

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020



**12700 SW 72nd Ave.
Tigard, OR 97223**

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2020

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

BOARD OF DIRECTORS

<u>BOARD OF DIRECTORS</u>	<u>TERM EXPIRES</u>
Claudia Limon, Position #1	June 30, 2021
Tina Kain, Chair, Position #2	June 30, 2021
Duane Geyer, Position #3	June 30, 2021
Don Miller, Vice Chair, Position #4	June 30, 2021
Kelly Kessler, Position #5	June 30, 2023
Tim McElrath, Position #6	June 30, 2021
Kathy Silva, Position #7	June 30, 2023

All board members will receive mail at the following address:

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

ADMINISTRATION

Aaron Duff, Superintendent
Denyce Kelly, Business Manager

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

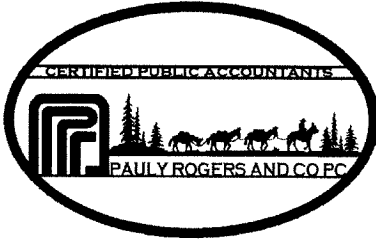
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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

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December 22, 2020

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, 2020, 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, 2020, 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.

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.

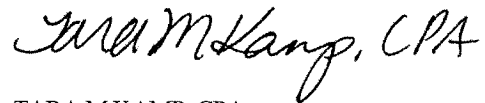
The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not 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 22, 2020 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 22, 2020, 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.

A handwritten signature in black ink that reads "Tara M Kamp, CPA". The signature is written in a cursive, flowing style.

TARA MKAMP, 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, 2020

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, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements that begin with the Statement of Net Position.

FINANCIAL HIGHLIGHTS

- In 2020 The District expanded the implementation of Government Accounting Standards Board's (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* to include the Oregon Public Employees Retirement System Retirement Health Insurance Account (RHIA). GASB 75 addresses how state and local governments should account for and report their costs and obligation related to Other Postemployment Benefits (OPEB). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures related to OPEB, including the RHIA.

In prior years, the District's participation in RHIA, a cost-sharing multiple-employer defined benefit OPEB plan was determined to qualify for a community rating category, not material to the Districts financial position, and therefore there was no implicit subsidy to value and no asset or liability reported in the financial statements. In 2020 the District is reporting an OPEB RHIA asset in the amount of \$166,419 as determined through the Oregon PERS valuation. This change has not materially impacted the reported statement of net position.

Prior to adoption of the new GASB statements, the District's net position at June 30, 2019 totaled \$10,721,569. With the implementation of the GASB statement and the RHIA asset, the District's net position increased \$111,573 to \$10,833,142 for the same time period

- In the Government-Wide financial statement at June 30, 2020, the District's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources by \$8,766,013. The net position was decreased \$2,067,129 from the June 30, 2019 balance. Most notably from the decrease in cash with the completion of the Bond capital improvement projects and related final payments. The District's investment in capital assets net of related debt increased to \$23,794,345. A deficit unrestricted net position of \$16,304,061 is due to the recognition of District pension obligations under GASB 68 and the OPEB liability for health insurance under GASB 75.
- The District maintains liquidity with cash totaling \$4,128,380. With payments on the District capital construction projects, the balance is decreased from \$6,938,829 in the previous year.
- The District relies upon the State School Fund as its primary source of operating revenue. In 2020, the Sate School Formula afforded District collections totaling \$15,347,293 compared to \$15,073,309 in the prior year. The increase was due to the improved State School Funding. District enrollment dropped from 1,713 to 1,650.
- At June 30, 2020, the assigned and unassigned fund balance for the General Fund was \$2,312,566 or approximately 11.8% of total General Fund expenditures (including transfers).

Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2020

- The COVID-19 pandemic slowed the District operations as school buildings closed and pivoted from in-person learning to comprehensive distance learning. The District, together with school districts nationally, struggled to educate and serve students on-line. The Governor ordered all state employees to be paid through the end of May. The District finished the year without employee furloughs.
- In 2019-2020 the District maintained enrollment in 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.
- The District received local grants from the Milton-Freewater Area Foundation, Wildhorse Foundation and AVID. These grants supported the District music programs, career technical education programs and teacher professional development. In addition, the grants allowed for the purchase of a laser exhaust system and a woodshop utility trailer.
- 2019-2020 State grants included High School Success (Measure 98), Outdoor School (Measure 99), CTE Revitalization, and Physical Education Expansion K-8 (PEEK). The grants totaled over \$400,000 and supported educational opportunities in elementary PE, outdoor school, student internships, and high school counseling and CTE programs.
- 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 has allowed the District to construct Gib Olinger Elementary School, a District transportation facility, a sports complex at the Grove Elementary site, as well as, update HVAC and infrastructure at Ferndale, McLoughlin High School and Central Middle School. Demolition of the old canary site began in June 2016. The bonds sold in July 2016, with a bond premium received of \$2,046,053. All projects were completed at June 30, 2020.

