

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

BOARD OF DIRECTORS

<u>BOARD OF DIRECTORS</u>	<u>TERM EXPIRES</u>
Michael Lesko, Position #1	June 30, 2019
Tina Kain, Position #2	June 30, 2017
Duane Geyer, Vice-Chairman Position #3	June 30, 2017
Don Miller, Position #4	June 30, 2017
Kelly Kessler, Position #5	June 30, 2019
Tim McElrath, Position #6, Chairman	June 30, 2017
Tara Lewis, Position #7	June 30, 2019

All board members will receive mail at the following address:

1020 South Mill Street
Milton-Freewater, OR 97862-1343
(541) 938-3551

ADMINISTRATION

Rob Clark, Superintendent
Denyce Kelly, Director of Business Services

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

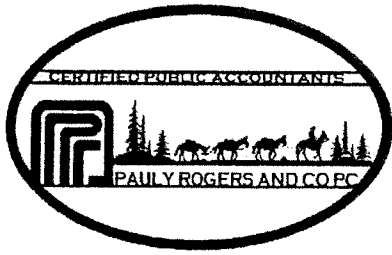
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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

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January 3, 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Milton-Freewater Unified School District
Umatilla County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Milton-Freewater Unified School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Milton-Freewater Unified School District, as of June 30, 2016, 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.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 72, Fair Value Measurement and Application during the year ended June 30, 2016. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards 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 the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents and the schedule of federal awards, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2017 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 3, 2017, on our consideration of 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.



MATTHEW GRAVES, CPA
PAULY, ROGERS AND CO., P.C.

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**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016**

As management of Milton-Freewater Unified School District, (referred to as the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements that begin with the Statement of Net Position.

FINANCIAL HIGHLIGHTS

- In the Government-Wide financial statement at June 30, 2016, the District's liabilities plus deferred inflows of resources outstripped total assets plus deferred outflows of resources, causing a *deficit* totaling \$3,383,289. Most notably, the previous year's pension asset totaling \$1,196,586 dissipated with the Oregon state Supreme Court's reversal of PERS reform enacted by State Legislature and the ongoing struggle in the investment market. As a result, the District reported a net pension liability totaling \$2,375,420 at June 30, 2016. The District's investment in capital assets net of related debt totaled \$6,747,431.
- The District maintains liquidity with cash totaling \$3,925,546. This balance is increased from \$3,188,364 in the previous year. This increase is a result of an upturn in the local option tax and related State matching grant as well as reduced District expenditures, following reduced District enrollment.
- The District relies upon the State School Fund as its primary source of operating revenue. In 2016, the State School Formula afforded District collections totaling \$14,097,303 compared to \$13,851,373 in the prior year. Although enrollment was reduced, the District benefited from improved State funding due to the formula counting kindergartners as full time equivalent (previously weighted at 0.50), the State Legislature's commitment to K-12 education and the recovery in the economy.
- At June 30, 2016, the assigned and unassigned fund balance for the General Fund was \$2,626,299 or approximately 16% of total General Fund expenditures (including transfers).
- In May 2013, voters approved Measure 30-93, a 5-year local option property tax levy. In the 3rd year of the levy the District collected additional property tax revenue of \$206,234 as well as a state matching grant in the amount of \$210,103. This is an increase from the prior year allowing the District to update curriculum and complete safety improvements in the buildings. With the voter passage of the General Obligation bond in May 2016, the District will not assess the local option property tax levy in 2016-17 or 2017-18.

**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016**

- During the 2015-16 school year the District engaged in two other major capital projects. 1) The “Cool Schools” Energy Loan Program allowed the District to provide Central Middle School and McLoughlin High School with a centralized HVAC control system. The District entered into a \$220,500, 10 year, 3.5% interest loan with the Oregon Department of Energy to finance this project. 2) Seismic updates to the McLoughlin High School Gymnasium are funded by the Seismic Rehabilitation Grant Program. The District was awarded \$645,995 for this project. At June 30, 2016 the construction is in process, with related expenditures of \$336,677. The project is expected to be finalized in the fall 2016.
- In May 2016, the voters approved a \$12,500,000 capital bond measure. The bond measure along with the Valley Foundation Grant of \$15,000,000 and the State Facility Grant of \$4,000,000 will allow the District to construct the new K-3 “Gib Olinger” Elementary School, build a new sports complex at the Grove Elementary site, update HVAC and infrastructure at Ferndale, McLoughlin High School and Central Middle School, as well as improvements to the District transportation facilities. The bonds were sold in July 2016 and the District is well underway in the planning and design phases of the project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management 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 the financial statements. The basic financial statements present two different views of the District through the use of Government-Wide statements and fund financial statements. In addition to the basic financial statements, this report also contains supplementary information that will enhance the reader’s understanding of the financial condition of the District.

The first two statements in the basic financial statements are the Government-Wide Financial Statements. They provide both short and long-term information about the District’s financial status. The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the District. These statements provide more detail than the Government-Wide statements. There are two parts to the Fund Financial Statements: the governmental funds statements and the budgetary comparison statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. In addition to the basic financial statements and accompanying notes, supplementary information is provided to show details about the District’s individual funds. Budgetary information required by the Oregon Revised Statutes also can be found in this part of the statements.

Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (con't)

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. In the Government-Wide financial statements, the District's activities are in Governmental Activities which include regular and special program instructional and support services, administrative and fiscal support, and community services. These activities are primarily financed through property tax revenues, Oregon State school fund, and inter-Governmental grants. 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. The net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful 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 the net assets of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net assets. All changes in net position are reported as soon as the underlying event giving rise to the change occurs.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" fund – 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 Milton-Freewater Unified School District like other governmental entities in the State of Oregon, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the Oregon Revised Statutes.

Because the focus of governmental funds is narrower than that of the Government-Wide financial statements, it is useful to compare the information presented by governmental funds with similar information presented for statement of 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 and Net position and Activities

**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (con't)

The District adopts an annual budget for its funds, as required by the Oregon Revised Statutes. The budget is a legally adopted document that incorporates input from the citizens of the District, the management of the District, and the District Board about which services to provide and how to pay for them. It also authorizes the District to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the District complied with Oregon Local Budget Law and whether or not the District succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures, and Changes in Fund Balances. The statement shows four columns: 1) the original budget as adopted by the District Board; 2) the final budget as amended by the District Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges

The District maintains 18 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and Statement of Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund all of which are considered major funds under the GASB 34.

Notes to the Financial Statements:

The notes provide additional information that is essential to understanding the data provided in the Government-wide and fund financial statements.

Other Information

Supplementary information and other financial schedules reflect detail budget to actual analysis for the fiscal year ending June 30, 2016.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Current and Other Assets on the tables below primarily consist of cash and accounts receivable from the State. At June 30, 2016, cash totaled \$3,925,546. Receivables total \$1,233,269 from state contracts and grants, including the new Seismic Rehabilitation Grant of \$336,677.

Capital assets consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 55% of total assets. For the year ended June 30, 2016, larger investments in capital assets include HVAC controls, resurfacing McLoughlin High Track, HVAC compressors, condensers, coolers and District transportation equipment.

Deferred outflows of resources related to pensions totaled \$295,044 and represent contributions subsequent to the measurement date combined with differences between expected and actual experience.

**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (con't)

The District's largest liability consists of three PERS Bond issues. The District issued bonds in 2002, 2003 and a refinance in 2011. The bonds were sold to fund or partially fund the Agencies PERS unfunded actuarial liability (UAL). At June 30, 2016, the PERS bonds balance totaled \$10,165,112. The District a full faith and credit obligation, totaling \$380,000, from 2011 bus purchases. In addition, the District entered into a new note payable to the Oregon Department of Energy for the Central & Mac High HVAC controls in the amount of \$ 220,500. Other notes include the Oregon Department of Energy (\$124,291) for 2012 energy efficiency improvement and Community Bank (\$35,237) for technology equipment. Total notes payable \$380,028.

The District offers post employment health insurance benefits as part of the collective bargaining agreement with the Milton-Freewater Education Association, resulting in a District liability at June 30, 2016 of \$467,035

As previously mentioned, the District has a net pension liability totaling \$2,375,420. The pension liability reflects the District's proportionate share of the State of Oregon's Unfunded Actuarial Liability. Interestingly, at the end of the prior fiscal year the District recorded a \$1,196,586 pension asset that dissolved when the Oregon State Supreme Court overturned State Legislative driven PERS benefit relief

The District also reported Deferred Inflows of Resources from the net difference between projected and actual earning on pension investments totaling \$ 693,951. The accrual is driven by the changes in proportion and differences between employer contributions and proportionate share of contributions.

At June 30, 2016 the liabilities and deferred inflows of the District exceeded its assets and deferred outflows by \$3,383,289. The District's net position decreased by \$538,165 from the prior year.

The majority of the District's unrestricted deficit net position (\$10,868,349) is due to the significant net pension liability noted above and District PERS Bond issues. This deficit net position is offset by the investment in capital assets (e.g. land, buildings, vehicles and equipment). 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. As mentioned earlier, the District does have current and long term debt related to buildings and equipment.

