major federal award programs for Three Rivers School District expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as a major program include:

US Department of Education

Education Stabilization Fund

AL # 84.425

8. The threshold for distinguishing Types A and B Programs was \$750,000.
9. Three Rivers School District qualified as a low-risk auditee under the criteria specified in the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None