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.

Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (con't)

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.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" fund – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Milton-Freewater Unified School District like other governmental entities in the State of Oregon, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the Oregon Revised Statutes.

Because the focus of governmental funds is narrower than that of the Government-Wide financial statements, it is useful to compare the information presented by governmental funds with similar information presented for statement of activities in the Government-Wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the Government-Wide Statements and Net position and Activities

Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (con't)

The District adopts an annual budget for its funds, as required by the Oregon Revised Statutes. The budget is a legally adopted document that incorporates input from the citizens of the District, the management of the District, and the District Board about which services to provide and how to pay for them. It also authorizes the District to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the District complied with Oregon Local Budget Law and whether or not the District succeeded in providing the services as planned when the budget was adopted.

The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures, and Changes in Fund Balances. The statement shows four columns: 1) the original budget as adopted by the District Board; 2) the final budget as amended by the District Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

The District maintains 20 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, 2020.

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, 2020, cash totaled \$4,128,380. With the timing of grant funding, District receivables total \$1,628,518 from state contracts and grants.

Capital assets consist of the District's land, buildings, building improvements, vehicles, and equipment, which represent about 85% of total assets. For the year ended June 30, 2020, larger investments in capital assets include the completion of Grove Athletic Complex, District wide infrastructure upgrades, District route bus, CTE classroom equipment and maintenance equipment.

Deferred outflows of resources related to pensions and OPEB totaled \$3,404,997 and represent contributions subsequent to the measurement date combined with differences between expected and actual experience changes in assumptions (discount rate) and investment earnings.

Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (con't)

The District's largest liability consists of the 2016 general obligation bonds and related bond premium, with a June 30, 2020 balance of \$13,079,047. 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 completed 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, 2020, the PERS bonds balance totaled \$8,890,397. The District has a full faith and credit obligation, totaling \$85,000, from 2011 bus purchases. The District has a lease payable to Santander Bank, NA, totaling \$45,632, from 2017 bus purchases. Other notes include Oregon Department of Energy (\$83,071) for 2012 energy efficiency improvement and (\$156,619) for 2016 energy efficiency improvement. Total notes payable \$239,690.

The District reported OPEB liability of \$2,259,916 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 \$8,666,917. The pension liability reflects the District's proportionate share of the State of Oregon's Unfunded Actuarial Liability. 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 \$2,302,389. The accrual is driven by the changes in proportion and differences between employer contributions and proportionate share of contributions.

At June 30, 2020 the assets and deferred outflows exceeded its liabilities and deferred inflows by \$8,766,013. The District's net position decreased by \$2,067,129 from the prior year.

The majority of the District's unrestricted deficit net position (\$16,304,061) is due to the significant net pension liability noted above, along with the implementation of GASB 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.

**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (con't)

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

Net Position at June 30, 2020

	Governmental Activities		
	<u>2020</u>	<u>2019</u>	<u>Difference</u>
<u>Assets:</u>			
Cash and Cash Equivalents	\$ 4,128,380	\$ 6,938,829	\$ (2,810,449)
Taxes Receivable	229,526	210,409	19,117
Accounts Receivable	1,628,518	451,729	1,176,789
Net RHIA Asset	166,419	111,573	54,846
Capital Assets - Nondepreciable	4,528,739	4,692,166	(163,427)
Capital Assets - Depreciable, Net of Depreciation	<u>31,571,586</u>	<u>31,870,381</u>	<u>(298,795)</u>
Total Assets	<u>42,253,168</u>	<u>44,275,087</u>	<u>(2,021,919)</u>
<u>Deferred Outflows of Resources:</u>			
Net Pension, OPEB & RHIA Deferred Outflows	<u>3,404,997</u>	<u>3,809,078</u>	<u>(404,081)</u>
<u>Liabilities:</u>			
Accounts Payable	122,148	707,091	(584,943)
Accrued Payroll Liability	1,182,317	1,067,694	114,623
Accrued Interest	18,699	19,075	(376)
Total OPEB Liability	2,259,916	2,090,832	169,084
Proportionate Share of Net Pension Liability	8,666,917	8,507,411	159,506
Bonds Payable Due in One Year	1,125,151	784,296	340,855
Bonds Payable Due in More Than One Year	<u>21,214,615</u>	<u>22,450,942</u>	<u>(1,236,327)</u>
Total Liabilities	<u>34,589,763</u>	<u>35,627,341</u>	<u>(1,037,578)</u>
<u>Deferred Inflows of Resources:</u>			
Net Pension & RHIA related Deferrals	<u>2,302,389</u>	<u>1,623,682</u>	<u>678,707</u>
<u>Net Position</u>			
Net Investment in Capital Assets	23,794,345	22,812,280	982,065
Restricted for Debt Service	141,065	239,008	(97,943)
Restricted for Other Purposes	1,134,664	1,028,781	105,883
Unrestricted	<u>(16,304,061)</u>	<u>(13,246,927)</u>	<u>(3,057,134)</u>
Total Net Position (restated for 2019)	<u>\$ 8,766,013</u>	<u>\$ 10,833,142</u>	<u>\$ (2,067,129)</u>

Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2020

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, 2020 are as follows:

- Revenues fell 27%, with the largest decrease in the operating grants and contributions, primarily from the loss of prior year construction grants including, the Valley Foundation and State OSCIM matching grant. In spite of decreased enrollment, the state school fund improved with an increase in the State biennium allocation. District grants and local donations reported a decrease from the prior year, due to the timing of grant funds received, Interest earnings decreased as the economy faltered and cash balances decreased with the final bond payments.
- District expenses report an overall decrease, primarily due to the COVID-19 pandemic as the district moved to distance learning, staff working from home, reduced building and transportation expenditures. Negotiated COLA agreements were honored and all staff were paid in full, reflected by the increased instruction expenses. Debt service expenditures increased slightly as facilities acquisition and capital outlay reported net of debt, increased from the prior year.

Changes in Net Position for the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>Difference</u>
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$ 268,143	\$ 309,212	\$ (41,069)
Operating Grants & Contributions	2,976,475	11,796,348	(8,819,873)
General Revenues:			
Property Taxes	3,992,228	3,682,376	309,852
State School Sources	15,347,293	15,073,309	273,984
Other Federal, State and Local Sources	125,379	323,599	(198,220)
Intermediate Sources	47,984	51,468	(3,484)
Gain (Loss) on Sale of Asset	6,667	-	6,667
Interest and Investment Earnings	173,274	344,196	(170,922)
Total Revenues	<u>22,937,443</u>	<u>31,580,508</u>	<u>(8,643,065)</u>
<u>Expenses:</u>			
Instruction	14,987,055	14,730,015	257,040
Support Services	7,575,145	8,369,444	(794,299)
Enterprise & Community Services	1,012,674	1,227,971	(215,297)
Debt Service	1,429,698	1,376,038	53,660
Total Expenses	<u>25,004,572</u>	<u>25,703,468</u>	<u>(698,896)</u>
Change in Net Position	(2,067,129)	5,877,040	(7,944,169)
Net Position, Beginning	10,833,142	4,844,529	5,988,613
Cumulative Effect - OPEB RHIA Restatement	-	111,573	(111,573)
Net Position, Ending (restated for 2019)	<u>\$ 8,766,013</u>	<u>\$ 10,833,142</u>	<u>\$ (2,067,129)</u>

Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2020

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, 2020, the District's Governmental Funds reported a combined ending fund balance of \$4,505,566. This balance decreased \$1,159,297 from the balance of \$5,664,863 in the previous year. The bulk of the prior year ending fund balance was primarily for the capital improvements to the District and the final construction of the Grove Athletic Complex.

General Fund. The General Fund is the primary operating fund of the District. As of June 30, 2020, the assigned and unassigned fund balance was \$2,312,556. 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 11.8% of total General Fund expenditures (including transfers) for the fiscal year ending June 30, 2020.

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. 2020 grants include Measure 98, Measure 99 and CTE revitalization funds. Current state grants for title programs were slightly lower for 2020. In addition, the District transferred \$70,000 into the PERS reserve fund, to help offset rising cost of future PERS expenditures. The Special Revenue Fund balances totaled \$1,134,664.

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 an ending balance of \$141,065.

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 and completed the final district wide infrastructure projects and the Grove Athletic Complex in 2020. Other capital purchases include CTE classroom equipment, maintenance equipment, district vehicles and a new route school bus. The District transferred \$310,000 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 \$917,281.

**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2020**

GENERAL FUND BUDGETARY HIGHLIGHTS

The District received 49% of a \$9.0 billion State School Fund allocation for the first year of the biennium. Coupled with the voter approved grant funds, the District maintained current staff levels, supported the pre-school program, mental health programs, purchased CTE classroom equipment, honored negotiated step/COLA agreements and updated district technology.