**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (con't)

The following reflects condensed information on the District's net position:

Net Position at June 30, 2016

	Governmental Activities		
	<u>2016</u>	<u>2015</u>	<u>Difference</u>
<u>Assets:</u>			
Cash and Cash Equivalents	\$ 3,925,546	\$ 3,188,364	\$ 737,182
Taxes Receivable	175,771	188,893	(13,122)
Accounts Receivable	1,233,269	773,880	459,389
Proportionate Share of the Net Pension Asset	0	1,196,586	(1,196,586)
Capital Assets - Nondepreciable	1,418,336	1,418,336	0
Capital Assets - Depreciable, Net of Depreciation	<u>5,329,095</u>	<u>4,988,797</u>	<u>340,298</u>
Total Assets	<u>12,082,017</u>	<u>11,754,856</u>	<u>327,161</u>
<u>Deferred Outflows of Resources:</u>			
Pension Deferred Outflows	<u>295,044</u>	<u>0</u>	<u>295,044</u>
<u>Liabilities:</u>			
Accounts Payable	390,297	83,250	307,047
Accrued Payroll Liability	908,506	905,326	3,180
Other Postemployment Benefits	467,035	519,343	(52,308)
Net Pension Liability	2,375,420	0	2,375,420
Bonds Payable Due in One Year	428,570	760,977	(332,407)
Bonds Payable Due in More Than One Year	<u>10,496,571</u>	<u>10,704,660</u>	<u>(208,089)</u>
Total Liabilities	<u>15,066,399</u>	<u>12,973,556</u>	<u>2,092,843</u>
<u>Deferred Inflows of Resources:</u>			
Net Pension related Deferrals	<u>693,951</u>	<u>1,626,424</u>	<u>(932,473)</u>
<u>Net Position</u>			
Investment in Capital Assets	6,332,194	5,556,472	775,722
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	718,904	455,005	263,899
Restricted for Other Purposes	433,962	266,091	167,871
Unrestricted	<u>(10,868,349)</u>	<u>(9,122,692)</u>	<u>(1,745,657)</u>
Total Net Position	<u>\$ (3,383,289)</u>	<u>\$ (2,845,124)</u>	<u>\$ (538,165)</u>

**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (con't)

Governmental Activities. The notable elements of the change in the District's net position for the year ended June 30, 2016 are as follows:

- Revenues rose in 2016 with the of the increase in the local option tax levy, the related State equalization matching grant and the improved Basic School Support. Although 2016 enrollment was reduced, the overall State funding was increased with kindergartners reported at full time.
- The large increase in expenses reported below is primarily due to the change in the PERS unfunded liability, which reported an asset of \$1,196,586 in 2015 to a reported liability of \$2,375,420 in 2016. Outside of the PERS expense, the remaining operating expenditures for the year were reduced to align with reduced enrollment. Facilities acquisition and capital outlay reported net of debt, was decreased from the prior year.

Changes in Net Position for the Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>Difference</u>
Revenues:			
Program Revenues			
Charges for Services	\$ 384,404	\$ 467,679	\$ (83,275)
Operating Grants & Contributions	1,731,172	1,705,411	25,761
General Revenues:			
Property Taxes	3,022,230	2,698,053	324,177
State School Sources	14,097,303	13,851,373	245,930
Other Federal, State and Local Sources	167,568	404,547	(236,979)
Interest on Investments	39,743	27,151	12,592
Other	43,925	43,097	828
Total Revenues	<u>19,486,345</u>	<u>19,197,311</u>	<u>289,034</u>
Expenses:			
Instruction	12,002,925	9,520,839	2,482,086
Support Services	6,323,214	4,938,125	1,385,089
Enterprise & Community Services	840,232	761,011	79,221
Facility Acquisition & Construction	0	0	0
Capital Outlay	0	0	0
Debt Service	858,139	927,969	(69,830)
Total Expenses	<u>20,024,510</u>	<u>16,147,944</u>	<u>3,876,566</u>
Change in Net Position	(538,165)	3,049,367	(3,587,532)
Net Position, Beginning	<u>(2,845,124)</u>	<u>(5,894,491)</u>	<u>3,049,367</u>
Net Position, Ending	<u>\$ (3,383,289)</u>	<u>\$ (2,845,124)</u>	<u>\$ (538,165)</u>

**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Government's net resources available for spending at the end of a fiscal year.

At June 30, 2016, the District's Governmental Funds reported a combined ending fund balance of \$3,890,062. This balance increased \$860,707 from the balance of \$3,029,355 in the previous year, primarily due to increased state funding and District facility grants as well as reduced expenditures, aligning to reduced enrollment.

General Fund. The General Fund is the primary operating fund of the District. As of June 30, 2016, the assigned and unassigned fund balance was \$2,626,299. 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 16% of total General Fund expenditures (including transfers) for the fiscal year ending June 30, 2016.

Special Revenue Fund. Special Revenue Funds are designated for specific programs. Sources of these funds usually are contracts or grants from public and private entities. State grants for title and special education programs were slightly higher for 2016. In addition, the District transferred \$200,000 into a new PERS reserve fund, to help offset rising cost of future PERS expenditures. The Special Revenue Fund balances totaled \$433,962.

Debt Service Fund. The Debt Service Fund is for payments on Limited Tax Pension Bonds, issued in 2002 and 2003 with refunding a portion in August 2011. In addition, the District makes payments on Full Faith and Credit Obligations used for various capital improvements to the District facilities. Payments on other debt funded the purchase of busses, copiers and more recently, energy efficiency projects. The Fund reports an ending balance of \$718,904.

Capital Projects Fund. In 2016 the District installed new HVAC controls at Central Middle School and McLoughlin High (Mac Hi), in addition to beginning the seismic updates on the Mac Hi gymnasium. Other capital purchases include track resurfacing at the high school, heating & cooling compressors & units at Central and Mac Hi as well as a maintenance vehicle for the grounds department. The District's Transportation Fund collects the State Transportation Grant and then transfers money for the debt payments related to the purchases of new busses. The Fund reports an ending balance of \$110,897.

**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016**

GENERAL FUND BUDGETARY HIGHLIGHTS

The State's \$7.38B budget for the 2015-17 biennium, which included counting kindergartners as full time equivalent for the first time, allowed the District to maintain current staff levels, honor negotiated step/COLA agreements for all staff and advance district technology, purchasing chrome books for student use. The Local Option revenue allowed for improved curriculum and needed District maintenance.

For the 2015-2016 school year, the District based its budget on 1770 average daily enrollment and a beginning fund balance totaling \$1,950,000. The actual beginning fund balance totaled \$2,246,226, however the actual enrollment averaged 1678. The District utilized the increased beginning fund balance to maintain a full calendar and all academic as well as extra-curricular programs. The District offered full day Kindergarten in 2015-2016, with a successful elementary building reconfiguration. The District continues to pay the 6% PERS employee portion. After the PERS rate relief legislation, the 2015-2016 rates decreased to remained flat at 2.78% for T1/T2 and 0.45% for OPSRP. This savings allowed for the creation of the PERS Reserve Fund (\$200,000) to offset future PERS rate increases.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment. For the year ended June 30, 2016, the District's capital assets are reported on the Statement of Net Position. New additions include District HVAC controls, Mac Hi track resurfacing, heating & cooling equipment at Central and Mac Hi as well as a maintenance vehicle for the grounds department. Construction in Progress includes the seismic updates to the Mac Hi Gymnasium.

		Governmental Activities
Land	\$	1,418,336
Construction In Progress		264,839
Buildings & Improvements		4,605,384
Equipment & Vehicles		458,872
	\$	6,747,431

**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION (con't)

Long-Term Debt. As reported on the Statement of Net Position and detailed in the table below, at June 30, 2016, the District had \$10.9 million debt outstanding which is comparable to \$11.4 million last year. New debt consists of a 10 year loan for HVAC controls with the Oregon Department of Energy in the amount of \$220,500. The District made its annual debt service payments under these obligations that included an overall reduction in the principal balance of \$540,497. See Note 5 of the Notes to the Financial Statements for more information on long-term debt obligations.

	Outstanding Debt Obligations		
	<u>2016</u>	<u>2015</u>	<u>Difference</u>
2002 Limited Tax Pension Bonds, PERS	\$ 4,654,208	\$ 4,777,629	\$ (123,421)
2003 Limited Tax Pension Bonds, PERS	5,080,904	5,273,615	(192,711)
2011 Limited Tax Pension Refunding Bonds, PERS	430,000	430,000	0
2006 Full Faith and Credit Obligation, remodeling	0	335,000	(335,000)
2011 Full Faith and Credit Obligation, bus purchases	380,000	450,000	(70,000)
Oregon Department of Energy Loan 2012	124,291	133,732	(9,441)
Oregon Department of Energy Loan 2016	220,500	0	220,500
Community Bank , Technology Equipment	35,237	65,661	(30,424)
Total	\$ <u>10,925,140</u>	\$ <u>11,465,637</u>	\$ <u>(540,497)</u>

**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As with most school Districts, the District relies heavily on the State of Oregon's State School fund. For the year ended June 30, 2016, the State School Fund – General Support provided 80% of the District's program resources for the General Fund. The percentage climbs to 97% when property taxes, local option taxes and the State Equalization Grant are included. Besides the continued recovery of the economy to create additional State funding, the District's enrollment and ability to attract new students is crucial to stable funding.

The District's 2016-17 budget is supported by 51% of the State's \$7.38B budget for the 2015-2017 biennium and is based on 1,680 average daily membership and a larger beginning fund balance. The budget included utilizing attrition to maintain all current positions, honor negotiated COLA agreements, a district wide math textbook adoption and transfers to capital project funds for needed District capital improvements, including the additional upgrades to the High School Gym. The budget also includes a \$31.5-million-dollar Facility Improvement Fund for the construction of the new Gib Olinger Elementary and related Bond/Valley Foundation grant projects.

