MILTON-FREEWATER
UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018



12700 SW 72nd Ave.
Tigard, OR 97223

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

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MILTON-FREEWATER UNFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

BOARD OF DIRECTORS

BOARD OF DIRECTORS	TERM EXPIRES
Michael Lesko, Position #1	June 30, 2019
Tina Kain, Position #2	June 30, 2021
Duane Geyer, Chairman, Position #3	June 30, 2021
Don Miller, Position #4	June 30, 2021
Kelly Kessler, Vice-Chairman Position #5	June 30, 2019
Tim McElrath, Position #6	June 30, 2021
Kathy Silva, Position #7	June 30, 2021

All board members will receive mail at the following address:

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

ADMINISTRATION

Dr. Rob Clark, Superintendent
Aaron Duff, Director of Business and Operations
Denyce Kelly, Business Manager

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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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December 27, 2018

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, 2018, 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, 2018, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for the year ended June 30, 2018. 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 December 27, 2018 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 December 27, 2018, 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.

Tara M Kamp, CPA

TARA M KAMP, 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, 2018

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, 2018. 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

- The District implemented Government Accounting Standards Board's (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* This Statement addresses how state and local governments should account for and report their costs and obligation related to Other Postemployment Benefits (OPEB). GASB No.75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures related to OPEB.

  GASB Statement No 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multiple-Employer Plans*. Under the historical GASB guidance, the District's participation in the Oregon Educators Benefit Board (OEBB) health plans were determined to qualify for a community rating category, as allowed by GASB No. 45, and therefore there was no implicit subsidy to value and no liability accrued in the financial statements.

  The District is required under Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. In addition, retired employees that do not fall under the collective bargaining agreement will receive an implicit benefit through lower health care premiums, which is subsidized among the premium cost of coverage for active employees. The District does pay a portion of the retirees' health insurance as determined by the collective bargaining agreements (an explicit subsidy). Under the GASB No. 75 standard, the District should accrue a liability for both the implicit and explicit subsidy. As a result, the District has accrued an OPEB liability totaling $1,677,117 at June 30, 2018 as determined through an actuarial valuation. This change has materially impacted the reported statement of net position.

  Prior to adoption of the new GASB statements, the District's net position at June 30, 2017 totaled $1,616,003. With the implementation of the GASB statement and the OPEB liability, the District's net position declined to $286,403 for the same time period.

- In the Government-Wide financial statement at June 30, 2018, the District's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources by $4,844,529. The net position was increased $4,558,126 from the June 30, 2017 balance (as restated). Most notably from the increase in capital assets, construction in progress on Gib Olinger Elementary and District wide capital improvement projects. The District's investment in capital assets net of related debt increased to $13,351,845.

- The District maintains liquidity with cash totaling $11,789,562. With payments on the District capital construction projects, the balance is decreased from $21,020,495 in the previous year.

- The District relies upon the State School Fund as its primary source of operating revenue. In 2018, the Sate School Formula afforded District collections totaling $14,911,624 compared to $14,003,464 in the prior year. Although District enrollment was flat, the State investment was significantly improved for the 2017-2019 biennium at $8.2 billion, compared to $7.38 billion in the prior biennium.

- The District received voter approved Ballot Measure 98 funds in the amount of $250 thousand. These funds were provided to school districts to increase high school graduation rates. The District used the funds to hire a student success coach, implement programs for student internships and expand CTE programs.

- At June 30, 2018, the assigned and unassigned fund balance for the General Fund was $2,801,251 or approximately 15.7% of total General Fund expenditures (including transfers).

- In 2017-2018 the District qualified for the Child Nutrition Community Eligibility Program. All District students are afforded a free breakfast and lunch. The meal costs are offset by increased federal funding and increased District general fund support.

- In May 2013, voters approved Measure 30-93, a 5-year local option property tax levy. With the voter passage of the General Obligation bond in May 2016, the District did not assess the local option property tax levy in its final year 2017-18.

- 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, with a bond premium received of $2,046,053.

- At June 30, 2018 the District was entering the final construction phases of Gib Olinger Elementary, with the grand opening and dedication scheduled for August 24, 2018. The transportation facility is scheduled to be in use before December 2018 and construction has begun. The district wide infrastructure upgrades to MacHi and Central Middle School will ramp up during the summer months, with students returning in September 2018. As part of the June 30, 2018 capital assets, the District reported construction in progress of $20,602,895.

Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

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.

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 position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs.

OVERVIEW OF THE FINANCIAL STATEMENTS (con't)

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

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 19 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, 2018.

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, 2018, cash totaled $11,789,562. Receivables total $548,611 from state contracts and grants.

Capital assets consist of the District's land, buildings, building improvements, vehicles, and equipment, which represent about 69% of total assets. For the year ended June 30, 2018, larger investments in capital assets include the purchase of the Sallee property, two district busses, CTE classroom equipment, maintenance equipment and construction in progress on district wide upgrades, transportation facility and Gib Olinger Elementary.

Deferred outflows of resources related to pensions totaled $2,406,680 and represent contributions subsequent to the measurement date combined with differences between expected and actual experience changes in assumptions (discount rate) and investment earnings.

The District's largest liability consists of the 2016 general obligation bonds and related bond premium, with a June 30, 2018 balance of $13,876,447. In July 2016 the District sold bonds (at a $2 million premium) to partially fund the $32 million Gib Olinger Elementary School and related District-wide improvement projects. The Bonds coupled with a $15 million donation from the Valley Foundation and a $4 million grant from Oregon Department of Education will complete the project funding. The District has three PERS bond issues, from 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, 2018, the PERS bonds balance totaled $9,528,978. The District has a full faith and credit obligation, totaling $240,000, from 2011 bus purchases. The District has a lease payable to Santander Bank, NA, totaling $133,201, from 2017 bus purchases. Other notes include Oregon Department of Energy ($104,375) for 2012 energy efficiency improvement and ($203,276) for 2016 energy efficiency improvement. Total notes payable $307,651.

The District reported OPEB liability of $1,677,117 to reflect the explicit and implicit rate subsidy for the Districts retiree health insurance. The District offers post employment health insurance benefits as part of the collective bargaining agreement with the Milton-Freewater Education Association. That explicit benefit rate is coupled with the implicit rate produced by State Statute that requires the District to offer health insurance to retirees at the lower rate paid for current employees until the retiree turns 65 years of age. In an open, private market, retirees would pay higher premiums to cover increased healthcare costs related to their age. The lower rates enjoyed by the District's retirees creates a District OPEB liability.

The District has a net pension liability totaling $6,668,947. The pension liability reflects the District's proportionate share of the State of Oregon's Unfunded Actuarial Lability. This liability has contracted with investment earnings and the change in assumptions.

The District also reported Deferred Inflows of Resources from the net difference between projected and actual earning on pension investments totaling $1,009,159. The accrual is driven by the changes in proportion and differences between employer contributions and proportionate share of contributions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (con't)

At June 30, 2018 the assets and deferred outflows exceeded its liabilities and deferred inflows by $4,844,529. The District's net position increased by $4,558,126 from the prior year.

The majority of the District's unrestricted deficit net position ($9,660,102) is due to the significant net pension liability noted above, along with the implementation of GASB statement No. 75, District PERS bond and general obligation 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 previously, the District does have current and long term debt related to buildings and equipment.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (con't)

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

Net Position at June 30, 2018

	Governmental Activities		
	2018	2017 As Restated	Difference
Assets:			
Cash and Cash Equivalents	$ 11,789,562	$ 21,020,495	$ (9,230,933)
Taxes Receivable	194,670	203,812	(9,142)
Accounts Receivable	548,611	1,151,694	(603,083)
Prepaid Expenses	0	1,525	(1,525)
Capital Assets - Nondepreciable	22,436,722	4,819,451	17,617,271
Capital Assets - Depreciable, Net of Depreciation	5,164,771	5,168,899	(4,128)
Total Assets	40,134,336	32,365,876	7,768,460
Deferred Outflows of Resources:			
Pension Deferred Outflows	2,406,680	4,310,586	(1,903,906)
Liabilities:			
Accounts Payable	3,204,975	445,059	2,759,916
Accrued Payroll Liability	1,030,604	911,756	118,848
Accrued Interest	19,408	15,115	4,293
Net OPEB Liability	1,677,117	1,694,828	(17,711)
Net Pension Liability	6,668,947	7,970,088	(1,301,141)
Bonds Payable Due in One Year	739,854	691,846	48,008
Bonds Payable Due in More Than One Year	23,346,423	24,188,143	(841,720)
Total Liabilities	36,687,328	35,916,835	770,493
Deferred Inflows of Resources:			
Net Pension related Deferrals	1,009,159	473,224	535,935
Net Position:			
Investment in Capital Assets	13,351,845	7,068,138	6,283,707
Restricted for Debt Service	194,202	306,307	(112,105)
Restricted for Other Purposes	958,584	863,212	95,372
Unrestricted	(9,660,102)	(7,951,254)	(1,708,848)
Total Net Position	$ 4,844,529	$ 286,403	$ 4,558,126