For the 2019-2020 school year, the District based its budget on 1750 average daily enrollment and a beginning fund balance totaling \$2,800,000. The actual beginning fund balance totaled \$2,996,501 and the actual enrollment dropped to 1650. The increased beginning fund balance and improved State funding was used to offset the decreased support allocation from loss of enrollment. The District must continue to right size program, services and staff for the current student population.

The District maintained a full calendar, all academic and extra-curricular programs through February 2020. In March the COVID-19 pandemic slowed the District's program activities as school districts temporarily closed to slow the spread of the virus. State School Support remained unchanged. The District moved to Comprehensive Distance Learning, as most employees worked remotely. Per the Governor's order, the District paid employees through the end of June. Expenditures were lower with fewer purchases, less professional development and extra-curricular travel.

The District transferred resources to the Capital Projects Funds for district wide improvements not covered by Bond funds as well as an additional \$70,000 to the PERS Reserve Fund to offset future PERS rate increases and an additional \$50,000 to the Food Service program to support the CEP program. The District continues to pay the 6% PERS employee portion. PERS rates remained flat from the prior year at 9.80% for T1/T2 and 4.35% for OPSRP. As a result of new state legislation, PERS was charged across retiree payroll after January 1, 2020.

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, 2020, the District's capital assets are reported on the Statement of Net Position. New additions include Grove Athletic Complex, Ferndale HVAC upgrades, Mac Hi upgrades including the quad roof system and auditorium lighting, a new route school bus, district maintenance vehicle, maintenance equipment and CTE classroom equipment. At June 30, 2020 all outstanding bond projects were completed.

		Governmental Activities
Land	\$	4,528,739
Buildings & Improvements		30,725,008
Equipment & Vehicles		846,578
	\$	<u>36,100,325</u>

**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2020**

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, 2020, the District had \$22.3 million debt outstanding which is comparable to \$23.2 million last year. The District made its annual debt service payments under these obligations that included an overall reduction in the principal balance of \$895,472. See Note 5 of the Notes to the Financial Statements for more information on long-term debt obligations.

	Outstanding Debt Obligations		
	2020	2019	Difference
2002 Limited Tax Pension Bonds, PERS	\$ 4,145,000	\$ 4,274,716	\$ (129,716)
2003 Limited Tax Pension Bonds, PERS	4,315,397	4,506,000	(190,603)
2011 Limited Tax Pension Refunding Bonds, PERS	430,000	430,000	0
2011 Full Faith and Credit Obligation, bus purchases	85,000	165,000	(80,000)
2016 General Obligation Bond, capital improvements	11,460,000	11,765,000	(305,000)
2016 Bond Premium	1,619,047	1,730,247	(111,200)
Oregon Department of Energy Loan 2012	83,071	93,905	(10,834)
Oregon Department of Energy Loan 2016	156,619	180,348	(23,729)
Bus Lease, 2 route busses	45,632	90,022	(44,390)
Total	\$ <u>22,339,766</u>	\$ <u>23,235,238</u>	\$ <u>(895,472)</u>

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, 2020, the State School Fund – General Support provided 79% 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 2020-2021 budget is supported by 51% of the State's \$9.0B Basic School Support for the second year in the biennium. Due to the COVID-19 pandemic, the budget was approved before funding was decided by the State of Oregon. The economic outlook was uncertain as many businesses were closed and unemployment skyrocketed. The State legislature convened via an emergency session at the end of July to solidify school funding.

Fortunately, there was no reduction to the State School Formula due to the legislature back filling the funding with other resources (Corporate Activity Tax). However, the District has seen a decline of students over the last 2 years that has reduced the state funding allocation.

**Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (con't)

The 2020-2021 budget is based on decreased enrollment of 1,650 average daily membership and utilizing the beginning fund balance, to maintain current programs and keep employees whole during a time of uncertainty. The District created the Student Investment Account (SIA) to allocate expenditures based upon the District's equity plan. The 2020-2021 SIA funds are budgeted on a limited basis due to the projected state shortfall at the time of budgeting. The District will continue to utilize Measure 98 funding and CTE grants to provide for the Student Success Coach, offer additional CTE instruction and curriculum for students.

The 2020-2021 budget includes the negotiated COLA and benefits per the collective bargaining agreements. PERS rates remained at 9.8% on Tier 1/Tier 2 employees, 4.35% on OPSRP employees in the second year of the biennium. With the completion of the Grove Athletic Complex, the final 2016 bond project, the capital project budget has decreased to support only the annual district facility and maintenance projects.