Oregon's General Fund Revenue outlook remains stable. The State economic forecast indicates State Revenues will rise by 8.4% in the next biennium. Despite this increase, projected expenditures exceed 2017-2019 revenue by \$1.5B. For K-12 education, the Governor's 2017-2019 budget included \$8.01B State School funds. The education lobbyists believe the budget should be closer to \$8.4B in order to avoid cutting programs. In addition, the Governor allocated \$140M for CTE, college level education opportunities and expanded drop-out prevention. This second allocation was approved as Measure 98 by voters in November 2016. It is not known if the \$140M will be a carve out of the State School Formula.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or request for additional information should be addressed to the District's Business Office at InterMountain Education Service District at 2001 SW Nye, Pendleton, Oregon 97801.

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2016

ASSETS	
Cash and Cash Equivalents	\$ 3,925,546
Property Taxes Receivable	175,771
Accounts Receivable	1,233,269
Capital Assets - Nondepreciable	1,418,336
Capital Assets - Depreciable, Net of Depreciation	<u>5,329,095</u>
Total Assets	<u>12,082,017</u>
DEFERRED OUTFLOWS OF RESOURCES	
Net Pension Related Deferrals	<u>295,044</u>
LIABILITIES:	
Accounts Payable	390,297
Payroll Liabilities	908,506
Other Postemployment Benefits	467,035
Noncurrent Liabilities	
Proportionate Share of Net Pension Liability	2,375,420
Due within one year	428,570
Due in more than one year	<u>10,496,571</u>
Total Liabilities	<u>15,066,399</u>
DEFERRED INFLOWS OF RESOURCES	
Net Pension Related Deferrals	<u>693,951</u>
NET POSITION:	
Net Investment in Capital Assets	6,332,194
Restricted for:	
Debt Service	718,904
Other	433,962
Unrestricted	<u>(10,868,349)</u>
Total Net Position	<u>\$ (3,383,289)</u>

See accompanying notes to basic financial statements.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 12,002,925	\$ 304,377	\$ 579,436	\$ (11,119,112)
Support Services	6,323,214	-	383,488	(5,939,726)
Community Services	840,232	80,027	768,248	8,043
Interest on Long-Term Debt	858,139	-	-	(858,139)
Total Governmental Activities	<u>\$ 20,024,510</u>	<u>\$ 384,404</u>	<u>\$ 1,731,172</u>	<u>(17,908,934)</u>

General Revenues

Taxes:

Property Taxes, Levied for General Purposes

3,022,230

State Sources

14,097,303

Income Not Restricted to Specific Programs

Local Sources

164,215

Intermediate Sources

43,925

Federal, Unrestricted

1,751

Gain (Loss) on Sale of Asset

1,602

Interest and Investment Earnings

39,743

Total General Revenues

17,370,769

Changes in Net Position

(538,165)

Net Position - Beginning

(2,845,124)

Net Position - Ending

\$ (3,383,289)

See accompanying notes to basic financial statements.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTALS
ASSETS:					
Cash and Investments	\$ 3,206,642	\$ -	\$ 718,904	\$ -	\$ 3,925,546
Property Taxes Receivable	175,771	-	-	-	175,771
Accounts Receivable	138,746	757,846	-	336,677	1,233,269
Interfund Receivable	289,168	-	-	-	289,168
Total Assets	<u>\$ 3,810,327</u>	<u>\$ 757,846</u>	<u>\$ 718,904</u>	<u>\$ 336,677</u>	<u>\$ 5,623,754</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 129,801	\$ 36,438	\$ -	\$ 224,058	\$ 390,297
Payroll Liabilities	908,506	-	-	-	908,506
Interfund Payable	-	287,446	-	1,722	289,168
Total Liabilities	<u>1,038,307</u>	<u>323,884</u>	<u>-</u>	<u>225,780</u>	<u>1,587,971</u>
Deferred Inflows:					
Unavailable Property Taxes	145,721	-	-	-	145,721
Fund Balances:					
Restricted	-	433,962	718,904	-	1,152,866
Assigned:	-	-	-	110,897	110,897
Unassigned	2,626,299	-	-	-	2,626,299
Total Fund Balances	<u>2,626,299</u>	<u>433,962</u>	<u>718,904</u>	<u>110,897</u>	<u>3,890,062</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 3,810,327</u>	<u>\$ 757,846</u>	<u>\$ 718,904</u>	<u>\$ 336,677</u>	<u>\$ 5,623,754</u>

See accompanying notes to basic financial statements.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
YAMHILL COUNTY, OREGON

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds		\$	3,890,062
The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole.			
Net Capital Assets			6,747,431
The District's proportionate share of the statewide actuarially determined Net Pension Asset (PERS).			
			(2,375,420)
Net pension related deferrals include actuarial assumptions and PERS contributions after the valuation.			
			(398,907)
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Position.			
Long term Liabilities			
Bonds Payable	\$	(10,545,112)	
Other Post-Employment Benefits		(467,035)	
Notes Payable		<u>(380,029)</u>	
			(11,392,176)
Unearned revenue related to property taxes			<u>145,721</u>
Net Position		\$	<u><u>(3,383,289)</u></u>

See accompanying notes to basic financial statements.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTALS
REVENUES:					
From Local Sources	\$ 3,242,075	\$ 399,090	\$ 1,380,241	\$ -	\$ 5,021,406
From Intermediate Sources	41,346	2,579	-	-	43,925
From State Sources	13,481,843	145,207	-	470,253	14,097,303
From Federal Sources	22,776	1,663,287	-	-	1,686,063
Total Revenues	16,788,040	2,210,163	1,380,241	470,253	20,848,697
EXPENDITURES:					
Instruction	9,931,695	1,108,216	-	-	11,039,911
Support Services	5,584,323	239,843	-	4,993	5,829,159
Community Services	2,655	884,233	-	-	886,888
Facilities Acquisition and Construction	-	-	-	-	-
Debt Service	32,394	-	1,586,742	-	1,619,136
Capital Outlay	-	-	-	834,999	834,999
Total Expenditures	15,551,067	2,232,292	1,586,742	839,992	20,210,093
Excess of Revenues Over, (Under) Expenditures	1,236,973	(22,129)	(206,501)	(369,739)	638,604
OTHER FINANCING SOURCES (USES)					
Loan Receipts	-	-	-	220,501	220,501
Sale of or Compensation for Loss	-	-	-	1,602	1,602
Transfers In	10,000	200,000	470,400	283,500	963,900
Transfers Out	(866,900)	(10,000)	-	(87,000)	(963,900)
Total Other Financing Sources (Uses)	(856,900)	190,000	470,400	418,603	222,103
Net Change in Fund Balance	380,073	167,871	263,899	48,864	860,707
Beginning Fund Balance	2,246,226	266,091	455,005	62,033	3,029,355
Ending Fund Balance	\$ 2,626,299	\$ 433,962	\$ 718,904	\$ 110,897	\$ 3,890,062

See accompanying notes to basic financial statements.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2016

Total Net Changes in Fund Balances - Governmental Funds	\$	860,707
<p>Repayment of bond principal, capital leases and vested compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Additions to bond principal, capital leases and vested compensated absences is an expense for the Statement of Net Position but not the governmental funds.</p>		
Principal payments on debt	\$	721,132
Changes in Other Post-Employment Benefits		52,308
Principal payments on notes payable		<u>39,865</u>
		813,305
<p>Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt increases liabilities.</p>		
		(220,501)
<p>Fixed asset additions are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital assets additions exceeds depreciation.</p>		
Capital Asset Additions		671,291
Depreciation Expense		(330,993)
<p>Revenue reported in in the funds is on the modified accrual basis however property taxes are not deferred in the statement of activities.</p>		
		12,515
<p>The Pension Expense represents the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits.</p>		
		<u>(2,344,489)</u>
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(538,165)</u>

See accompanying notes to basic financial statements.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the district's accounting policies are described below.

REPORTING ENTITY

Milton-Freewater Unified School District (the District) is a municipal corporation governed by a separately elected seven-member board authorized to transact all business on the District's behalf. The District is a primary government exercising financial accountability for all public education within its boundaries. The Board approves administrative officials. The daily functioning is under supervision of the Superintendent. As required by generally accepted accounting principles, all activities have been included in the basic financial statements.

The financial statements include all funds and account groups. The District is not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in GAAP and Governmental Accounting Standards Board (GASB) Statement No. 61. Financial accountability is based primarily on the authority to appoint a voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific financial benefits or impose specific financial burdens and that organization's fiscal dependency. There are no component units.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities. The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Under terms of grant agreements, certain programs are funded by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is policy to first apply cost reimbursement grant resources to such programs and then general revenues. In the process of aggregating data for the Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables were eliminated to minimize the "grossing up" effect on assets and liabilities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from general revenues. Program revenues include 1) charges to customers who purchase or use goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

All direct expenses by function are reported in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS) (CONTINUED)

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

FUND FINANCIAL STATEMENTS

The accounts are organized and operated on the basis of funds. A fund is a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

GOVERNMENTAL FUND TYPES

Governmental funds are used to account for general government activities. Governmental fund types use the flow of 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 (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, interfund transactions, and certain compensated absences and claims and judgments which are recognized as expenditures because they will be liquidated with expendable financial resources.

Revenues susceptible to accrual are interest, state, county and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following major governmental funds are reported:

GENERAL FUND

This fund accounts for all financial resources and expenditures except those required to be accounted for in another fund. The principal revenue sources are property taxes and an apportionment from the State of Oregon School Support Fund.

SPECIAL REVENUE FUND

This fund consists of all special revenue funds established to account for revenues and expenditures related to grants, student activities and other special revenues.