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, 2018 are as follows:

- Revenues improved overall, with the largest increase in the State School Fund. The State's investment in education for the 2017-19 biennium provided an additional $824 million statewide. The District received additional grant funds in Title IA and Measure 98 as well as additional property tax on the general obligation bond. Interest earnings increased with the unspent bond proceeds and June 30, 2018 cash balance of $11 million.
- The large increase in expenses reported below is primarily due to the change in the PERS unfunded liability, which reported a liability of $6,668,947 in 2018. Outside of the PERS expense, the remaining operating expenditures increased to reflect additional grant funds, increased staffing, and the negotiated COLA increases. Debt service expenditures were increased, reflecting the bus lease payment and general obligation bond payment. Facilities acquisition and capital outlay reported net of debt, also increased from the prior year.

Changes in Net Position for the Year Ended June 30, 2018

	2018	2017 As Restated	Difference
Revenues:			
Program Revenues			
Charges for Services	$ 401,732	$ 359,337	$ 42,395
Operating Grants & Contributions	7,729,162	7,139,029	590,133
General Revenues:			
Property Taxes	3,680,257	3,476,810	203,447
State School Sources	14,911,624	14,003,464	908,160
Other Federal, State and Local Sources	1,255,059	965,185	289,874
Intermediate Sources	46,319	41,560	4,759
Interest and Investment Earnings	354,449	213,920	140,529
Total Revenues	28,378,602	26,199,305	2,179,297
Expenses:			
Instruction	14,176,725	12,314,422	1,862,303
Support Services	6,990,483	6,596,421	394,062
Enterprise & Community Services	1,210,703	930,598	280,105
Debt Service	1,442,565	1,358,572	83,993
Total Expenses	23,820,476	21,200,013	2,620,463
Change in Net Position	4,558,126	4,999,292	(441,166)
Net Position, Beginning	286,403	(3,383,289)	3,669,692
Cumulative Effect - GASB 75 Restatement	0	(1,329,600)	1,329,600
Net Position, Ending	$ 4,844,529	$ 286,403	$ 4,558,126

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, 2018, the District's Governmental Funds reported a combined ending fund balance of $8,140,111. This balance decreased $12,725,494 from the balance of $20,865,605 in the previous year. The bulk of the prior year ending fund balance were primarily for the capital improvements to the District, the construction of Gib Olinger Elementary and the District transportation facility.

General Fund. The General Fund is the primary operating fund of the District. As of June 30, 2018, the assigned and unassigned fund balance was $2,801,251. 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 15.7% of total General Fund expenditures (including transfers) for the fiscal year ending June 30, 2018.

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. New grants include Measure 98 funds. Current state grants for title programs were slightly higher for 2018. In addition, the District transferred $100,000 into the PERS reserve fund, to help offset rising cost of future PERS expenditures. The Special Revenue Fund balances totaled $958,584.

Debt Service Fund. The Debt Service Fund is for payments on the 2016 general obligation bond and limited tax pension bonds, issued in 2002 and 2003 with refunding a portion in August 2011. In addition, the District makes payments on a Full Faith and Credit Obligation used for purchase of district school busses. Payments on other debt funded the purchase of energy efficiency projects and additional school busses. The Fund reports and ending balance of $194,202.

Capital Projects Fund. In 2017 the District opened a new facility project fund designed for the 2016 bond and Valley grant proceeds related to the new elementary building, transportation facility and District wide improvements. The District began projects in spring 2017 with Gib Olinger Elementary grand opening scheduled for August 2018, the transportation facility in late fall 2018 and district wide improvements through the summer for school opening in September 2018. Construction in Progress totals $20,602,895 at June 30, 2018. Other capital purchases include, CTE classroom equipment, maintenance equipment, a new route school bus, a new trip mini bus and the Sallee property purchase. The District transferred $640,000 into the capital projects fund for future district wide upgrades not covered by Bond proceeds. 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 and ending balance of $4,186,074.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the 2017-19 biennium, the State's $8.2 billion budget represented an increase of $824 million from the previous biennium. Coupled with the voter approved grant funds, this increased allowed the District to increase current staff levels, purchase CTE classroom equipment, implement a pre school program, honor negotiated step/COLA agreements, update district maintenance equipment, advance district technology and a implement a district wide science textbook adoption.

For the 2017-2018 school year, the District based its budget on 1713 average daily enrollment and a beginning fund balance totaling $2,400,000. The actual beginning fund balance totaled $2,405,223, and the actual enrollment averaged 1720. The District maintained a full calendar and all academic as well as extra-curricular programs. The District transferred additional resources to the Capital Projects Funds for district wide improvements not covered by Bond funds as well as an additional $100,000 to the PERS Reserve Fund to offset future PERS rate increases and an additional $100,000 to the Food Service program to support the CEP program. The District continues to pay the 6% PERS employee portion. PERS rates increased to 5.86% for T1/T2 and 0.53% for OPSRP.

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, 2018, the District's capital assets are reported on the Statement of Net Position. New additions include a new route school bus, trip mini bus, the Sallee property, maintenance equipment and CTE classroom equipment. Construction in Progress includes construction on Gib Olinger Elementary, transportation facility and district wide bond/facility improvement projects.

		Governmental Activities
Land	$	1,833,827
Construction In Progress		20,602,895
Buildings & Improvements		4,402,743
Equipment & Vehicles		762,028
	$	27,601,493

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, 2018, the District had $24.1 million debt outstanding which is comparable to $24.9 million last year. The District made its annual debt service payments under these obligations that included an overall reduction in the principal balance of $793,711. See Note 5 of the Notes to the Financial Statements for more information on long-term debt obligations.

	Outstanding Debt Obligations		
	2018	2017	Difference
2002 Limited Tax Pension Bonds, PERS	$ 4,403,097	$ 4,529,192	$ (126,095)
2003 Limited Tax Pension Bonds, PERS	4,695,881	4,888,464	(192,583)
2011 Limited Tax Pension Refunding Bonds, PERS	430,000	430,000	0
2011 Full Faith and Credit Obligation, bus purchases	240,000	310,000	(70,000)
2016 General Obligation Bond, capital improvements	12,035,000	12,260,000	(225,000)
2016 Bond Premium	1,841,447	1,943,750	(102,303)
Oregon Department of Energy Loan 2012	104,375	114,500	(10,125)
Oregon Department of Energy Loan 2016	203,276	225,415	(22,139)
Community Bank , Technology Equipment	0	3,462	(3,462)
Bus Lease, 2 route busses	133,201	175,205	(42,004)
Total	$ 24,086,277	$ 24,879,988	$ (793,711)

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, 2018, the State School Fund – General Support provided 80% of the District's program resources for the General Fund. The percentage climbs to 96% when property taxes 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 2018-19 budget is supported by the remaining 50% of the State's $8.2B Basic School support for the 2017-2019 biennium and is based on 1,715 average daily membership and a stable beginning fund balance. The District will continue to utilize Measure 98 funding to provide for the Student Success Coach, offer additional CTE instruction and curriculum for students.

District enrollment continues a slight increase in 2018-2019 allowing the District to add new classroom positions, transition the pre school program from Head Start to a District sponsored program, honor increased negotiated COLA agreements and continue necessary facility maintenance overlooked in prior years. The budget included $10 million dollar facility improvement fund to finish the construction projects and start on the Grove Athletic Facility funded by the general obligation bond and the Valley Foundation Grant. Gib Olinger Elementary held its grand opening in August 2018 and is up and running for the 2018-2019 school year. The transportation facility was completed in late fall 2018.