REQUESTS FOR INFORMATION

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

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2020

ASSETS	
Cash and Cash Equivalents	\$ 4,128,380
Property Taxes Receivable	229,526
Accounts Receivable	1,628,518
Net RHIA Asset	166,419
Capital Assets - Nondepreciable	4,528,739
Capital Assets - Depreciable, Net of Depreciation	<u>31,571,586</u>
Total Assets	<u>42,253,168</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferrals	2,907,118
OPEB Related Deferrals	486,021
RHIA Related Deferrals	<u>11,858</u>
Total Deferred Outflows of Resources	<u>3,404,997</u>
LIABILITIES:	
Accounts Payable	122,148
Payroll Liabilities	1,182,317
Accrued Interest	18,699
Long-Term Debt Due Within One Year	1,125,151
Noncurrent Liabilities:	
Proportionate Share of Net Pension Liability	8,666,917
Total OPEB Liability	2,259,916
Long-Term Obligations	<u>21,214,615</u>
Total Liabilities	<u>34,589,763</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferrals	2,269,456
RHIA Related Deferrals	<u>32,933</u>
Total Deferred Inflows of Resources	<u>2,302,389</u>
NET POSITION	
Net Investment in Capital Assets	23,794,345
Restricted for:	
Debt Service	141,065
Other	1,134,664
Unrestricted	<u>(16,304,061)</u>
Total Net Position	<u>\$ 8,766,013</u>

See accompanying notes to basic financial statements.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 14,987,055	\$ 262,490	\$ 1,336,425	\$ (13,388,140)
Support Services	7,575,145	-	772,825	(6,802,320)
Community Services	1,012,674	5,653	867,225	(139,796)
Interest on Long-Term Debt	<u>1,429,698</u>	<u>-</u>	<u>-</u>	<u>(1,429,698)</u>
Total Governmental Activities	<u>\$ 25,004,572</u>	<u>\$ 268,143</u>	<u>\$ 2,976,475</u>	<u>(21,759,954)</u>

General Revenues

Property Taxes, Levied for General Purposes	3,217,171
Property Taxes, Levied for Debt Service	775,057
State Sources	15,347,293
Income Not Restricted to Specific Programs	
Local Sources	125,379
Intermediate Sources	47,984
Gain (Loss) on Sale of Asset	6,667
Interest and Investment Earnings	<u>173,274</u>

Total General Revenues	<u>19,692,825</u>
Changes in Net Position	(2,067,129)
Net Position - Beginning, Restated	<u>10,833,142</u>
Net Position - Ending	<u>\$ 8,766,013</u>

See accompanying notes to basic financial statements.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTALS
ASSETS:					
Cash and Investments	\$ 3,079,544	\$ -	\$ 130,730	\$ 918,106	\$ 4,128,380
Property Taxes Receivable	185,583	-	43,943	-	229,526
Accounts Receivable	154,554	1,473,964	-	-	1,628,518
Interfund Receivable	274,423	-	-	-	274,423
Total Assets	\$ 3,694,104	\$ 1,473,964	\$ 174,673	\$ 918,106	\$ 6,260,847
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 56,446	\$ 64,877	\$ -	\$ 825	\$ 122,148
Payroll Liabilities	1,182,317	-	-	-	1,182,317
Interfund Payable	-	274,423	-	-	274,423
Total Liabilities	1,238,763	339,300	-	825	1,578,888
Deferred Inflows:					
Unavailable Property Taxes	142,785	-	33,608	-	176,393
Fund Balances:					
Restricted	-	1,134,664	141,065	-	1,275,729
Assigned	-	-	-	917,281	917,281
Unassigned	2,312,556	-	-	-	2,312,556
Total Fund Balances	2,312,556	1,134,664	141,065	917,281	4,505,566
Total Liabilities, Deferred Inflows and Fund Balances	\$ 3,694,104	\$ 1,473,964	\$ 174,673	\$ 918,106	\$ 6,260,847

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, 2020

Total Fund Balances - Governmental Funds	\$	4,505,566
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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		36,100,325
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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	\$	(22,054,444)	
Accrued Interest		(18,699)	
Notes Payable		(239,690)	
Leases Payable		<u>(45,632)</u>	
			(22,358,465)

Long-term pension and OPEB assets/liabilities note payable in current year are not reported as governmental fund liabilities. Actuarial changes create the deferred out flows and inflows of resources. These consist of:

PERS net pension liability	\$	(8,666,917)	
PERS pension related deferred outflows		2,907,118	
PERS pension related deferred inflows		(2,269,456)	
OPEB net pension liability		(2,259,916)	
OPEB pension related deferred outflows		486,021	
Net RHIA Asset		166,419	
District RHIA related deferred outflows		11,858	
District RHIA related deferred inflows		<u>(32,933)</u>	
			(9,657,806)