DEBT SERVICE FUND

This fund accounts for the property tax revenues related to debt service and makes the debt service payments on the general obligation bonds.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPES (CONTINUED)

CAPITAL PROJECTS FUND

This fund accounts for activities related to the acquisition, construction, equipping and furnishing of facilities. Principal revenue sources are proceeds from the sale of bonds and interest earnings.

BUDGETS

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles except that property taxes received after year-end are not considered budgetary resources in the funds, inventory is expensed when purchased, capital outlay is reported as an expenditure rather than capitalized, depreciation and amortization are not recorded and debt, vacation pay, and OPEB obligations are expensed when paid instead of when incurred.

The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through early spring with the budget committee approving the budget in late spring. Public notices of the budget hearing are generally published in spring with a public hearing being held approximately three weeks later. The Board may amend the budget prior to adoption. However, budgeted expenditures for each fund may not be increased by more than ten percent without re-publication. The budget is then adopted, appropriations are made, and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels for each fund: Instruction, Support Services, Enterprise & Community Services, Other Uses - Debt Service and Interfund Transfers, and Operating Contingency.

Expenditures cannot legally exceed the adopted appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to unforeseen circumstances which could not be determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budgeted appropriation amounts. Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2016.

PROPERTY TAXES RECEIVABLE

Real and personal property taxes attach as an enforceable lien on property as of January 1. All taxes levied as of the lien date and are payable in three installments on November 15, February 15, and May 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables are comprised primarily of State school support and claims for reimbursement of costs under various federal and state grants. No allowance for uncollectible accounts has been recorded because all receivables are considered by management to be collectible.

GRANTS

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures are recorded as unearned revenue on the statement of net position and the balance sheet.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUPPLY INVENTORIES

School food and other cafeteria supplies are stated at average invoice cost. Commodities purchased from the United States Department of Agriculture in the Food Service Fund are included in inventories at USDA wholesale value. Supplies are accounted for based on the purchase method. Donated commodities consumed during the year are reported as revenues and expenditures. The amount of unused donated commodities at balance sheet date is considered immaterial by management for reporting purposes.

CAPITAL ASSETS

Capital assets include land, buildings & improvements, and vehicles & equipment, and are recorded at original cost or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Interest incurred during construction is not capitalized. The cost of routine maintenance and repairs that do not add to the value of the assets or materially extend asset lives are charged to expenditures as incurred and not capitalized. Capital assets were depreciated, in prior years, using the straight-line method over the following useful lives:

Buildings and improvements	10 to 50 years
Equipment and vehicles	5 to 20 years

In the government fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Accordingly, capital assets are not capitalized and related depreciation is not reported in the governmental fund financial statements.

COMPENSATED ABSENCES

The liability for accrued vacation benefits reported in the government-wide statements consists of unpaid, accumulated annual vacation; the rate at which vacation is earned is determined by the employee's length of employment. The early retirement liability has been calculated using the accrual method for benefit amounts due to former employees who currently are receiving early-termination benefits. Early retirement benefits are available to a limited number of employees each year.

All payables and accrued liabilities are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full form current financial resources are reported as obligation of the funds.

USE OF ESTIMATES

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

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

RETIREMENT PLANS

PERS

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's 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. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

There is a deferred compensation plan available to its employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one, which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets and liabilities of the District.

EARLY RETIREMENT (OPEB)

Certificated employees hired prior to August 1, 2014 who have reached age 55 or have 20 years of full-time employment in Oregon's public schools, the last 15 years of which have been in the District, are eligible for early retirement benefits which are funded and charged to expenditures as payments become due to early retirees.

NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Net Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITION (CONTINUED)

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There are assets restricted for capital projects, debt service, food service and unemployment retiree reserve and grants.

Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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, deferred outflows of resources, represents a consumption of net positions that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The District has one item that qualifies under this reporting requirement: pension-related deferrals.

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, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, Deferred Inflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.

FUND BALANCE

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE (CONTINUED)

- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The District has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

There were no committed fund balances as of June 30, 2016.

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements is \$1,037,220, of which \$270,344 is covered by federal depository insurance. The remainder is covered by the collateral held in a multiple financial institutions collateral pool administered by the Oregon State Treasurer. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. State statutes (ORS 295.002) allow public officials to deposit public funds in one or more depositories currently qualified pursuant to ORS 295.001 to 295.108. As long as the bank depository has entered into an agreement (ORS 295.008(2)(b)) and has deposited securities pursuant to state statutes (ORS 295.015(1)), there may be deposits at any one bank depository and its branches, a sum in excess of the amount insured by the Federal Deposit Insurance Corporation.

INVESTMENTS

State statutes governing cash management are followed. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2016. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2016, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

Cash and Investments at June 30, 2016 (recorded at fair value) consisted of:

Demand Deposits:				
Checking	\$	780,224	Governmental Funds	\$ 3,925,546
Investments				
LGIP		<u>3,145,322</u>		
Total	\$	<u>3,925,546</u>	Total	<u>\$ 3,925,546</u>

There were the following investments and maturities at June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer's Investment Pool	\$ 3,145,322	\$ 3,145,322	\$ -	\$ -
Total	<u>\$ 3,145,322</u>	<u>\$ 3,145,322</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, none of the bank balance was exposed to custodial credit risk because it was fully insured.

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond three months.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Credit Risk – Investments

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration of Credit Risk

At June 30, 2016, 100% of total investments were in the State Treasurer’s Investment Pool. State statutes do not limit the percentage of investments in this instrument.

3. ACCOUNTS/GRANTS RECEIVABLE

Special revenue fund grants receivable are comprised of claims for reimbursement of costs under various federal and state grant programs. Property taxes are levied and become a lien on all taxable property as of January 1. Taxes unpaid and outstanding on May 16 are considered delinquent. No allowance for uncollectible accounts has been recorded because all receivables are considered by management to be collectible.

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Property Taxes	\$ 175,771	\$ -	\$ -	\$ -	\$ 175,771
Accounts Receivable	138,746	757,846	-	336,677	1,233,269
Total	<u>\$ 314,517</u>	<u>\$ 757,846</u>	<u>\$ -</u>	<u>\$ 336,677</u>	<u>\$ 1,409,040</u>

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 1,418,336	\$ -	\$ -	\$ 1,418,336
Total capital assets not being depreciated	<u>1,418,336</u>	<u>-</u>	<u>-</u>	<u>1,418,336</u>
Capital assets being depreciated:				
Buildings and Improvements	55,330,155	394,457	-	55,724,612
Construction in Progress	-	264,839	-	264,839
Vehicles & Equipment	1,349,233	11,995	(12,300)	1,348,928
Total capital assets being depreciated	<u>56,679,388</u>	<u>671,291</u>	<u>(12,300)</u>	<u>57,338,379</u>
Less total accumulated depreciation for:				
Buildings and Improvements	50,885,734	233,494	-	51,119,228
Vehicles & Equipment	804,857	97,499	(12,300)	890,056
Total accumulated depreciation	<u>51,690,591</u>	<u>330,993</u>	<u>(12,300)</u>	<u>52,009,284</u>
Total capital assets being depreciated, net	<u>108,369,979</u>	<u>340,298</u>	<u>(24,600)</u>	<u>5,329,095</u>
Total Capital Assets, Net	<u>\$ 6,407,133</u>			<u>\$ 6,747,431</u>
Depreciation by Function				
Instruction	\$ 205,797			
Support	108,663			
Enterprise and Community Service	16,533			
Total	<u>\$ 330,993</u>			

5. LONG-TERM OBLIGATIONS

A summary of debt transactions of the year ended June 30, 2016 is as follows:

Issue Date	Interest Rates	Issue Amount	Outstanding July 1, 2015	Issued	Matured and Redeemed	Outstanding June 30, 2016	Due Within One Year
2002 Pension Bond		\$ -	\$ 4,777,629	\$ -	\$ 123,421	\$ 4,654,208	\$ 125,016
2003 Pension Bond		-	5,273,615	-	192,711	5,080,904	192,440
2006 FF&C Bond		2,795,000	335,000	-	335,000	-	-
FF Series 2011		670,000	450,000	-	70,000	380,000	70,000
2011 Pension Bond		-	430,000	-	-	430,000	-
Notes Payables		-	199,393	220,500	39,865	380,028	41,114
Total Governmental Activities			<u>\$ 11,465,637</u>	<u>\$ 220,500</u>	<u>\$ 760,997</u>	<u>\$ 10,925,140</u>	<u>\$ 428,570</u>

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS (CONTINUED)

Future maturities of unmatured bond principal and interest for fiscal years ending June 30 are as follows:

Fiscal Year Ended	2002 PERS Bond		2003 PERS Bond	
	Principal	Interest	Principal	Interest
2017	\$ 125,016	\$ 419,099	\$ 192,440	\$ 455,069
2018	126,095	437,020	192,583	489,926
2019	128,381	464,734	189,880	522,629
2020	129,716	493,399	190,605	561,905
2021	-	251,960	188,686	598,822
2022-2026	2,955,000	858,190	2,711,710	1,833,843
2027-2031	1,190,000	87,136	1,415,000	106,213
	<u>\$ 4,654,208</u>	<u>\$ 3,011,538</u>	<u>\$ 5,080,904</u>	<u>\$ 1,940,056</u>

Fiscal Year Ended	FF Series 2011		2011 PERS Refunding	
	Principal	Interest	Principal	Interest
2017	\$ 70,000	\$ 22,325	\$ -	\$ 17,695
2018	70,000	20,000	-	17,695
2019	75,000	16,500	-	17,695
2020	80,000	12,750	-	17,695
2021	85,000	8,750	430,000	17,695
2022-2026	-	-	-	-
2027-2031	-	-	-	-
	<u>\$ 380,000</u>	<u>\$ 80,325</u>	<u>\$ 430,000</u>	<u>\$ 88,475</u>

Fiscal Year Ended	Notes Payables	
	Principal	Interest
2017	\$ 42,927	\$ 5,260
2018	16,498	3,855
2019	12,958	3,495
2020	13,331	3,122
2022-2026	285,025	7,387
2027-2031	9,289	129
	<u>\$ 380,028</u>	<u>\$ 23,248</u>

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
 - i) Pension Benefits. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
 - ii) 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 on or more of the following contributions are met:
 - member was employed by 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.
 - iii) Disability Benefits. A member with 10 or more years of creditable service who becomes disable from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) 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 (55 for police and fire members) when determining the monthly benefit.
 - iv) 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 equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

b) **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

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

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

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. PENSION PLAN (CONTINUED)

A member of the 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.