With the recent release of the Oregon Governor's 2019-2021 proposed budget and its emphasis on education, there is a general sense of optimism in the K-12 community. The budget proposes an $8.97 billion State School Fund, plus $100 million to pay down the K-12 PERS liability for the 2019-2021 biennium. The Governor is also requesting funding for the following:

- Measure 98 (high school graduation and career technical education)
- Grants for facilities and school safety
- Grants for educator pathways
- Numerous grants for programs to reduce class size, increase school year, provide socio-economic support and expand early learning activities.

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.

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, 2018

ASSETS		
Cash and Cash Equivalents	$	11,789,562
Property Taxes Receivable		194,670
Accounts Receivable		548,611
Capital Assets - Nondepreciable		22,436,722
Capital Assets - Depreciable, Net of Depreciation		5,164,771
Total Assets		40,134,336
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferrals		2,406,680
Total Deferred Outflows of Resources		2,406,680
LIABILITIES:		
Accounts Payable		3,204,975
Payroll Liabilities		1,030,604
Accrued Interest		19,408
Long-Term Debt Due Within One Year		739,854
Noncurrent Liabilities:		
Proportionate Share of Net Pension Liability		6,668,947
Total OPEB Liability		1,677,117
Long-Term Debt		23,346,423
Total Liabilities		36,687,328
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferrals		1,009,159
Total Deferred Inflows of Resources		1,009,159
NET POSITION		
Net Investment in Capital Assets		13,351,845
Restricted for:		
Debt Service		194,202
Other		958,584
Unrestricted		(9,660,102)
Total Net Position	$	4,844,529

See accompanying notes to basic financial statements.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

FUNCTIONS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
Instruction	$ 14,176,725	$ 401,732	$ 6,417,719	$ (7,357,274)
Support Services	6,990,483	-	401,332	(6,589,151)
Community Services	1,210,703	-	910,111	(300,592)
Interest on Long-Term Debt	1,442,565	-	-	(1,442,565)
Total Governmental Activities	$ 23,820,476	$ 401,732	$ 7,729,162	(15,689,582)

General Revenues	
Property Taxes	3,680,257
State Sources	14,911,624
Local Sources	1,255,059
Intermediate Sources	46,319
Gain (Loss) on Sale of Asset	10,253
Interest and Investment Earnings	344,196
Total General Revenues	20,247,708
Changes in Net Position	4,558,126
Net Position - Beginning	286,403
Net Position - Ending	$ 4,844,529

See accompanying notes to basic financial statements.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTALS
ASSETS:					
Cash and Investments	$ 3,916,537	$ 542,085	$ 198,708	$ 7,132,232	$ 11,789,562
Property Taxes Receivable	164,115	-	30,555	-	194,670
Accounts Receivable	100,386	448,225	-	-	548,611
Total Assets	$ 4,181,038	$ 990,310	$ 229,263	$ 7,132,232	$ 12,532,843
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:					
Liabilities:					
Accounts Payable	$ 218,244	$ 31,726	$ 8,847	$ 2,946,158	$ 3,204,975
Payroll Liabilities	1,030,604	-	-	-	1,030,604
Total Liabilities	1,248,848	31,726	8,847	2,946,158	4,235,579
Deferred Inflows:					
Unavailable Property Taxes	130,939	-	26,214	-	157,153
Fund Balances:					
Restricted	-	958,584	194,202	-	1,152,786
Assigned	-	-	-	4,186,074	4,186,074
Unassigned	2,801,251	-	-	-	2,801,251
Total Fund Balances	2,801,251	958,584	194,202	4,186,074	8,140,111
Total Liabilities, Deferred Inflows and Fund Balances	$ 4,181,038	$ 990,310	$ 229,263	$ 7,132,232	$ 12,532,843

See accompanying notes to basic financial statements.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2018

Total Fund Balances - Governmental Funds		$ 8,140,111
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		27,601,493
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
Long term Liabilities		
Bonds Payable	$ (23,645,425)	
Accrued Interest	(19,408)	
Notes Payable	(440,852)	
		(24,105,685)
Long-term pension and OPEB assets/liabilities note payable in current year are not reported as governmental fund liabilities. Acturial changes create the deferred out flows and inflows of resources. These consist of:		
PERS net pension laiblity	$ (6,668,947)	
PERS pension related deferred outflows	2,406,680	
PERS pension related deferred inflows	(1,009,159)	
OPEB net pension laiblity	(1,677,117)	
		(6,948,543)
Unearned revenue related to property taxes		157,153
Net Position		$ 4,844,529

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, 2018

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTALS
REVENUES:					
From Local Sources	$ 3,337,853	$ 267,227	$ 1,870,911	$ 5,263,769	$ 10,739,760
From Intermediate Sources	46,319	-	-	-	46,319
From State Sources	14,782,684	365,560	-	120,709	15,268,953
From Federal Sources	46,350	2,264,920	-	-	2,311,270
Total Revenues	18,213,206	2,897,707	1,870,911	5,384,478	28,366,302
EXPENDITURES:					
Current:					
Instruction	11,083,264	1,449,293	-	-	12,532,557
Support Services	5,659,664	408,364	-	71,250	6,139,278
Community Services	2,559	1,084,258	-	-	1,086,817
Facilities Acquisition and Construction	3,400	-	-	1,149,656	1,153,056
Debt Service	2,664	-	2,127,016	-	2,129,680
Capital Outlay	179,176	49,871	-	17,831,614	18,060,661
Total Expenditures	16,930,727	2,991,786	2,127,016	19,052,520	41,102,049
Excess of Revenues Over, (Under) Expenditures	1,282,479	(94,079)	(256,105)	(13,668,042)	(12,735,747)
OTHER FINANCING SOURCES (USES)					
Sale of or Compensation for Loss of Fixed Assets	-	-	-	10,253	10,253
Transfers In	12,865	202,316	144,000	640,000	999,181
Transfers Out	(899,316)	(12,865)	-	(87,000)	(999,181)
Total Other Financing Sources (Uses)	(886,451)	189,451	144,000	563,253	10,253
Net Change in Fund Balance	396,028	95,372	(112,105)	(13,104,789)	(12,725,494)
Beginning Fund Balance	2,405,223	863,212	306,307	17,290,863	20,865,605
Ending Fund Balance	$ 2,801,251	$ 958,584	$ 194,202	$ 4,186,074	$ 8,140,111

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, 2018

Total Net Changes in Fund Balances - Governmental Funds		$ (12,725,494)
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.		
Principal payments on debt	$ 715,981	
Changes in Accrued Interest	(4,293)	
Principal payments on notes payable	77,730	
		789,418
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.		
Capital Asset Additions		18,007,141
Depreciation Expense		(393,998)
Revenue reported in in the funds is on the modified accrual basis however property taxes are not deferred in the statement of activities.		2,047
The pension and OPEB expense represents the change in net pension asset (liability) from year to year due to change in total pension liability and the fair value of the pension plan net position available to pay pension benefits		
PERS pension expense		(1,138,700)
OPEB pension expense		17,712
Change in Net Position of Governmental Activities		$ 4,558,126

See accompanying 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.

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 is 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.

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, 2018.

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.

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 form 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.

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 acquisition 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 is considered immaterial by management for reporting purposes and 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.

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.

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 on 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 one type of item, 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. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes 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).

1. 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, 2018.

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements is $2,821,868, of which $250,000 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

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's compliance with all portfolio guidelines can be found in their annual report when issued.

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. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx

If the link has expired please contact the Oregon Short Term Fund directly.

Cash and Investments at June 30, 2018 (recorded at fair value) consisted of:

Demand Deposits:			
Checking	$ 2,066,839	Governmental Funds	$ 11,789,562
Investments			
LGIP	9,722,723		
Total	$ 11,789,562	Total	$ 11,789,562

There were the following investments and maturities at June 30, 2018:

		Investment Maturities (in months)		
Investment Type	Fair Value	Less than 3	3-17	18-59
State Treasurer's Investment Pool	$ 9,722,723	$ 9,722,723	$ -	$ -
Total	$ 9,722,723	$ 9,722,723	$ -	$ -

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, 2018, none of the bank balance was exposed to custodial credit risk because it was fully insured.

2. CASH AND INVESTMENTS (CONTINUED)

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.

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, 2018, 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.