Unearned revenue related to property taxes		<u>176,393</u>
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Net Position	\$	<u><u>8,766,013</u></u>
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See accompanying notes to basic financial statements.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTALS
REVENUES:					
From Local Sources	\$ 3,624,465	\$ 219,252	\$ 2,045,603	\$ 33,256	\$ 5,922,576
From Intermediate Sources	47,984	-	-	-	47,984
From State Sources	15,126,594	381,866	-	427,233	15,935,693
From Federal Sources	78,075	2,187,006	-	-	2,265,081
Total Revenues	18,877,118	2,788,124	2,045,603	460,489	24,171,334
EXPENDITURES:					
Current:					
Instruction	12,352,996	1,443,302	-	31,329	13,827,627
Support Services	6,540,334	407,231	-	41,551	6,989,116
Community Services	2,682	931,650	-	-	934,332
Facilities Acquisition and Construction	-	-	-	720,628	720,628
Debt Service	-	-	2,325,546	-	2,325,546
Capital Outlay	58,354	15,668	-	466,027	540,049
Total Expenditures	18,954,366	2,797,851	2,325,546	1,259,535	25,337,298
Excess of Revenues Over, (Under) Expenditures	(77,248)	(9,727)	(279,943)	(799,046)	(1,165,964)
OTHER FINANCING SOURCES (USES)					
Sale of or Compensation for Loss of Capital Assets	3,913	-	-	2,754	6,667
Transfers In	4,390	120,000	182,000	400,000	706,390
Transfers Out	(615,000)	(4,390)	-	(87,000)	(706,390)
Total Other Financing Sources (Uses)	(606,697)	115,610	182,000	315,754	6,667
Net Change in Fund Balance	(683,945)	105,883	(97,943)	(483,292)	(1,159,297)
Beginning Fund Balance	2,996,501	1,028,781	239,008	1,400,573	5,664,863
Ending Fund Balance	\$ 2,312,556	\$ 1,134,664	\$ 141,065	\$ 917,281	\$ 4,505,566

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, 2020

Total Net Changes in Fund Balances - Governmental Funds \$ (1,159,297)

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	\$ 816,520	
Changes in Accrued Interest	376	
Principal payments on leases payable	44,389	
Principal payments on notes payable	<u>34,563</u>	
		895,848

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		987,937
Depreciation Expense		(1,450,159)

Revenue reported in in the funds is on the modified accrual basis however property taxes are not deferred in the statement of activities. 15,074

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		(1,322,715)
OPEB pension expense		(67,588)
OPEB pension expense - RHIA		<u>33,771</u>

Change in Net Position of Governmental Activities \$ (2,067,129)

See accompanying notes to basic financial statements.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Milton-Freewater Unified School District (the District) is organized under provisions of Oregon Statutes pursuant to ORS Chapter 332 for the purpose of operating elementary and secondary schools. The District is 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.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS) (CONTINUED)

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.

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.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPES (CONTINUED)

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.

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, 2020.

PROPERTY TAXES RECEIVABLE

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

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

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

FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

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

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

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

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

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

ACCOUNTS AND OTHER RECEIVABLES

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

GRANTS

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

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUPPLY INVENTORIES

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

CAPITAL ASSETS

Capital assets include land, buildings & improvements, and vehicles & equipment, and are recorded at original cost or estimated original cost. Donated capital assets are recorded at their 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.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM OBLIGATIONS

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

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

RETIREMENT PLANS

PERS

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

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

EARLY RETIREMENT (OPEB)

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

NET POSITION

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

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

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITION (CONTINUED)

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

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net positions that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The District has three items that qualifies under this reporting requirement: pension-related deferrals, OPEB-related deferrals, and RHIA-related outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly the items, 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 and Deferred Inflows of resources related to the RHIA include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.

FUND BALANCE

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

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

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2020.

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements is \$2,076,600, of which \$518,896 is covered by federal depository insurance. The remainder is covered by the collateral held in a multiple financial institutions collateral pool administered by the Oregon State Treasurer. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. State statutes (ORS 295.002) allow public officials to deposit public funds in one or more depositories currently qualified pursuant to ORS 295.001 to 295.108. As long as the bank depository has entered into an agreement (ORS 295.008(2)(b)) and has deposited securities pursuant to state statutes (ORS 295.015(1)), there may be deposits at any one bank depository and its branches, a sum in excess of the amount insured by the Federal Deposit Insurance Corporation.