- ii) **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.
- iii) **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.
- iv) **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

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. The 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, 2013 actuarial valuation, which became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$40,285, excluding amounts to fund employer specific liabilities.

At June 30, 2016, the District reported a net pension liability of \$2,375,420 for its proportionate share of the net pension asset. The pension liability was measured as of December 31, 2013, 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 employers, actuarially determined. At December 31, 2013, the District's proportion was .041 percent.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 128,095	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	126,644	497,942
Changes in proportion and differences between District contributions and proportionate share of contributions	-	196,009
Contributions subsequent to measurement date	40,285	
Subtotal - Amortized Deferrals (below)	295,044	693,951
Net deferred outflow (inflow) of resources		\$ (439,192)

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. PENSION PLAN (CONTINUED)

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

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ (222,043)
2017	\$ (222,043)
2018	\$ (222,043)
2019	\$ 225,541
2020	\$ 1,395
Thereafter	-
Total	<u>\$ (439,192)</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016. Oregon PERS produces an independently audited CAFR which can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx.

Actuarial Valuations – The employer contribution rates effective July 1, 2015 through June 30, 2017, were set using the entry age normal 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 (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer 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 actuarially determined amount for funding a disability benefit component, and (c) 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.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions:

Valuation date	December 31, 2013 rolled forward to June 30, 2015
Experience Study Report	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increase	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service. For COLA, a blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of 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 method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the 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.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. PENSION PLAN (CONTINUED)

Sensitivity of the District's proportionate share of the 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 5,732,988	\$ 2,375,420	\$ (454,128)

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by Employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the Moro Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which will be effective January 1, 2016 and will be included in the next update.

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the District.

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP. The District makes this contribution on behalf of its employees.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. PENSION PLAN (CONTINUED)

Additional disclosures related to Oregon PERS not applicable to specific employers are available online at the below website, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700,

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

7. OTHER POST-EMPLOYMENT BENEFITS

Plan Description – The District has a closed post-employment health insurance subsidy plan with fewer than 100 total participants which has been accounted for using the alternative method under GASB Statement No. 45. Total discounted liabilities for future benefit payments as of June 30, 2016 were \$467,035. Payments made on the plan during the current year were \$143,652.

8. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amount, if any to be immaterial. A substantial portion of operating funding is received from the State of Oregon. State funding is determined through state wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate, there can be increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on operations cannot be determined.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. The District has joined with other school districts in the state, which are participating members of United Schools Insurance Program of Oregon, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The District has an annually renewable contract to pay United Schools Insurance Program of Oregon an annual premium for its general liability, property liability, automobile liability, boiler and machinery, comprehensive crime, and umbrella insurance coverage.

The District carries commercial insurance for all other losses, including workers' compensation and employee health and accident insurance. Premiums to the health insurance company are paid through a combination of employer contributions and payroll withholdings for eligible employees. The District came under the State Unemployment Act as of July 1, 1974. The District has elected to pay State Unemployment insurance to the State of Oregon to pay for any claims paid to former employees. There have been no significant reductions in coverage from the prior years and settlements have not exceeded insurance coverage in the past three years.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2016 were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 866,900	\$ 10,000
Debt Service Fund	-	470,400
Special Revenue Fund	10,000	200,000
Capital Projects Fund	87,000	283,500
	<u>\$ 963,900</u>	<u>\$ 963,900</u>

	<u>Due to</u>	<u>Due from</u>
General Fund	\$ -	\$ 289,168
Special Revenue Fund	287,446	-
Capital Projects Fund	1,722	-
	<u>\$ 289,168</u>	<u>\$ 289,168</u>

The Due to/Due from amounts are used as pooling of cash between the various funds. Transfers were made to fund operations in the district.

11. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and non-school government operations. School operations included community colleges, local school districts, and education service districts. The limitation provided that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. The limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT #7
UMATILLA COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
For the fiscal year ended June 30, 2016

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPA)	(b) Employer's proportionate share of the net pension liability (NPA)	(c) District's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.04 %	\$ 2,375,420	\$ 8,017,133	29.6 %	91.9 %
2015	0.05	(1,196,586)	7,916,933	(15.1)	103.6
2014	0.04	2,693,921	8,788,001	30.7	92.0

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2016	\$ 40,285	\$ 40,285	\$ -	\$ 8,674,915	0.5 %
2015	627,097	627,097	-	8,017,133	7.8
2014	603,465	603,465	-	7,916,933	7.6

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Local Sources	\$ 3,083,300	\$ 3,033,300	\$ 3,242,075	\$ 208,775
Intermediate Sources	38,000	38,000	41,346	3,346
State Sources	13,703,157	13,703,157	13,481,843	(221,314)
Federal Sources	500	500	22,776	22,276
Total Revenues	<u>16,824,957</u>	<u>16,774,957</u>	<u>16,788,040</u>	<u>13,083</u>
EXPENDITURES:				
Instruction	10,729,052	10,476,052 (1)	9,931,695	544,357
Support Services	5,934,070	5,884,070 (1)	5,584,323	299,747
Enterprise & Community Services	2,233	5,233 (1)	2,655	2,578
Debt Service	33,000	33,000 (1)	32,394	606
Contingencies	1,509,702	1,509,702 (1)	-	1,509,702
Total Expenditures	<u>18,208,057</u>	<u>17,908,057</u>	<u>15,551,067</u>	<u>2,356,990</u>
Excess of Revenues Over (Under) Expenditures	(1,383,100)	(1,133,100)	1,236,973	2,370,073
OTHER FINANCING SOURCES (USES)				
Transfers In	-	50,000	10,000	40,000
Transfers Out	(566,900)	(866,900) (1)	(866,900)	-
Total Other Financing Sources (Uses)	<u>(566,900)</u>	<u>(816,900)</u>	<u>(856,900)</u>	<u>40,000</u>
Net Change in Fund Balance	(1,950,000)	(1,950,000)	380,073	2,410,073
Beginning Fund Balance	<u>1,950,000</u>	<u>1,950,000</u>	<u>2,246,226</u>	<u>296,226</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,626,299</u>	<u>\$ 2,626,299</u>

(1) Appropriation Level

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2016

<u>SPECIAL REVENUE FUNDS</u>				
REVENUES:	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Local Sources	\$ 535,500	\$ 655,500	\$ 399,090	\$ (256,410)
Intermediate Sources	10,000	10,000	2,579	(7,421)
State Sources	19,500	69,500	145,207	75,707
Federal Sources	1,840,000	1,900,000	1,663,287	(236,713)
Total Revenues	<u>2,405,000</u>	<u>2,635,000</u>	<u>2,210,163</u>	<u>(424,838)</u>
EXPENDITURES:				
Instruction	1,075,125	1,220,125 (1)	1,108,216	111,909
Support Services	307,305	345,305 (1)	239,843	105,462
Enterprise & Community Services	1,072,570	1,069,570 (1)	884,233	185,337
Contingency	-	200,000 (1)	-	200,000
Total Expenditures	<u>2,455,000</u>	<u>2,835,000</u>	<u>2,232,292</u>	<u>602,708</u>
Revenues Over (Under) Expenditures	<u>(50,000)</u>	<u>(200,000)</u>	<u>(22,129)</u>	<u>177,870</u>
Other Financing Sources, (Uses)				
Transfers In	-	200,000	200,000	-
Transfers Out	-	(50,000) (1)	(10,000)	40,000
Total Other Financing Sources	<u>-</u>	<u>150,000</u>	<u>190,000</u>	<u>40,000</u>
Net Change in Fund Balance	<u>(50,000)</u>	<u>(50,000)</u>	<u>167,871</u>	<u>217,870</u>
Beginning Fund Balance	<u>50,000</u>	<u>50,000</u>	<u>266,091</u>	<u>216,091</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 433,962</u>	<u>\$ 433,962</u>

(1) Appropriation Level

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2016

<u>DEBT SERVICE FUND</u>				
REVENUES:	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
Local Sources	\$ 1,152,000	\$ 1,152,000	\$ 1,380,241	\$ 228,241
Total Revenues	<u>1,152,000</u>	<u>1,152,000</u>	<u>1,380,241</u>	<u>228,241</u>
EXPENDITURES:				
Debt Service	<u>1,937,000</u>	<u>1,937,000 (1)</u>	<u>1,586,742</u>	<u>350,258</u>
Total Expenditures	<u>1,937,000</u>	<u>1,937,000</u>	<u>1,586,742</u>	<u>350,258</u>
Revenues Over (Under) Expenditures	<u>(785,000)</u>	<u>(785,000)</u>	<u>(206,501)</u>	<u>578,499</u>
Other Financing Sources, (Uses)				
Transfers In	<u>477,700</u>	<u>477,700</u>	<u>470,400</u>	<u>(7,300)</u>
Total Other Financing Sources	<u>477,700</u>	<u>477,700</u>	<u>470,400</u>	<u>(7,300)</u>
Net Change in Fund Balance	<u>(307,300)</u>	<u>(307,300)</u>	<u>263,899</u>	<u>571,199</u>
Beginning Fund Balance	<u>307,300</u>	<u>307,300</u>	<u>455,005</u>	<u>147,705</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,904</u>	<u>\$ 718,904</u>