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	$ 164,115	$ -	$ 30,555	$ -	$ 194,670
Accounts Receivable	100,386	448,225	-	-	548,611
Total	$ 264,501	$ 448,225	$ 30,555	$ -	$ 743,281

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 1,658,388	$ 175,439	$ -	$ 1,833,827
Construction in Progress	3,161,063	17,441,832	-	20,602,895
Total capital assets not being depreciated	4,819,451	17,617,271	-	22,436,722
Capital assets being depreciated:				
Buildings and Improvements	55,789,414	59,391	-	55,848,805
Vehicles & Equipment	1,582,154	330,479	(8,000)	1,904,633
Total capital assets being depreciated	57,371,568	389,870	(8,000)	57,753,438
Less total accumulated depreciation for:				
Buildings and Improvements	51,205,729	240,333	-	51,446,062
Vehicles & Equipment	996,940	153,665	(8,000)	1,142,605
Total accumulated depreciation	52,202,669	393,998	(8,000)	52,588,667
Total capital assets being depreciated, net	5,168,899	(4,128)	-	5,164,771
Total Capital Assets, Net	$ 9,988,350			$ 27,601,493

Depreciation by Function	
Instruction	$ 232,725
Support	159,787
Enterprise and Community Service	1,486
Total	$ 393,998

5. LONG-TERM OBLIGATIONS

A summary of debt transactions of the year ended June 30, 2018 is as follows:

Issue Date	Interest Rates	Issue Amount	Outstanding July 1, 2017	Issued	Matured and Redeemed	Outstanding June 30, 2018	Due Within One Year
2002 Pension Bond		$ -	$ 4,529,192	$ -	$ 126,095	$ 4,403,097	$ 128,381
2003 Pension Bond		-	4,888,464	-	192,583	4,695,881	189,880
FF Series 2011		670,000	310,000	-	70,000	240,000	75,000
2011 Pension Bond		-	430,000	-	-	430,000	-
2016 GO Bond		12,500,000	12,260,000	-	225,000	12,035,000	270,000
Notes Payables		-	343,377	-	35,726	307,651	33,413
Lease Payable		221,605	175,205	-	42,004	133,201	43,180
Bond Premium	N/A	2,046,053	1,943,750	-	102,303	1,841,447	-
Total Governmental Activities			$ 24,879,988	$ -	$ 793,711	$ 24,086,277	$ 739,854

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 Principal	2002 PERS Bond Interest	2003 PERS Bond Principal	2003 PERS Bond Interest
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	465,000	229,410	188,411	639,097
2023	520,000	203,928	188,299	679,209
2024-2028	3,160,000	511,988	3,750,000	621,750
	$ 4,403,097	$ 2,155,419	$ 4,695,881	$ 3,623,412

Fiscal Year Ended	FF Series 2011 Principal	FF Series 2011 Interest	2011 PERS Refunding Principal	2011 PERS Refunding Interest	2016 GO Bond Principal	2016 GO Bond Interest
2019	$ 75,000	$ 16,500	$ -	$ 17,695	$ 270,000	$ 361,050
2020	80,000	12,750	-	17,695	305,000	352,950
2021	85,000	8,750	430,000	17,695	340,000	343,800
2022	-	-	-	-	375,000	444,800
2023	-	-	-	-	415,000	429,800
2024-2028	-	-	-	-	2,770,000	1,863,800
2029-2033	-				4,185,000	1,203,200
2034-2038	-	-	-	-	3,375,000	276,400
	$ 240,000	$ 38,000	$ 430,000	$ 53,085	$ 12,035,000	$ 5,275,800

Fiscal Year Ended	Notes Payables Principal	Notes Payables Interest	Lease Payable Principal	Lease Payable Interest
2019	$ 33,413	$ 10,239	$ 43,180	$ 3,730
2020	34,587	9,065	44,389	2,521
2021	35,834	7,818	45,632	1,279
2022	37,110	6,542	-	-
2023	38,431	5,221	-	-
2024-2027	128,276	12,098	-	-
	$ 307,651	$ 50,983	$ 133,201	$ 7,530

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/documents/financials/CAFR/2017-CAFR.pdf

If the link is expired please contact Oregon PERS for this information.

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.
A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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 disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (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.

6. PENSION PLAN (CONTINUED)

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.
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, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2018 were $251,028, excluding amounts to fund employer specific liabilities. In addition approximately $542,334 in employee contributions were paid or picked up by the District in fiscal 2018. At June 30, 2018, the District reported a net pension liability of $6,668,947 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2015. 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. As of the measurement date of June 30, 2017, the District's proportion was .049 percent. Pension expense for the year ended June 30, 2018 was $1,138,701.

6. PENSION PLAN (CONTINUED)

The rates in effect for the year ended June 30, 2018 were:

(1) Tier 1/Tier 2 – 5.86%
(2) OPSRP general services – 0.53%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 322,513	$ -
Changes in assumptions	1,215,630	-
Net difference between projected and actual earnings on pension plan investments	68,706	-
Net changes in proportionate share	484,093	351,931
Differences between District contributions and proportionate share of contributions	64,710	657,228
Subtotal - Amortized Deferrals (below)	2,155,652	1,009,159
District contributions subsequent to measuring date	251,028	-
Deferred outflow (inflow) of resources	$ 2,406,680	$ 1,009,159

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

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

Year ending June 30,	Amount
2019	$ 222,594
2020	758,744
2021	489,125
2022	(288,101)
2023	(35,869)
Thereafter	-
Total	$ 1,146,493

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 16, 2018. Oregon PERS produces an independently audited CAFR which can be found at:

http://www.oregon.gov/pers/documents/financials/CAFR/2017-CAFR.pdf

6. PENSION PLAN (CONTINUED)

Actuarial Valuations – The employer contribution rates effective July 1, 2017 through June 30, 2019, 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.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2015 rolled forward to June 30, 2017
Experience Study Report	2014, Published September 23, 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	2.50 percent
Investment rate of return	7.50 percent
Projected salary increase	3.5 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/.15%) in accordamce with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, 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 (70% for males and 95% for females) of the RP-2000 sex-distinct, generational per scale BB, disabled mortality 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 2015 Experience Study which is reviewed for the four-year period ending December 31, 2015.

6. PENSION PLAN (CONTINUED)

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

(Source: June 30, 2017 PERS CAFR; p. 92)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

6. PENSION PLAN (CONTINUED)

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Assumed Inflation - Mean		*2.50%*

(Source: June 30, 2017 PERS CAFR; p. 69)

Discount Rate – The discount rate used to measure the total pension liability was 7.50 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.

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 7.50 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 (6.50 percent) or 1-perentage-point higher (8.50 percent) than the current rate.

6. PENSION PLAN (CONTINUED)

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 11,365,103	$ 6,668,947	$ 2,742,091

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

Deferred Compensation Plan

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.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:
Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

6. PENSION PLAN (CONTINUED)

Pension Benefits:
Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

Death Benefits:
Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions:
Employees of the District pay six (6) percent of their covered payroll. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2018.

Retirement Health Insurance Account

Plan Description:
As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy:
Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to $60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of $60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an

6. PENSION PLAN (CONTINUED)

OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.50% of annual covered OPERF payroll and 0.43% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2016, 2017 and 2018 were $39,753, $40,783 and $41,858, respectively, which equaled the required contributions each year.

At June 30, 2018, the District's net OBEP liability/(asset) and deferred inflows and outflows were not considered significant by management and were not accrued on the government wide statements.

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

http://www.oregon.gov/pers/EMP/Pages/GASB.aspx

7. OTHER POST-EMPLOYMENT BENEFITS

Plan Description:
The District has a closed post-employment health insurance explicit subsidy plan with fewer than 100 total participants. The benefit was intended to provide supplementary income between ages 60 and 65 for employees with 25 years or more of continuous service with the District after 9/1/18, and between ages 52 and 65 for employees with 15 or more years of service prior to 9/1/18. To qualify to participate in the plan, and employee must meet the following criteria: be eligible for retirement benefits under provisions of PERS, be employed by the District prior to August 1, 2014, have continuously served with the District for 15 years prior to 9/1/18 and 25 years after 9/1/18, and have benefits contributed until the age of 65 (be Medicare eligible). The benefits received are as follows: for employees with continuous service for 15 years prior to 9/1/18, age 59 to 65 receive $530 per month, age 58 receives $460 per month, age 57 receives $400 per month, age 56 receives $345 per month, and ages 52 to 55 receive $300 per month. For employees with continuous service of 25 years after 9/1/18, ages 60 to 65 receive $530 per month. District payments made on the plan during the current year were $89,542.