INVESTMENTS

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

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

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund'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](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, 2020 (recorded at fair value) consisted of:

Demand Deposits:				
Checking	\$	1,758,506	Governmental Funds	\$ 4,128,380
Investments				
LGIP		2,369,874		
Total	\$	4,128,380	Total	\$ 4,128,380

There were the following investments and maturities at June 30, 2020:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
State Treasurer's Investment Pool	\$ 2,369,874	\$ 2,369,874	\$ -	\$ -
Total	\$ 2,369,874	\$ 2,369,874	\$ -	\$ -

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, 2020, none of the bank balance was exposed to custodial credit risk because it was fully insured.

MILTON-FREEWATER SCHOOL DISTRICT
 UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2020, 100% of total investments were in the State Treasurer’s Investment Pool. State statutes do not limit the percentage of investments in this instrument.

3. ACCOUNTS/GRANTS RECEIVABLE

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$ 185,583	\$ -	\$ 43,943	\$ -	\$ 229,526
Accounts Receivable	154,554	1,473,964	-	-	1,628,518
Total	<u>\$ 340,137</u>	<u>\$ 1,473,964</u>	<u>\$ 43,943</u>	<u>\$ -</u>	<u>\$1,858,044</u>

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land & Land Improvements	\$ 3,472,348	\$ 1,056,391	\$ -	\$ 4,528,739
Construction in Progress	1,219,818	651,247	(1,871,065)	-
Total capital assets not being depreciated	<u>4,692,166</u>	<u>1,707,638</u>	<u>(1,871,065)</u>	<u>4,528,739</u>
Capital assets being depreciated:				
Buildings and Improvements	78,894,455	967,517	-	79,861,972
Vehicles & Equipment	2,193,566	183,847	(20,000)	2,357,413
Total capital assets being depreciated	<u>81,088,021</u>	<u>1,151,364</u>	<u>(20,000)</u>	<u>82,219,385</u>
Less total accumulated depreciation for:				
Buildings and Improvements	47,898,620	1,238,344	-	49,136,964
Vehicles & Equipment	1,319,020	211,815	(20,000)	1,510,835
Total accumulated depreciation	<u>49,217,640</u>	<u>1,450,159</u>	<u>(20,000)</u>	<u>50,647,799</u>
Total capital assets being depreciated, net	<u>31,870,381</u>	<u>(298,795)</u>	<u>-</u>	<u>31,571,586</u>
Total Capital Assets, Net	<u>\$ 36,562,547</u>			<u>\$ 36,100,325</u>
Depreciation by Function				
Instruction	\$ 921,897			
Support	465,969			
Enterprise and Community Service	62,293			
Total	<u>\$ 1,450,159</u>			

5. LONG-TERM OBLIGATIONS

A summary of debt transactions of the year ended June 30, 2020 is as follows:

Issue Date	Interest Rates	Issue Amount	Outstanding July 1, 2019	Issued	Matured and Redeemed	Outstanding June 30, 2020	Due Within One Year
Bonds							
2002 Pension Bond	\$	6,124,639	\$ 4,274,716	\$ -	\$ 129,716	\$ 4,145,000	\$ -
2003 Pension Bond		7,189,061	4,506,001	-	190,604	4,315,397	188,686
2011 Pension Bond		-	430,000	-	-	430,000	430,000
2016 GO Bond		12,500,000	11,765,000	-	305,000	11,460,000	340,000
Direct Borrowings and Placements							
FF Series 2011		670,000	165,000	-	80,000	85,000	85,000
Notes Payables		-	274,253		34,563	239,690	35,834
Other							
Lease Payable		221,605	90,021	-	44,389	45,632	45,631
Bond Premium	N/A	2,046,053	1,730,247	-	111,200	1,619,047	-
Total Governmental Activities			<u>\$ 23,235,238</u>	<u>\$ -</u>	<u>\$ 895,472</u>	<u>\$ 22,339,766</u>	<u>\$ 1,125,151</u>

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS (CONTINUED)

BONDS

2002, 2003, and 2011 PERS Bond and Refunding

Bond proceeds of the PERS bonds were paid to the Oregon Public Employees Retirement System (OPERS) and placed in a separate investment account (a “side account”) for the benefit of the District. The investment earnings of this account reduce the amount due to OPERS by the District, resulting in a reduction of the OPERS rate charge against covered District payroll.

Unlike the District’s general obligation bonds, the 2002/03/11 pension bonds are not covered under the OSBG program. The OSBG does not guarantee payment of principal, premium or interest on pension bonds or other debt that is not a voter-approved general obligation bond.