(1) Appropriation Level

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

<u>CAPITAL PROJECTS FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Local Sources	\$ 275,000	\$ 275,000	\$ -	\$ (275,000)
State Sources	120,000	120,000	470,253	350,253
Total Revenues	<u>395,000</u>	<u>395,000</u>	<u>470,253</u>	<u>75,253</u>
EXPENDITURES:				
Support Services	125,700	125,700 (1)	4,993	120,707
Facilities Acquisition & Construction	850,000	850,000 (1)	834,999	15,001
Total Expenditures	<u>975,700</u>	<u>975,700</u>	<u>839,992</u>	<u>135,708</u>
Revenues Over, (Under) Expenditures	(580,700)	(580,700)	(369,739)	210,961
Other Financing Sources, (Uses)				
Transfers Out	(94,300)	(94,300) (1)	(87,000)	7,300
Loan Receipts	275,000	275,000	220,501	(54,499)
Sale of or Compensation for Loss	50,000	50,000	1,602	(48,398)
Transfers In	283,500	283,500	283,500	-
Total Other Financing Sources, (Uses)	<u>514,200</u>	<u>514,200</u>	<u>418,603</u>	<u>(95,597)</u>
Net Change in Fund Balance	(66,500)	(66,500)	48,864	115,364
Beginning Fund Balance	<u>66,500</u>	<u>66,500</u>	<u>62,033</u>	<u>(4,467)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,897</u>	<u>\$ 110,897</u>

(1) Appropriation Level

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2016

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/15	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/16
<u>GENERAL FUND:</u>						
Current:						
2015-16	\$ 3,091,856	\$ 79,429	\$ (5,167)	\$ 1,732	\$ 2,917,100	\$ 91,892
Prior Years:						
2014-2015	107,952	-	(59)	3,275	68,891	42,277
2013-2014	44,572	-	(317)	3,612	21,348	26,519
2012-13	22,693	-	(279)	4,035	15,938	10,511
2011-12	9,890	-	(102)	2,934	10,067	2,655
Prior Years:	3,786	-	(443)	582	2,008	1,917
Total Prior	188,893	-	(1,200)	14,438	118,252	83,879
Total General Fund	<u>\$ 3,280,749</u>	<u>\$ 79,429</u>	<u>\$ (6,367)</u>	<u>\$ 16,170</u>	<u>\$ 3,035,352</u>	<u>\$ 175,771</u>

RECONCILIATION TO REVENUE:

	GENERAL FUND
Cash Collections by County Treasurer Above	\$ 3,035,352
Accrual of Receivables:	
June 30, 2015	(55,687)
June 30, 2016	30,050
Total Revenue	<u>\$ 3,009,715</u>

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

OTHER INFORMATION

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2015-16 DISTRICT AUDIT REVENUE SUMMARY
Milton-Freewater Unified School District

Revenue from Local Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
1110 Ad Valorem Taxes Levied by District	\$ 2,803,481						
1120 Local Option Ad Valorem Taxes Levied by District	206,234						
1130 Construction Exise Tax							
1190 Penalties and Interest on Taxes							
1200 Rev from Local Gov'l Units Other Than Districts							
1310 Regular Day School Tuition							
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition							
1400 Transportation Fees							
1500 Earnings on Investments	35,665	306	3,772				
1600 Food Service		83,642					
1700 Extracurricular Activities	35,264	269,113					
1800 Community Services Activities							
1910 Rentals	16,700						
1920 Contributions and Donations From Private Sources	7,584	39,277					
1930 Rental or Lease Payments From Private Contractors							
1940 Services Provided Other Local Education Agencies	8,764						
1950 Textbook Sales and Rentals							
1960 Recovery of Prior Years' Expenditure	18,898						
1970 Services Provided Other Funds			1,376,469				
1980 Fees Charged to Grants	25,816						
1990 Miscellaneous	83,669	6,752					
Total Revenue from Local Sources	\$ 3,242,075	\$ 399,090	\$ 1,380,241	\$ -	\$ -	\$ -	\$ -

Revenue from Intermediate Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
2101 County School Funds	\$ 41,346						
2102 Education Service District Apportionment							
2105 Natural Gas, Oil, and Mineral Receipts							
2199 Other Intermediate Sources							
2200 Restricted Revenue		2,579					
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District							
Total Revenue from Intermediate Sources	\$ 41,346	\$ 2,579	\$ -	\$ -	\$ -	\$ -	\$ -

Revenue from State Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3101 State School Fund - General Support	\$ 13,066,086						
3102 State School Fund - School Lunch Match		39,000					
3103 Common School Fund	197,734						
3104 State Managed County Timber							
3199 Other Unrestricted Grants-in-Aid							
3204 Driver Education							
3222 State School Fund (SSF) Transportation Equipment				87,069			
3299 Other Restricted Grants-in-Aid	218,023	106,207		383,184			
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District							
Total Revenue from State Sources	\$ 13,481,843	\$ 145,207	\$ -	\$ 470,253	\$ -	\$ -	\$ -

Revenue from Federal Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
4100 Unrestricted Revenue Direct From the Federal Government							
4200 Unrestricted Revenue From the Federal Government Through the State							
4300 Restricted Revenue From the Federal Government							
4500 Restricted Revenue From the Federal Government Through the State	101	1,602,024					
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies	20,244						
4801 Federal Forest Fees	2,431						
4802 Impact Aid to School Districts for Operation (PL 874)							
4803 Coos Bay Wagon Road Funds							
4899 Other Revenue in Lieu of Taxes							
4900 Revenue for/on Behalf of the District		61,263					
Total Revenue from Federal Sources	\$ 22,776	\$ 1,663,287	\$ -	\$ -	\$ -	\$ -	\$ -

Revenue from Other Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5100 Long Term Debt Financing Sources				\$ 220,501			
5200 Interfund Transfers	10,000	200,000	470,400	283,500			
5300 Sale of or Compensation for Loss of Fixed Assets				1,602			
5400 Resources - Beginning Fund Balance	2,246,226	266,091	455,005	62,033			
Total Revenue from Other Sources	\$ 2,256,226	\$ 466,091	\$ 925,405	\$ 567,636	\$ -	\$ -	\$ -

Grand Totals

\$ 19,044,266	\$ 2,676,254	\$ 2,305,646	\$ 1,037,889	\$ -	\$ -	\$ -
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**2015-16 DISTRICT AUDIT EXPENDITURE SUMMARY
MILTON-FREEWATER UNIFIED SCHOOL DISTRICT**

Fund: 100 - General Fund

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$ 3,570,997	\$ 2,128,283	\$ 1,356,714	\$ 11	\$ 85,989	\$ -	\$ -	\$ -
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	1,375	1,000	323	-	52	-	-	-
1121 Middle/Junior High Programs	1,679,830	1,000,863	614,842	1,605	62,520	-	-	-
1122 Middle/Junior High School Extracurricular	80,317	55,425	17,098	5,267	2,477	-	-	-
1131 High School Programs	1,986,144	1,175,340	687,286	6,671	114,561	-	2,286	-
1132 High School Extracurricular	340,715	208,957	68,501	49,178	11,424	-	2,655	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Programs for the Talented and Gifted	-	-	-	-	-	-	-	-
1220 Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1250 Less Restrictive Programs for Students with Disabilities	1,381,730	748,954	626,300	2,638	3,838	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	63,009	2,945	893	59,171	-	-	-	-
1291 English Second Language Programs	807,379	473,497	331,206	-	2,676	-	-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	20,199	15,320	4,879	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction Expenditures	\$ 9,931,695	\$ 5,810,584	\$ 3,708,042	\$ 124,541	\$ 283,537	\$ -	\$ 4,991	\$ -

Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$ 99,236	\$ 45,373	\$ 42,863	\$ 10,946	\$ 54	\$ -	\$ -	\$ -
2120 Guidance Services	229,784	140,799	86,647	98	2,240	-	-	-
2130 Health Services	931	-	-	-	931	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology and Audiology Services	-	-	-	-	-	-	-	-
2160 Other Student Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support Services	214,186	137,448	75,659	-	484	-	595	-
2210 Improvement of Instruction Services	1,574	-	-	1,508	6	-	60	-
2220 Educational Media Services	54,258	25,375	22,825	-	6,058	-	-	-
2230 Assessment & Testing	661	-	-	661	-	-	-	-
2240 Instructional Staff Development	45,044	2,292	9,611	22,830	10,311	-	-	-
2310 Board of Education Services	95,977	-	-	50,440	3,594	-	41,943	-
2320 Executive Administration Services	302,257	193,985	86,893	7,487	11,516	-	2,376	-
2410 Office of the Principal Services	1,190,054	753,464	410,374	394	21,241	-	4,581	-
2490 Other Support Services - School Administration	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	247,984	76,014	54,485	107,180	3,133	1,864	5,308	-
2540 Operation and Maintenance of Plant Services	1,664,510	473,510	363,985	590,003	93,686	13,225	130,101	-
2546 Student Safety	-	-	-	-	-	-	-	-
2550 Student Transportation Services	664,293	297,881	231,916	66,391	52,355	-	15,750	-
2570 Internal Services	60,741	-	-	25,533	4,592	30,050	566	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	2,905	-	-	2,765	140	-	-	-
2642 Recruitment of Staff	-	-	-	-	-	-	-	-
2660 Technology Services	561,119	36,288	16,560	293,222	215,049	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services - Central	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	148,809	4,600	144,209	-	-	-	-	-
Total Support Services Expenditures	\$ 5,584,323	\$ 2,187,029	\$ 1,546,027	\$ 1,179,458	\$ 425,390	\$ 45,139	\$ 201,280	\$ -

Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	2,655	-	-	-	2,655	-	-	-
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	\$ 2,655	\$ -	\$ -	\$ -	\$ 2,655	\$ -	\$ -	\$ -

Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4120 Site Acquisition and Development Services	-	-	-	-	-	-	-	-
4150 Building Acquisition, Construction, and Improvement Services	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$ 32,394	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,394	\$ -
5200 Transfers of Funds	866,900	-	-	-	-	-	-	\$ 866,900
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 PERS UAL Bond Lump Sum	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	\$ 899,294	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,394	\$ 866,900

Grand Total	\$ 16,417,967	\$ 7,997,613	\$ 5,254,069	\$ 1,303,999	\$ 711,582	\$ 45,139	\$ 238,665	\$ 866,900
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**2015-16 DISTRICT AUDIT EXPENDITURE SUMMARY
MILTON-FREEWATER UNIFIED SCHOOL DISTRICT**

Fund: 200 - Special Revenue

Instruction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$ 102,479	\$ 80,000	\$ -	\$ -	\$ 22,479	\$ -	\$ -	\$ -
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	71,025	-	-	-	71,025	-	-	-
1121 Middle/Junior High Programs	-	-	-	-	-	-	-	-
1122 Middle/Junior High School Extracurricular	49,309	-	-	-	49,309	-	-	-
1131 High School Programs	6,385	-	-	1,050	5,335	-	-	-
1132 High School Extracurricular	220,392	-	-	21,956	198,316	-	120	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Programs for the Talented and Gifted	-	-	-	-	-	-	-	-
1220 Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1250 Less Restrictive Programs for Students with Disabilities	123,880	68,236	55,644	-	-	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	520,914	279,428	210,558	-	30,928	-	-	-
1280 Alternative Education	-	-	-	-	-	-	-	-
1291 English Second Language Programs	13,832	-	-	107	13,725	-	-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction Expenditures	\$ 1,108,216	\$ 427,664	\$ 266,202	\$ 23,113	\$ 391,117	\$ -	\$ 120	\$ -

Support Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2120 Guidance Services	-	-	-	-	-	-	-	-
2130 Health Services	-	-	-	-	-	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology and Audiology Services	-	-	-	-	-	-	-	-
2160 Other Student Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support Services	-	-	-	-	-	-	-	-
2210 Improvement of Instruction Services	12,197	7,724	4,473	-	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	200,717	45,303	15,121	119,552	18,392	-	2,349	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Administration	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation and Maintenance of Plant Services	-	-	-	-	-	-	-	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	663	-	-	-	663	-	-	-
2660 Technology Services	450	-	-	-	450	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services - Central	25,816	-	-	-	-	-	25,816	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
Total Support Services Expenditures	\$ 239,843	\$ 53,027	\$ 19,594	\$ 119,552	\$ 19,505	\$ -	\$ 28,165	\$ -

Enterprise and Community Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$ 878,171	\$ 191,791	\$ 152,647	\$ 459,687	\$ 68,770	\$ -	\$ 5,276	\$ -
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	6,062	-	-	2,285	3,777	-	-	-
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	\$ 884,233	\$ 191,791	\$ 152,647	\$ 461,972	\$ 72,547	\$ -	\$ 5,276	\$ -

Facilities Acquisition and Construction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4120 Site Acquisition and Development Services	-	-	-	-	-	-	-	-
4150 Building Acquisition, Construction, and Improvement Services	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Other Uses Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5200 Transfers of Funds	10,000	-	-	-	-	-	-	10,000
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 PERS UAL Bond Lump Sum	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000

Grand Total

\$ 2,242,292	\$ 672,482	\$ 438,443	\$ 604,637	\$ 483,169	\$ -	\$ 33,561	\$ 10,000
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**2015-16 DISTRICT AUDIT EXPENDITURE SUMMARY
MILTON-FREEWATER UNIFIED SCHOOL DISTRICT**

Fund: 300 - Debt Service

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	-	-	-	-	-	-	-	-
1122 Middle/Junior High School Extracurricular	-	-	-	-	-	-	-	-
1131 High School Programs	-	-	-	-	-	-	-	-
1132 High School Extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Programs for the Talented and Gifted	-	-	-	-	-	-	-	-
1220 Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1250 Less Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	-	-	-	-	-	-	-	-
1291 English Second Language Programs	-	-	-	-	-	-	-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2120 Guidance Services	-	-	-	-	-	-	-	-
2130 Health Services	-	-	-	-	-	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology and Audiology Services	-	-	-	-	-	-	-	-
2160 Other Student Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support Services	-	-	-	-	-	-	-	-
2210 Improvement of Instruction Services	-	-	-	-	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	-	-	-	-	-	-	-	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Administration	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation and Maintenance of Plant Services	-	-	-	-	-	-	-	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation Services, Grant	-	-	-	-	-	-	-	-
2620 Writing and Statistical Services	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	-	-	-	-	-	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services - Central	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
Total Support Services Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4120 Site Acquisition and Development Services	-	-	-	-	-	-	-	-
4150 Building Acquisition, Construction, and Improvement Services	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$ 1,586,742	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,586,742	\$ -
5200 Transfers of Funds	-	-	-	-	-	-	-	-
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 Bond Lump Sum	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	\$ 1,586,742	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,586,742	\$ -

Grand Total	\$ 1,586,742	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,586,742	\$ -
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**2015 - 16 DISTRICT AUDIT EXPENDITURE SUMMARY
MILTON-FREEWATER UNIFIED SCHOOL DISTRICT**

Fund: 400 - Capital Projects

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	-	-	-	-	-	-	-	-
1122 Middle/Junior High School Extracurricular	-	-	-	-	-	-	-	-
1131 High School Programs	-	-	-	-	-	-	-	-
1132 High School Extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Programs for the Talented and Gifted	-	-	-	-	-	-	-	-
1220 Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1250 Less Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	-	-	-	-	-	-	-	-
1291 English Second Language Programs	-	-	-	-	-	-	-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2120 Guidance Services	-	-	-	-	-	-	-	-
2130 Health Services	-	-	-	-	-	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology and Audiology Services	-	-	-	-	-	-	-	-
2160 Other Student Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support Services	-	-	-	-	-	-	-	-
2210 Improvement of Instruction Services	-	-	-	-	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	-	-	-	-	-	-	-	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Administration	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation and Maintenance of Plant Services	-	-	-	-	-	-	-	-
2550 Student Transportation Services	4,993	-	-	-	-	4,993	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	-	-	-	-	-	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services - Central	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
Total Support Services Expenditures	\$ 4,993	\$ -	\$ -	\$ -	\$ -	\$ 4,993	\$ -	\$ -

Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4000 Professional and Technical Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition and Development Services	-	-	-	-	-	-	-	-
4150 Building Acquisition, Construction, and Improvement Services	834,999	-	-	157,920	4,580	653,072	19,427	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction Expenditures	\$ 834,999	\$ -	\$ -	\$ 157,920	\$ 4,580	\$ 653,072	\$ 19,427	\$ -

Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5200 Transfers of Funds	87,000	-	-	-	-	-	-	87,000
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 Bond Lump Sum	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	\$ 87,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,000

Grand Total	\$ 926,992	\$ -	\$ -	\$ 157,920	\$ 4,580	\$ 658,065	\$ 19,427	\$ 87,000
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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
 UMATILLA COUNTY, OREGON

SUPPLEMENTAL INFORMATION
 As Required by The Oregon Department of Education
 For The Year Ended June 30, 2016

A. Energy bills for heating - all funds:		<u>Objects 325 and 326</u>
	Function 2540	\$ 283,287
	Function 2550	

B. Replacement of equipment - General Fund:		<u>Amount</u>
Include all General Fund expenditures in Object 542, except for the following exclusions:		\$ 38,914

Exclude these functions:

1113, 1122 & 1132	Co-curricular activities	4150	Construction
1140	Pre-kindergarten	2550	Pupil transportation
1300	Continuing education	3100	Food service
1400	Summer school	3300	Community services

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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January 3, 2017

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Milton-Freewater Unified School District as of and for the year ended June 30, 2016, and have issued our report thereon dated January 3, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of 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 Milton-Freewater Unified School 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.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

This report is intended solely for the information and use of the Board of Directors and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



MATTHEW GRAVES, CPA
PAULY, ROGERS AND CO., P.C.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON
GRANT COMPLIANCE REVIEW

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Milton-Freewater Unified School District #7
Schedule of Federal Awards
For the Fiscal Year Ended June 30, 2016