In addition to explicit subsidy, an implicit subsidy also exists as access is for retirees and their spouses to purchase healthcare insurance at the same group rates as the District pays for its active employees'. No plan has been established to account for activity. Since the former employees' service has caused this benefit to be available, generally accepted accounting principles requires that the costs of these services be calculated and shown as a cost of operations and/or as a liability for providing a future benefit in the financial statements. Disclosure of the liability is mandatory.

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Actuarial Methods and Assumptions – The District engaged an actuary to perform an evaluation as of July 1, 2017 using entry age normal, level percent of salary Actuarial Cost Method. The Single Employer OPEB Plan liability was determined using the following actuarial assumptions, applied to all periods including the measurement.

Discount Rate per year	3.75%
General Inflation Rate per year	2.50%
Salary Scale per year	3.50%

Health Care Cost Trends:

Year	Trend	Year	Trend
2018-19	7.00 %	2029-30	5.90 %
2019-20	6.90	2030-31	5.80
2020-21	6.80	2031-32	5.70
2021-22	6.70	2032-33	5.60
2022-23	6.60	2033-34	5.50
2023-24	6.50	2034-35	5.40
2024-25	6.40	2035-36	5.30
2025-26	6.30	2036-37	5.20
2026-27	6.20	2037-38	5.10
2027-28	6.10	2038+	5.00
2028-29	6.00		

Mortality rates were based on rates adopted by the Oregon Public Employees Retirement System (PERS) for its December 31, 2016 actuarial valuation of retirement benefits.

Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service.

Disability rates were not used.

Retirement rates were based on Oregon PERS assumptions. Annual rates are based on age, Tier 1/Tier 2, OPSRP, duration of service, and employment classification.

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Changes in OPEB Liability	
Balance at June 30, 2017	$ 1,694,829
Changes for the Year:	
Service Cost	62,652
Interest	62,060
Changes of Assumptions or Other Input	-
Benefit Payments	(142,424)
Net Changes for the Year	(17,712)
Total OPEB Liability at June 30, 2018	$ 1,677,117

The actuarial combined the explicit and implicit subsidies in determining total OPEB liability.

Sensitivity of the Total Other Post-Employment Benefit Liability to Changes in Discount and Trend Rates: The following presents the total other post-employment benefit liability (TOL), calculated using the discount rate of 3.75 percent, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption:

June 30, 2018	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$ 1,788,741	$ 1,677,117	$ 1,573,170

June 30, 2018	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$ 1,573,273	$ 1,677,117	$ 1,797,746

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ -	$ -
Changes in assumptions	-	-
Benefit payments	-	-
Deferred outflow (inflow) of resources	$ -	$ -

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Year ending June 30,	Amount
2019	$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-
Total	$ -

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.

10. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018 were as follows:

	Transfers Out	Transfers In
General Fund	$ 899,316	$ 12,865
Special Revenue Fund	12,865	202,316
Debt Service Fund	-	144,000
Capital Projects Fund	87,000	640,000
	$ 999,181	$ 999,181

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.

12. TAX ABATEMENTS

As of June 30, 2018, the Milton-Freewater School District had tax abatements through one program: Strategic Investment Program, that impacted their levied taxes.

Strategic Investment (ORS 3285C.600):

- The purpose of the Strategic Investment program is to improve employment in areas where eligible projects are to be located and urges business firms that will benefit from an eligible project to hire employees from the region in which the eligible project is to be located whenever practicable.

  In order to be eligible for the SIP exemption:
  1) The project must be an eligible project
  2) The project must benefit a traded sector industry as defined in ORS 285B.280, and
  3) The total cost of the project must equal or exceed:
     a. $100 million; or
     b. $25 million, for rural areas

12. TAX ABATEMENTS (CONTINUED)

For the fiscal year ended June 30, 2018, the Milton-Freewater School District had abated property taxes totaling $172,691 under these programs.

Tax Abatement Program	Amount of Taxes Abated during the Fiscal Year
Strategic Investment	$ 172,691
	$ 172,691

13. RESTATEMENT OF NET POSITION

The District implemented GASB #75, formerly GASB #45, for Other Post-Employment Benefits (OPEB) which resulted in a restatement of beginning net position for 2017-18 in the amount of ($1,329,600).

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, 2018

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
2018	0.05 %	$ 6,668,947	$ 9,179,486	72.7 %	83.1 %
2017	0.05	7,970,088	8,674,915	91.9	80.5
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 Ended June 30,	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
2018	$ 251,027	$ 251,027	$ -	$ 9,042,612	2.8 %
2017	46,043	46,043	-	9,179,486	0.5
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 #7
UMATILLA COUNTY, OREGON
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFITS LIABILITY
AND RELATED RATIOS STIPEND BENEFITS

For the Year Ended June 30, 2018

Total Pension Liability at June 30, 2017	$ 1,694,829
Changes for the year	
Service Cost	62,652
Interest on Total Pension Liability	62,060
Effect of economic/demographoc gains or losses	-
Effect of assumptions changes or inputs	-
Benefit payments	(142,424)
Total Pension Liability at June 30, 2018	$ 1,677,117
Covered Payroll	8,798,787
Net Single Employer Pension Plan as a Percentage of Covered Payroll	19.06%

Note: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full year trend has been compiled, information is presented for the years for which the required supplementary schedule information is available. The District implemented GASB 75 in the fiscal year ending June 30, 2018.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT #7
UMATILLA COUNTY, OREGON
SCHEDULE OF PROJECTED OTHER POST-EMPLOYMENT BENEFITS PAYMENTS

For the Year Ended June 30, 2018

EXPLICIT BENEFIT

Fiscal Year Ending	Admin	Licensed	Classified	Confidential	Total
2019	$ 16,320	$ 81,553	$ -	$ -	$ 97,873
2020	16,827	74,969	-	-	91,796
2021	17,876	65,078	-	-	82,954
2022	18,987	45,344	-	-	64,331
2023	20,162	40,699	-	-	60,861
2024	22,503	42,880	-	-	65,383
2025	24,765	28,299	-	-	53,064
2026	6,724	32,207	-	-	38,931
2027	8,229	34,700	-	-	42,929
2028	11,140	33,984	-	-	45,124

IMPLICIT BENEFIT

Fiscal Year Ending	Admin	Licensed	Classified	Confidential	Total
2019	$ 1,155	$ 47,949	$ 10,247	$ 1,554	$ 60,905
2020	1,860	46,060	10,438	2,150	60,508
2021	2,671	46,864	9,268	1,449	60,252
2022	3,634	38,491	16,164	1,922	60,211
2023	4,765	39,841	22,989	36	67,631
2024	6,197	47,788	25,382	79	79,446
2025	7,914	40,991	29,928	165	78,998
2026	5,902	44,164	38,085	298	88,449
2027	7,384	51,999	40,556	397	100,336
2028	9,420	56,943	36,739	669	103,771

Note: These projections are based on the census data, OPEB provisions, and actuarial assumptions described in this report. For purposes of GASB 75 accounting, this implicit rate subsidy is considered to be the District's "contribution".

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, 2018

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:					
Local Sources	$ 2,968,300	$ 3,193,300		$ 3,337,853	$ 144,553
Intermediate Sources	41,000	41,000		46,319	5,319
State Sources	13,923,227	14,723,227		14,782,684	59,457
Federal Sources	2,000	2,000		46,350	44,350
Total Revenues	16,934,527	17,959,527		18,213,206	253,679
EXPENDITURES:					
Instruction	10,527,990	11,177,990	(1)	11,083,264	94,726
Support Services	6,134,010	6,109,010	(1)	5,838,840	270,170
Enterprise & Community Services	5,000	5,000	(1)	2,559	2,441
Facilities Acquisition	40,000	40,000	(1)	3,400	36,600
Debt Service	33,000	33,000	(1)	2,664	30,336
Contingencies	2,169,527	2,169,527	(1)	-	2,169,527
Total Expenditures	18,909,527	19,534,527		16,930,727	2,603,800
Excess of Revenues Over (Under) Expenditures	(1,975,000)	(1,575,000)		1,282,479	2,857,479
OTHER FINANCING SOURCES (USES)					
Transfers In	75,000	75,000		12,865	62,135
Transfers Out	(500,000)	(900,000)	(1)	(899,316)	684
Total Other Financing Sources (Uses)	(425,000)	(825,000)		(886,451)	62,819
Net Change in Fund Balance	(2,400,000)	(2,400,000)		396,028	2,920,298
Beginning Fund Balance	2,400,000	2,400,000		2,405,223	5,223
Ending Fund Balance	$ -	$ -		$ 2,801,251	$ 2,801,251

