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Board of Directors
Corbett School District No. 39
Corbett, Oregon

Attention: Michelle Vo, Board Chair

This letter is to inform the Board of Directors of Corbett School District No. 39, Multnomah County, Oregon, (the District) about significant matters related to the conduct of our audit as of and for the year ended June 30, 2020, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

The Respective Responsibilities of the Auditor and Management

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated July 24, 2020. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated July 24, 2020 regarding the planned scope and timing of our audit and have discussed with you our identification of significant risks of material misstatement.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. We are not aware of any significant accounting policies or their applications that were initially selected or changed during the year.

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates.

- Depreciation, as described in Note 1 of the Notes to Basic Financial Statements, is computed on the straight-line method based on the estimated useful lives of the individual assets.

- Donated Capital Assets, as described in Note 1 of the Notes to Basic Financial Statement, are recorded at their estimated acquisition cost on the date donated.

- Net Pension Liability and Related Outflows and Inflows, as described in Note 6 of the Notes to Basic Financial Statements, are actuarially determined based on information provided by the District from Oregon Public Employees Retirement System (PERS) and on assumptions determined by PERS.

- Net Other Postemployment Benefits asset and related deferred outflows and inflows, as described in Note 7 of the Notes to Basic Financial Statements, are based on an actuarial valuation prepared using information provided by the District to PERS or to the District's actuary.

Audit Adjustments

Management corrected the following material misstatements that were identified as a result of our audit procedures:

	Effect - Increase (Decrease)				
Description	**Assets & Deferred Outflows**	**Liabilities & Deferred Inflows**	**Beginning Equity**	**Revenue**	**Expense / Expenditure**
GOVERNMENTAL ACTIVITIES					
To correct long-term liabilities and record assets held in trust	$ 465,000	$ 444,444	$ 13,820	$ 6,736	$ -
To correct capital assets	499,390	-	-	-	(499,390)
GENERAL FUND					
To correct debt service and record assets held in trust	465,000	-	402,708	6,736	(55,556)

Uncorrected Misstatements

We identified the following uncorrected misstatements that management has concluded are not, individually or in the aggregate, material to the basic financial statements. We agree with management's conclusion in that regard.

	Effect - Increase (Decrease)				
Description	**Assets & Deferred Outflows**	**Liabilities & Deferred Inflows**	**Beginning Equity**	**Revenue**	**Expense / Expenditure**
GOVERNMENTAL ACTIVITIES					
To correct cash balances	$ 22,199	$ 14,754	$ 7,445	$ -	$ -
To correct accrued payroll	-	270,128	-	-	270,128
GENERAL FUND					
To correct cash balances	22,199	14,754	7,445	-	-
To correct accrued payroll	-	270,128	-	-	270,128

Internal Control Matters

We have issued a separate communication dated February 12, 2021 regarding certain deficiencies in internal control that we identified during the planning or performance of our audit of the financial statements.

Consultation With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Recently Issued Accounting Standards

The Governmental Accounting Standards Board (GASB) has recently issued the following statements:

- **GASB Statement No. 84, *Fiduciary Activities***
  This Statement will be effective for fiscal years beginning after December 15, 2019. The Statement establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. It also provides that governments should report activities meeting certain criteria in a fiduciary fund in the basic financial statements and present a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement describes four fiduciary funds that should be reported, if applicable: pension/employee benefit trust funds; investment trust funds; private purpose trust funds; and custodial funds with fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

- **GASB Statement No. 87, *Leases***
  This Statement will be effective for fiscal years beginning after December 15, 2021 for all leases other than short-term leases. Among other things, the Statement requires that government lessees:
  - Recognize the following: (a) a lease liability and (b) an intangible asset representing the lessee's right to use the leased asset: and
  - Report in its financial statements: (a) amortization expense for using the leased asset over the shorter of the term of the lease or the useful life of the underlying asset, (b) interest expense on the lease liability and (c) note disclosures about the lease.

  Under this Statement, government lessors must:
  - Recognize: (a) a lease receivable and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and
  - Report in its financial statements: (a) lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable; and (c) note disclosures about the lease.

- **GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period***
  This Statement will be effective for fiscal years beginning after December 15, 2021, with earlier application encouraged. Implementation of this Statement was delayed by one year by GASB Statement 95.

  For financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized.

  For financial statements prepared using the current financial resource measurement focus, interest incurred before the end of a construction period should continue to be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

- **GASB Statement No. 90, *Majority Equity Interest***
  This Statement will be effective for fiscal years beginning after December 15, 2019, with earlier application encouraged. Implementation of this Statement was delayed by one year by GASB Statement 95. For a majority equity interest in a legally separate entity that does not meet the definition of an investment, Statement 90 requires a government to report the legal separate entity as a component unit.

- **GASB Statement No. 91, *Conduit Debt Obligations***
  This Statement will be effective for fiscal years beginning after December 15, 2021, with earlier application encouraged. Implementation of this Statement was delayed by one year by GASB Statement 95. This Statement clarifies what is a conduit debt obligation and eliminates the option for government issuers to recognize conduit debt obligations.

- **GASB Statement No. 92, *Omnibus 2020***
  This Statement will be effective for fiscal years beginning after June 15, 2021, with earlier application encouraged. Implementation of this Statement was delayed by one year by GASB Statement 95. This Statement includes guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements.

- **GASB Statement No. 93, *Replacement of Interbank Offered Rates***
  The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of Statement 93 are now effective for reporting periods beginning after June 15, 2021, with earlier application encouraged. Implementation of certain provisions of this Statement were delayed by one year by GASB Statement 95. This Statement includes guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements.

- **GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***
  This Statement will be effective for reporting periods beginning after June 15, 2022. The Statement provides guidance to improve accounting and financial reporting for public-private and public-public partnership arrangements (commonly referred to as P3s) and availability payment arrangements (APAs). It has guidance for P3 arrangements, including those that are outside of the scope of the GASB's existing literature for those transactions, namely Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, and Statement No. 87, Leases. The Statement also makes certain improvements to the guidance previously included in Statement 60 and provides accounting and financial reporting guidance for APAs.

- **GASB Statement No. 96, *Subscription-Based Information Technology Arrangements***
  This Statement will be effective for fiscal years beginning after June 15, 2022. The Statement provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in Statement 87, Leases.

- **GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32***
  The component unit determination provisions of this Statement are effective immediately. Other provisions are effective for periods beginning after June 15, 2021. The Statement requires that, for purposes of determining whether a primary government is financially accountable for a potential component unit (except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or other employee benefit plan), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically performs. Appointment of a voting majority is a criterion in existing standards used to determine whether a legally separate entity should be incorporated into the government's financial statements.

Also, the financial burden criterion in GASB Statement No. 84, *Fiduciary Activities*, will be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in GASB Statement No. 67, *Financial Reporting for Pension Plans*, para 3, or GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, para 3. It also requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and clarifies that GASB Statement No. 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

Management Representations

Attached is a copy of the management representation letter.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

This report is intended solely for the information and use of the Board of Directors and is not intended to be, and should not be, used by anyone other than this specified party.

Talbot, Korvola & Warwick LLP

Portland, Oregon
February 12, 2021