GRANTS					
Program Title	Pass Through Organization	Federal CFDA Number	Pass Through Entity Number	Period Covered	Expenditures
U.S. Department of Education					
Title I Grants to Local Educational Agencies	Oregon Department of Education	84.010	32780	07/01/14-09/30/15	\$ 1,622
	Oregon Department of Education	84.010	32628	07/01/14-09/30/15	96,926
	Oregon Department of Education	84.010	36019	07/01/15-09/30/16	501,996
Total Title I Grants to Local Education Agencies					<u>600,544.00</u>
Migrant Education State Grant Program	ODE/InterMountain ESD	84.011	33600	07/01/14-09/30/15	9,243
	ODE/InterMountain ESD	84.011	35105	07/01/14-09/30/15	11,000
Total Migrant Education State Grant Program					<u>20,243</u>
English Language Acquisition State Grants	Oregon Department of Education	84.365	32341	07/01/14-09/30/15	29,861
	Oregon Department of Education	84.365	36340	07/01/15-09/30/16	4,877
Total English Language Acquisition State Grants					<u>34,738</u>
Supporting Effective Instruction State Grant	Oregon Department of Education	84.367	32952	07/01/14-09/30/15	29,400
	Oregon Department of Education	84.367	36216	07/01/15-09/30/16	54,467
Total Supporting Effective Instruction State Grant					<u>83,867</u>
Rural Education	Oregon Department of Education	84.358	33856	07/01/14-09/30/15	16,485
	Oregon Department of Education	84.358	37765	07/01/15-09/30/16	33,877
Total Rural Education					<u>50,362</u>
Special Education Grants to States	Oregon Department of Education	84.027	37390	08/01/15-06/30/16	101
	ODE/InterMountain ESD	84.027	36874	07/01/14-09/30/17	123,880
Total Special Education Cluster					<u>123,981</u>
Total U.S. Department of Education					<u>913,735</u>
U.S. Department of Agriculture:					
Child Nutrition Cluster:					
Donated Commodities (Non-Cash Assistance)	Oregon Department of Education	10.553/555	3013001	07/01/15 - 06/30/16	61,263
School Breakfast Program	Oregon Department of Education	10.553	3013001	07/01/15 - 06/30/16	169,946
National School Lunch Program	Oregon Department of Education	10.555	3013001	07/01/15 - 06/30/16	511,940
Summer Food	Oregon Department of Education	10.559	3013001	07/01/15 - 06/30/16	25,099
Total Child Nutrition Cluster					<u>768,248</u>
State Administrative Expenses For Child Nutrition	Oregon Department of Education	10.560	3013001	07/01/15 - 06/30/16	1,649
Schools and Roads - Grants to States	Umatilla County	10.665		07/01/15 - 06/30/16	2,431
Total U.S. Department of Agriculture					<u>772,328</u>
Total Grants Expended or Passed Through to Subrecipients					<u>1,686,063</u>
LOANS					
Program Title	Pass Through Organization	Federal CFDA Number	Pass Through Entity Number	Period Covered	Expenditures
Total Loans Expended or Passed Through to Subrecipients					<u>0</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE					<u>\$ 1,686,063</u>

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January 3, 2017

To the Board of Directors
Milton-Freewater Unified School District
Umatilla County, Oregon

INDEPENDENT AUDITORS' 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*

We have audited, in accordance with the 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 Milton-Freewater Unified School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated January 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

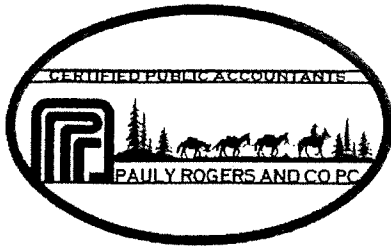
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MATTHEW GRAVES, CPA
PAULY, ROGERS AND CO., P.C.



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January 3, 2017

To the Board of Directors
Milton-Freewater Unified School District
Umatilla County, Oregon

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited Milton-Freewater Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2017. The major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 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 compliance.

Opinion on Each Major Federal Program

In our opinion, Milton-Freewater Unified School 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, 2016.

Report on Internal Control Over Compliance

Management 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 internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 the 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Matthew Graves, CPA
PAULY, ROGERS AND CO., P.C.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 515(d)(2) of the Uniform Guidance? yes no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance? yes no

IDENTIFICATION OF MAJOR PROGRAMS

10.553,10.555,10.559 Child Nutrition Cluster and Title I and 84.010

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

Nothing noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Nothing noted.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL EXPENDITURES

1. **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes federal grant activity under programs of the federal government. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the net position, changes in net position, or cash flows of the entity.

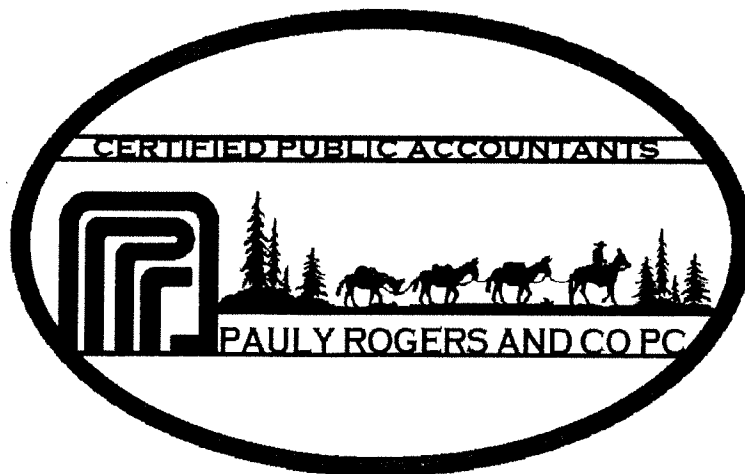
2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The entity has elected to use the ten percent de minimus indirect cost rate as allowed under Uniform Guidance.

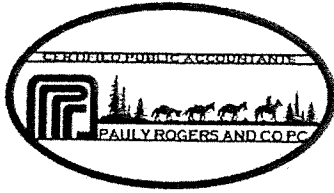
**MILTON-FREE UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON**

COMMUNICATION TO THE GOVERNING BODY

FOR THE YEAR ENDED JUNE 30, 2016



**12700 SW 72nd Ave.
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January 3, 2017

To the Board of Directors
Milton-Freewater Unified School District
Umatilla County, Oregon

We have audited the basic financial statements of the governmental activities and each major fund of Milton-Freewater Unified School District for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Purpose of the Audit

Our audit was conducted using sampling, inquiries and analytical work to opine on the fair presentation of the basic financial statements and compliance with:

- generally accepted accounting principles and auditing standards
- the Oregon Municipal Audit Law and the related administrative rules
- federal, state and other agency rules and regulations related to expenditures of federal awards

Our Responsibility under U.S. Generally Accepted Auditing Standards and the Uniform Guidance

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the basic financial statements does not relieve you or management of your responsibilities. Our engagement letter details our nonaudit services we provide; these services do not constitute an audit under Government Auditing Standards.

In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of the basic financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about compliance with the types of compliance requirements described in the OMB's Compliance Supplement applicable to each of the major federal programs for the purpose of expressing an opinion on compliance with those requirements. While our audit provided a reasonable basis for our opinion, it does not provide a legal determination on compliance with those requirements.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas to be tested.

Our audit included obtaining an understanding of the District and its environment, including internal control, sufficient to assess the risks of material misstatement of the basic financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District. We also communicated any internal control related matters that are required to be communicated under professional standards.

Results of Audit

1. Audit opinion letter - an unmodified opinion on the basic financial statements has been issued. This means we have given a "clean" opinion with no reservations.
2. State minimum standards – We found no exceptions or issues requiring comment.
3. Federal Awards - We found no issues of non-compliance and no questioned costs. We have responsibility to review these programs and give our opinion on the schedule of expenditures of federal awards, and tests of the internal control system, compliance with laws and regulations, and general and specific requirements mandated by the various awards.
4. Management letter – No separate management letter was issued.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016, except for the implementation of GASB 72 – Fair Value Measurement and Application. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the basic financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's 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 basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the basic financial statements were Management's estimate of Accounts Receivable and Capital Asset Depreciation, which are based on estimated collectability of receivables and useful lives of assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures in the basic financial statements are neutral, consistent, and clear.

Pauly, Rogers and Co., P.C.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements or determined that their effects are immaterial.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the basic financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to our retention as the auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information

With respect to the supplementary information accompanying the basic financial statements, 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 basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

Other Information

With respect to the other information accompanying the basic financial statements, we read the information to identify if any material inconsistencies or misstatement of facts existed with the audited basic financial statements. Our results noted no material inconsistencies or misstatement of facts.

Other Matters – Future Accounting and Auditing Issues

In order to keep you aware of new auditing standards issued by the American Institute of Certified Public Accounts and accounting statements issued by the Governmental Accounting Standards Board (GASB), we have prepared the following summary of the more significant upcoming issues:

IMPLICIT RATE SUBSIDY FOR OPEBs

In Oregon, an implicit rate subsidy is required for almost all entities, due to the fact that Oregon law requires that any retiree be allowed to buy-back into their former employer's health insurance plan. In the past, relatively small employers participating in a large, pooled health plan were sometimes exempt from having to account for an implicit rate subsidy due to a "community-rating" exception. In general, this exception applied when the claims experience of an individual employer would have virtually no impact on the premium being charged to that employer. The accounting standards that apply to OPEBs refer to the Actuarial Standards of Practice (ASOPs) in determining whether a community-rated situation applied. However, the newly revised ASOP 6 virtually eliminated the concept of the community-rating exception. As a result, agencies participating in community-rated plans that had previously been exempt from reporting liabilities due to an implicit rate subsidy may now be required to do so. We recommend that Management contact an actuary to determine if an actuarial study is required.

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



Matthew Graves, CPA
PAULY, ROGERS AND CO., P.C.