(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, 2018

SPECIAL REVENUE FUNDS

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	$ 395,500	$ 420,500	$ 267,227	$ (153,273)
Intermediate Sources	-	-	-	-
State Sources	199,500	338,500	365,560	27,060
Federal Sources	2,205,000	2,340,000	2,264,920	(75,080)
Total Revenues	2,800,000	3,099,000	2,897,707	(201,293)
EXPENDITURES:				
Instruction	1,368,375	1,760,375 (1)	1,495,966	264,409
Support Services	547,055	454,055 (1)	408,364	45,691
Enterprise & Community Services	1,089,570	1,189,570 (1)	1,087,456	102,114
Contingency	700,000	700,000 (1)	-	700,000
Total Expenditures	3,705,000	4,104,000	2,991,786	1,112,214
Revenues Over (Under) Expenditures	(905,000)	(1,005,000)	(94,079)	910,921
Other Financing Sources, (Uses)				
Transfers In	40,000	140,000	202,316	62,316
Transfers Out	(75,000)	(75,000) (1)	(12,865)	62,135
Total Other Financing Sources	(35,000)	65,000	189,451	124,451
Net Change in Fund Balance	(940,000)	(940,000)	95,372	1,035,372
Beginning Fund Balance	940,000	940,000	863,212	(76,788)
Ending Fund Balance	$ -	$ -	$ 958,584	$ 958,584

(1) Appropriation Level

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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MILTON-FREEWATER UNFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended June 30, 2018

DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	$ 1,967,500	$ 1,967,500	$ 1,870,911	$ (96,589)
Total Revenues	1,967,500	1,967,500	1,870,911	(96,589)
EXPENDITURES:				
Debt Service	2,489,900	2,489,900 (1)	2,127,016	362,884
Total Expenditures	2,489,900	2,489,900	2,127,016	362,884
Revenues Over (Under) Expenditures	(522,400)	(522,400)	(256,105)	266,295
Other Financing Sources, (Uses)				
Transfers In	214,300	214,300	144,000	(70,300)
Total Other Financing Sources	214,300	214,300	144,000	(70,300)
Net Change in Fund Balance	(308,100)	(308,100)	(112,105)	195,995
Beginning Fund Balance	308,100	308,100	306,307	(1,793)
Ending Fund Balance	$ -	$ -	$ 194,202	$ 194,202

(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, 2018

CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	$ 10,000,000	$ 10,000,000	$ 5,263,769	$ (4,736,231)
State Sources	4,150,000	4,150,000	120,709	(4,029,291)
Total Revenues	14,150,000	14,150,000	5,384,478	(8,765,522)
EXPENDITURES:				
Support Services	258,700	408,700 (1)	255,385	153,315
Facilities Acquisition & Construction	30,585,000	30,735,000 (1)	18,797,135	11,937,865
Total Expenditures	30,843,700	31,143,700	19,052,520	12,091,180
Revenues Over, (Under) Expenditures	(16,693,700)	(16,993,700)	(13,668,042)	3,325,658
Other Financing Sources, (Uses)				
Loan Receipts	125,000	125,000	-	(125,000)
Sale of or Compensation for Loss of Fixed Assets	5,000	5,000	10,253	5,253
Transfers In	340,000	640,000	640,000	-
Transfers Out	(94,300)	(94,300) (1)	(87,000)	7,300
Total Other Financing Sources, (Uses)	470,000	770,000	563,253	(112,447)
Net Change in Fund Balance	(16,223,700)	(16,223,700)	(13,104,789)	3,213,211
Beginning Fund Balance	16,318,000	16,318,000	17,290,863	972,863
Ending Fund Balance	$ 94,300	$ 94,300	$ 4,186,074	$ 4,186,074

(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, 2018

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/17	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/18
Current:						
2017-18	$ 3,789,156	$ 96,669	$ (28,997)	$ 2,136	$ 3,562,014	$ 103,612
Prior Years:						
2016-2017	117,344	129	(3,483)	4,562	68,638	49,656
2015-2016	46,938	1	(146)	3,881	23,961	26,711
2014-2015	24,852	-	(99)	4,945	20,442	9,256
2013-2014	10,021	-	(99)	2,955	10,780	2,097
Prior Years:	4,657	-	(143)	750	1,926	3,338
Total Prior	203,812	130	(3,970)	17,093	125,747	91,058
Total General Fund	$ 3,992,968	$ 96,799	$ (32,967)	$ 19,229	$ 3,687,761	$ 194,670

RECONCILIATION TO REVENUE:	GENERAL FUND	DEBT SERVICE FUND	TOTAL
Cash Collections by County Treasurer Above	$ 2,968,792	$ 718,969	$ 3,687,761
Accrual of Receivables:			
June 30, 2017	(42,588)	(6,118)	(48,706)
June 30, 2018	33,176	4,341	37,517
Taxes in Lieu	1,636	2	1,638
Total Revenue	$ 2,961,016	$ 717,194	$ 3,678,210

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

OTHER INFORMATION

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2017-18 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	$ 2,961,016	$ -	$ 717,194	$ -	$ -	$ -	$ -
1120 Local Option Ad Valorem Taxes Levied by District	3,146	-	-	-	-	-	-
1130 Construction Exise Tax	-	-	-	-	-	-	-
1190 Penalties and Interest on Taxes	-	-	-	-	-	-	-
1200 Rev from Local Govt'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	92,269	618	12,067	239,242	-	-	-
1600 Food Service	-	7,891	-	-	-	-	-
1700 Extracurricular Activities	24,967	236,541	-	-	-	-	-
1800 Community Services Activities	-	-	-	-	-	-	-
1910 Rentals	13,150	-	-	-	-	-	-
1920 Contributions and Donations From Private Sources	20,647	15,976	-	5,023,940	-	-	-
1930 Rental or Lease Payments From Private Contractors	-	-	-	-	-	-	-
1940 Services Provided Other Local Education Agencies	12,642	-	-	-	-	-	-
1950 Textbook Sales and Rentals	-	-	-	-	-	-	-
1960 Recovery of Prior Years' Expenditure	27,850	-	-	-	-	-	-
1970 Services Provided Other Funds	-	-	1,100,252	-	-	-	-
1980 Fees Charged to Grants	86,582	-	-	-	-	-	-
1990 Miscellaneous	95,584	6,201	41,398	587	-	-	-
Total Revenue from Local Sources	$ 3,337,853	$ 267,227	$ 1,870,911	$ 5,263,769	$ -	$ -	$ -

Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
2101 County School Funds	$ 46,319	$ -	$ -	$ -	$ -	$ -	$ -
2102 Education Service District Apportionment	-	-	-	-	-	-	-
2105 Natural Gas, Oil, and Mineral Receipts	-	-	-	-	-	-	-
2199 Other Intemediate Sources	-	-	-	-	-	-	-
2200 Restricted Revenue	-	-	-	-	-	-	-
2800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-
2900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-
Total Revenue from Intermediate Sources	$ 46,319	$ -	$ -	$ -	$ -	$ -	$ -

Revenue from State Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3101 State School Fund - General Support	$ 14,604,524	$ -	$ -	$ -	$ -	$ -	$ -
3102 State School Fund - School Lunch Match	-	20,000	-	-	-	-	-
3103 Common School Fund	166,391	-	-	-	-	-	-
3104 State Managed County Timber	-	-	-	-	-	-	-
3199 Other Unrestricted Grants-in-Aid	-	-	-	-	-	-	-
3204 Driver Education	-	-	-	-	-	-	-
3222 State School Fund (SSF) Transportation Equipment	-	-	-	120,709	-	-	-
3299 Other Restricted Grants-in-Aid	11,769	345,560	-	-	-	-	-
3800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-
3900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-
Total Revenue from State Sources	$ 14,782,684	$ 365,560	$ -	$ 120,709	$ -	$ -	$ -

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	2,347	2,202,403	-	-	-	-	-
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies	41,514	-	-	-	-	-	-
4801 Federal Forest Fees	2,489	-	-	-	-	-	-
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	-	62,517	-	-	-	-	-
Total Revenue from Federal Sources	$ 46,350	$ 2,264,920	$ -	$ -	$ -	$ -	$ -

