

December 30, 2020

To the Administrator and Deputy Administrator of  
Oregon Corrections Enterprises  
Salem, Oregon

We have audited the financial statements of the Oregon Corrections Enterprises, as of and for the year ended June 30, 2020, and have issued our report thereon dated December 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 June 5, 2020, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been approved 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 Oregon Corrections Enterprises 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 Oregon Corrections Enterprises 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 fiscal year 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 accounting estimates affecting the financial statements are the estimate of accumulated depreciation, compensated absences, net pension liability and other post-employment benefits asset and liability.

Management's estimate of accumulated depreciation is based on historical cost or estimated historical cost and straight-line depreciation.

Management's estimate of the compensated absences payable is based on current wages.

Management's estimate of the net pension liability is calculated based on information provided by the State of Oregon (PERS) that was determined by an actuary.

Management's estimate of other post-employment benefit asset and liability is calculated based on the annual required contribution (ARC) of the employer, an amount determined by an actuary.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### *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 Oregon Corrections Enterprises' financial statements relate to:

The disclosure of Capital Assets in Note 4 to the financial statements summarizes the changes in capital assets for the year ended June 30, 2020.

The disclosure of Oregon Corrections Enterprises' Pension Plan in Note 6 to the financial statements describes Oregon Corrections Enterprises' Pension Plan benefits, contributions, pension assets, liabilities, expense, deferred outflows/inflows of resources, and actuarial assumptions/projections.

The disclosure of Oregon Corrections Enterprises' Other Post-Employment Benefit Plan in Note 7 to the financial statements describes Oregon Corrections Enterprises' other post-employment benefits, contributions, assets, liabilities, expense, deferred outflows/inflows of resources, and actuarial assumptions/projections.

The disclosure of subsequent events in Note 11 to the financial statements describes the global pandemic was declared by the World Health Organization related to the coronavirus pandemic. The impact on Oregon Corrections Enterprises of the pandemic on the results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

### **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. No misstatement were noted during the audit.

### **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 Oregon Corrections Enterprises' financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, in a separate letter dated December 30, 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 Oregon Corrections Enterprises, 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 Oregon Corrections Enterprises' auditors.

### Other Matters

We applied certain limited procedures to the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of pension contributions, schedule of Oregon Corrections Enterprises proportionate share of net OPEB liability (asset), schedule of Oregon Correction Enterprises OPEB contributions 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, schedule of the proportionate share of the net pension liability, schedule of pension contributions, schedule of Oregon Corrections Enterprises proportionate share of net OPEB liability (asset), schedule of Oregon Correction Enterprises OPEB contributions and do not express an opinion or provide any assurance on this information.

We were engaged to report on the supplementary information, as listed in the table of contents, which accompany the financial statements but is 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 the 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.

## **Modification of the Auditor's Report**

We have made the following modification to our auditor's report to include an emphasis of matter paragraph.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements of Oregon Corrections Enterprises are intended to present the financial position, and the changes in financial position, of only the position of

Oregon Corrections Enterprises. They do not purport to, and do not, present fairly the financial position of the State of Oregon as of June 30, 2020, and the changes in their financial position and their cash flows, were applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

This report is intended solely for the information and use of the Administrator, Deputy Administrator, and management of Oregon Corrections Enterprises and is not intended to be and should not be used by anyone other than these specified parties.

If you should have any questions or comments, we would be pleased to discuss this report with you at your convenience.

Respectfully,



Merina+Co  
Tualatin, Oregon

*Focused on Your Wants and Understanding Your Needs*