Revenue from Other Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5100 Long Term Debt Financing Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5200 Interfund Transfers	12,865	202,316	144,000	640,000	-	-	-
5300 Sale of or Compensation for Loss of Fixed Assets	-	-	-	10,253	-	-	-
5400 Resources - Beginning Fund Balance	2,405,223	863,212	306,307	17,290,863			
Total Revenue from Other Sources	$ 2,418,088	$ 1,065,528	$ 450,307	$ 17,941,116	$ -	$ -	$ -

Grand Totals							
	$ 20,631,294	$ 3,963,235	$ 2,321,218	$ 23,325,594	$ -	$ -	$ -

2017-18 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	$ 4,071,991	$ 2,440,503	$ 1,562,627	$ -	$ 68,861	$ -	$ -	$ -
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	1,963	1,500	463	-	-	-	-	-
1121 Middle/Junior High Programs	1,790,444	1,080,985	612,748	2,821	93,890	-	-	-
1122 Middle/Junior High School Extracurricular	90,622	61,736	19,066	6,523	3,204	-	93	-
1131 High School Programs	2,271,137	1,337,252	758,535	6,417	167,845	-	1,088	-
1132 High School Extracurricular	352,890	202,435	58,174	53,548	35,015	-	3,718	-
1140 Pre-Kindergarten Programs	74,667	-	-	60,000	14,667	-	-	-
1210 Programs for the Talented and Gifted	-	-	-	-	-	-	-	-
1220 Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1250 Less Restrictive Programs for Students with Disabilities	1,626,204	901,992	710,336	8,376	5,500	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	10,896	-	-	10,896	-	-	-	-
1291 English Second Language Programs	735,386	433,032	299,002	-	3,352	-	-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	56,572	36,439	19,785	-	348	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	492	96	28	-	368	-	-	-
Total Instruction Expenditures	$ 11,083,264	$ 6,495,970	$ 4,040,764	$ 148,581	$ 393,050	$ -	$ 4,899	$ -

Support Services Expenditures	**Totals**	**Object 100**	**Object 200**	**Object 300**	**Object 400**	**Object 500**	**Object 600**	**Object 700**
2110 Attendance and Social Work Services	$ 100,715	$ 45,434	$ 43,668	$ 11,613	$ -	$ -	$ -	$ -
2120 Guidance Services	141,375	83,011	54,207	-	4,157	-	-	-
2130 Health Services	48,678	-	-	47,790	888	-	-	-
2140 Psychological Services	409	-	-	409	-	-	-	-
2150 Speech Pathology and Audiology Services	-	-	-	-	-	-	-	-
2160 Other Student Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support Services	100,436	63,513	36,328	-	-	-	595	-
2210 Improvement of Instruction Services	38,493	26,567	10,017	1,745	104	-	60	-
2220 Educational Media Services	51,815	23,515	23,807	-	4,493	-	-	-
2230 Assessment & Testing	404	-	-	404	-	-	-	-
2240 Instructional Staff Development	33,023	645	8,430	22,218	1,620	-	110	-
2310 Board of Education Services	92,815	-	-	51,418	3,839	-	37,558	-
2320 Executive Administration Services	318,637	199,954	82,076	8,904	25,602	-	2,101	-
2410 Office of the Principal Services	1,295,754	832,204	425,246	6,271	26,113	-	5,920	
2490 Other Support Services - School Administration	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	377,884	184,027	103,486	76,187	4,940	2,040	7,204	-
2540 Operation and Maintenance of Plant Services	1,838,819	536,145	404,781	503,703	128,116	153,296	112,778	-
2546 Student Safety	-	-	-	-	-	-	-	-
2550 Student Transportation Services	746,081	320,588	265,513	71,184	63,193	-	25,603	-
2570 Internal Services	57,090	-	-	32,111	815	23,840	324	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	3,453	-	-	2,880	573	-	-	-
2642 Recruitment of Staff	-	-	-	-	-	-	-	-
2660 Technology Services	502,075	10,474	3,191	200,897	287,513	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services - Central	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	90,884	1,200	89,684	-	-	-	-	-
Total Support Services Expenditures	$ 5,838,840	$ 2,327,277	$ 1,550,434	$ 1,037,734	$ 551,966	$ 179,176	$ 192,253	$ -

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	2,559	-	-	-	2,559	-	-	-
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	$ 2,559	$ -	$ -	$ -	$ 2,559	$ -	$ -	$ -

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	3,400	-	-	3,400	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction Expenditures	$ 3,400	$ -	$ -	$ 3,400	$ -	$ -	$ -	$ -

Other Uses Expenditures	**Totals**	**Object 100**	**Object 200**	**Object 300**	**Object 400**	**Object 500**	**Object 600**	**Object 700**
5100 Debt Service	$ 2,664	$ -	$ -	$ -	$ -	$ -	$ 2,664	$ -
5200 Transfers of Funds	899,316	$ -	$ -	$ -	$ -	$ -	$ -	$ 899,316
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 PERS UAL Bond Lump Sum	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	$ 901,980	$ -	$ -	$ -	$ -	$ -	$ 2,664	$ 899,316

Grand Total	$ 17,830,043	$ 8,823,247	$ 5,591,198	$ 1,189,715	$ 947,575	$ 179,176	$ 199,816	$ 899,316

2017-18 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	$ 91,670	$ 60,184	$ -	$ 6,738	$ 24,748	$ -	$ -	$ -
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	45,915	5,358	1,637	3,283	35,637	-	-	-
1121 Middle/Junior High Programs	75	-	-	-	75	-	-	-
1122 Middle/Junior High School Extracurricular	54,647	-	-	-	54,647	-	-	-
1131 High School Programs	135,653	43,215	27,441	9,420	8,904	46,673	-	-
1132 High School Extracurricular	136,096	-	-	10,325	125,771	-	-	-
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	98,996	55,512	43,484	-	-	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	2,320		-	-	2,320	-	-	-
1272 Title I	837,988	450,725	266,318	-	62,948	-	57,997	-
1280 Alternative Education	-	-	-	-	-	-	-	-
1291 English Second Language Programs	21,853	-	-	-	21,853		-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	50,506	-	-	-	50,506	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	20,247	16,095	4,152	-	-	-	-	-
Total Instruction Expenditures	$ 1,495,966	$ 631,089	$ 343,032	$ 29,766	$ 387,409	$ 46,673	$ 57,997	$ -

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	73,354	40,720	25,484	7,150	-	-	-	-
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	130,329	94,809	35,520	-	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	175,846	8,551	1,994	145,966	14,423	-	4,912	-
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	250	-	-	250	-	-	-	-
2660 Technology Services	-	-	-	-	-	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services - Central	28,585	-	-	-	-	-	28,585	-
2700 Supplemental Retirement Program	-		-	-	-	-	-	-
Total Support Services Expenditures	$ 408,364	$ 144,080	$ 62,998	$ 153,366	$ 14,423	$ -	$ 33,497	$ -

Enterprise and Community Services Expenditures	**Totals**	**Object 100**	**Object 200**	**Object 300**	**Object 400**	**Object 500**	**Object 600**	**Object 700**
3100 Food Services	$ 1,069,248	$ 218,360	$ 184,546	$ 587,151	$ 67,749	$ 3,198	$ 8,244	$ -
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	18,208	-	-	13,886	4,322	-	-	-
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	$ 1,087,456	$ 218,360	$ 184,546	$ 601,037	$ 72,071	$ 3,198	$ 8,244	$ -

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	12,865	-	-	-	-	-	-	12,865
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 PERS UAL Bond Lump Sum	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	$ 12,865	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,865

Grand Total	$ 3,004,651	$ 993,529	$ 590,576	$ 784,169	$ 473,903	$ 49,871	$ 99,738	$ 12,865

2017-8 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 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	$ 2,127,016	-	-	-	-	-	2,127,016	-
5200 Transfers of Funds	-	-	-	-	-	-	-	-
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 Bond Lump Sum	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	$ 2,127,016	$ -	$ -	$ -	$ -	$ -	$ 2,127,016	$ -

Grand Total	$ 2,127,016	$ -	$ -	$ -	$ -	$ -	$ 2,127,016	$ -

2017-8 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	71,250	50,550	20,700	-	-	-	-	-
2540 Operation and Maintenance of Plant Services	-	-	-	-	-	-	-	-
2550 Student Transportation Services	184,135	-	-	-	-	184,135	-	-
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	$ 255,385	$ 50,550	$ 20,700	$ -	$ -	$ 184,135	$ -	$ -

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	18,797,135	-	-	1,074,215	25,605	17,647,479	49,836	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction Expenditures	$ 18,797,135	$ -	$ -	$ 1,074,215	$ 25,605	$ 17,647,479	$ 49,836	$ -

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	$ 19,139,520	$ 50,550	$ 20,700	$ 1,074,215	$ 25,605	$ 17,831,614	$ 49,836	$ 87,000

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SUPPLEMENTAL INFORMATION
As Required by The Oregon Department of Education
For the Year Ended June 30, 2018

A. Energy bills for heating - all funds:

		Objects 325 and 326
Function 2540	$	278,678
Function 2550		-

B. Replacement of equipment - General Fund:

		Amount
Include all General Fund expenditures in Object 542, except for the following exclusions:	$	66,325

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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December 27, 2018

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, 2018, and have issued our report thereon dated December 27, 2018. 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 Statues 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.

Tara M Kamp, CPA

TARA M KAMP, CPA
PAULY, ROGERS AND CO., P.C.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

GRANT COMPLIANCE REVIEW

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MILTON-FREE WATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

GRANTS Program Title	Pass Through Organization	Federal CFDA Number	Pass Through Entity Number	Period Covered	Expenditures	Passed Through to Subrecipients
U.S. Department of Education						
Title I Grants to Local Educational Agencies						
	Oregon Department of Education	84.010	41103	07/01/16-09/30/17	$ 30,379	$ -
	Oregon Department of Education	84.010	45638	07/01/17-09/30/18	991,295	-
Total Title I Grants to Local Education Agencies					1,021,674	-
Migrant Education - State Grant Program						
	ODE/InterMountain ESD	84.011	43681	07/01/16-09/30/17	12,000	-
	ODE/InterMountain ESD	84.011	44984	07/01/15-09/30/16	29,514	-
Total Migrant Education - State Grant Program					41,514	-
English Language Acquisition State Grants						
	Oregon Department of Education	84.365	41776	07/01/16-09/30/17	22,800	-
	Oregon Department of Education	84.365	44231	07/01/17-09/30/18	24,092	-
	Oregon Department of Education	84.365	41735	07/01/17-09/30/17	190	-
Total English Language Acquisition State Grants					47,082	-
Improving Teacher Quality State Grants						
	Oregon Department of Education	84.367	41358	07/01/16-09/30/17	28,847	-
	Oregon Department of Education	84.367	45854	07/01/17-09/30/18	103,556	-
Total Improving Teacher Quality State Grants					132,403	-
Rural Education						
	Oregon Department of Education	84.358	42553	07/01/16-09/30/17	1,094	-
Total Rural Education					1,094	-
Special Education Cluster:						
Special Education - Grants to States	Oregon Department of Education	84.027	44434	08/01/17-06/30/18	2,157	-
	ODE/InterMountain ESD	84.027	41529	07/01/16-09/30/19	121,707	-
	ODE/InterMountain ESD	84.027	45314	07/01/17-09/30/19	31,039	-
Total Special Education Cluster					154,903	-
Total U.S. Department of Education					1,398,670	-
U.S. Department of Agriculture:						
Child Nutrition Cluster:						
Donated Commodities (Non-Cash Assistance)	Oregon Department of Education	10.555	3013001	07/01/17 - 06/30/18	62,517	
School Breakfast Program	Oregon Department of Education	10.553	3013001	07/01/17 - 06/30/18	226,095	
National School Lunch Program	Oregon Department of Education	10.555	3013001	07/01/17 - 06/30/18	576,188	
Summer Food Service Program for Children	Oregon Department of Education	10.559	3013001	07/01/17 - 06/30/18	41,593	
Total Child Nutrition Cluster					906,393 (1)	-
Child and Adult Care Food Program						
	Oregon Department of Education	10.558	3013001	07/01/17 - 06/30/18	1,870	
Total Child and Adult Care Food Program					1,870	-
State Administrative Expenses for Child Nutrition						
	Oregon Department of Education	10.56	3013001	07/01/17 - 06/30/18	1,848	
Total State Administrative Expenses for Child Nutrition					1,848	-
Forest Service Schools and Roads Cluster						
Schools and Roads	Umatilla County	10.665	N/A	07/01/17 - 06/30/18	2,489	-
Total Forest Service Schools and Roads Cluster					2,489	-
Total U.S. Department of Agriculture					912,600	-
Total Grants Expended or Passed Through to Subrecipients					$ 2,311,270	$ -

(1) - Major Program

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December 27, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 27, 2018.

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

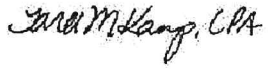
As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs on page 58.

Entity's Response to Findings

The entity's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



TARA M KAMP, CPA
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December 27, 2018

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, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

Milton-Freewater Unified School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Tara M Kamp, CPA

TARA M KAMP, 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, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____Yes	__x__No
• Significant deficiency(ies) identified that are not considered to be material weaknesses	_____Yes	__x__None Reported
Noncompliance material to financial statements noted?	_____Yes	__x__No
Any GAGAS audit findings disclosed that are required to be reported in accordance with section 555(d)(2) of the Uniform Guidance?	_____Yes	__x__No

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	_____Yes	__x__No
• Significant deficiency(ies) identified that are not considered to be material weaknesses	_____Yes	__x__None Reported
Type of auditor's 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?	__x__Yes	_____No

Identification of major programs

CFDA NUMBER(S):	**NAME OF FEDERAL PROGRAM CLUSTER:**
10.553, 10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? __x__Yes _____No

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

None Reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-001 – Cash Management

CONDITION:
During our testing of major program reimbursements, we noted that the District reported incorrect meal counts on their submitted reimbursement claim forms for the months of October 2017, February 2018, and March 2018. We tested all 14 reimbursement claim forms submitted by the District for the 17-18 fiscal year related to the Child Nutrition Cluster. In the three instances where we noted errors, it appears that lunch counts were reported in both the lunch and breakfast sections of the reimbursement claims. This led to a total of 5,405 in excess meals being claimed by the District in the 17-18 fiscal year, for a total dollar amount of $8,607, calculated by reimbursable meal rates. This amount is under the known or likely questioned costs exceeding 5% of total federal award expenditures threshold. This is not a repeat finding.

CRITERIA:
It is the District's responsibility to ensure correct reimbursable meal counts are reported to the Oregon Department of Education, the pass-through organization from which the District receives Child Nutrition Cluster monies.

EFFECT:
Without sufficiently reconciling and reviewing of meal tracking software reporting to reimbursement claim forms, the District has the potential to submit claims that are inaccurate, causing noncompliance with program requirements. There is also the possibility of penalties being assessed by the pass-through organization.

CAUSE:
This finding appears to be due to frequent turnover of the on-site managers provided by the District's third party food services provider. In the 17-18 fiscal year, the District had difficulty getting information from the managers in a timely manner, often leading to the District rushing to process claims in order to meet established deadlines.

RECOMMENDATION:
We recommend that the District add additional levels of District management review, and ensure all meal counts noted on the reimbursement claim forms submitted to the pass-through organization are reconciled to meal software reporting prior to submitting reimbursement claims.

RESPONSE:

Management agrees with auditor and has implemented additional procedures of management review and reconciliation of food service program in order to assure proper reimbursement reporting. The District Director of Business and Operations is meeting monthly with the contracted food service management staff to review food service building procedures, including meal counts, reported building enrollment and reporting variances. The District Director of Business and Operations is reviewing and reconciling the individual building meal counts and total district meal count information input for reimbursement to the District meal software.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

RESPONSE (CONTINUED):

Milton-Freewater Unified School District #7 considers this deficiency seriously and strives for improved financial reporting. If you have any questions or concerns, please contact us at (541) 966-3216 / denyce.kelly@imesd.k12.or.us or (541) 938-3551 / aaron.duff@miltfree.k12.or.us.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 not elected to use the ten percent de minimus indirect cost rate as allowed under Uniform Guidance, due to the fact that they already have a negotiated indirect cost rate with Oregon Department of Education, and thus are not allowed to use the de minimus rate.

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