An intercept agreement with the State of Oregon was required as a condition of issuance; therefore, a portion of the District’s State School Fund support is withheld on a monthly basis and provided to the Series 2002/03/11 Trustee (“Trustee”) for payment of bond principal and interest. The Series 2002/03/11 Pension Bonds are limited tax bonds and pension bond payments are not subject to acceleration even in default. In the event of a default by one or more issuers of the series, the Trustee may exercise any remedy available at law or in equity; however, each series 2002/03/11 issuer is responsible solely for its own pension bond payments and related fees or charges.

The District’s obligations under the 2002/03/11 pension bond issuance shall terminate if and when the following has occurred:

- Prepayment in full of the District’s Series 2002/03/11 Pension Bonds
- Legal defeasance of the District’s Series 2002/03/11 Pension Bond obligations

2016 General Obligation Bond

The District’s General Obligation Bond principal and interest payments are guaranteed under the Oregon School Bond Guaranty (OSBG) program. Article XI-K of the Constitution of the State of Oregon allows the State to guarantee the general obligation bonded indebtedness of school districts, education service districts, and community college districts in order to secure lower interest costs on general obligation bonds of such districts. Payment of the principal of and interest on the bonds when due is guaranteed by the full faith and credit of the State under the provisions of the Oregon School Bond Guaranty Act – Oregon Revised Statutes (ORS) 328.321 to 328.356.

The Debt Management Division of the Office of the State Treasurer administers the OSBG program. If the District were to fail to transfer sufficient moneys to meet a scheduled debt service payment to the bond paying agent at least 15 days before the payment due date, the Treasurer’s Office would step in to make the required transfer on or before the scheduled payment date. The Treasurer’s Office would then seek to recover from the District the amount transferred by:

- Intercepting any payments from the General Fund, the State School Fund, the income of the Common School Fund and any other source of operating moneys provided by or through the State to the District, and;
- Exercising the rights of a secured creditor in any money or assets pledged by the District to secure its reimbursement obligation to the State.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS (CONTINUED)

BONDS (CONTINUED)

The authority of the Treasurer's Office to intercept payments under the OSBG Act has priority over all claims against money provided by the State to the District, including any claim based on a funds diversion agreement under ORS 238.698.

DIRECT BORROWINGS AND PLACEMENTS

2011 Full Faith & Credit Obligations, Bus

In 2011 the District entered into a Full Faith and Credit loan in the amount of \$670,000 in order to purchase Busses for District use. The loan is to be paid back by the District in semi-annual payments until paid, through 2021. The busses purchased are collateral for the loan in case of termination of, or default on the loan.

2016 Bus Lease - Santander

In 2016 the District entered a Bus Lease with Santander Bank in the amount of \$221,605 in order to better service the District's transportation needs. In the event of a default, the following remedies apply:

- Lessor declares all sums due and to become due hereunder, during the District's current fiscal period, immediately due and payable, without notice or demand.
- Lessor can sue for and recover all payments then accrued or thereafter accruing with respect to the Vehicles.
- Lessor may take possession of vehicles without demand or notice wherever it/they might be located, with or without legal process, and retain it free from any claims of the District.
- Lessor may terminate lease.
- Lessor may pursue any other remedy at law or in equity.

All of the foregoing remedies are cumulative and may be exercised concurrently or separately.

2012 and 2016 Oregon Department of Energy Loans

The District entered a loan with the Oregon Department of Energy in 2012 and 2016 in order to purchase a new HVAC system and other energy upgrades. In the event of a default, the Department may cease disbursements, accelerate maturity date, pay liens with undisbursed proceeds, foreclose lien against collateral, pursue and exercise any other remedy available by law. The loan will terminate once all borrowings and obligations are fulfilled and payment is made in full. The Department may accelerate maturity date and declare unpaid principal and interest due immediately as the result of legislature and loan agreement voided. The HVAC system and energy upgrades may be used as collateral in case of default.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS (CONTINUED)

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

Fiscal Year Ended	2002 PERS Bond		2003 PERS Bond	
	Principal	Interest	Principal	Interest
2021	\$ -	\$ 251,960	\$ 188,686	\$ 598,822
2022	465,000	229,410	188,411	639,097
2023	520,000	203,928	188,300	679,209
2024	585,000	175,380	695,000	212,509
2025	655,000	142,912	775,000	173,524
2026-30	1,920,000	193,696	2,280,000	253,717
	<u>\$ 4,145,000</u>	<u>\$ 1,197,286</u>	<u>\$ 4,315,397</u>	<u>\$ 2,556,878</u>

Fiscal Year Ended	FF Series 2011		2011 PERS Refunding		2016 GO Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 85,000	\$ 8,750	\$ 430,000	\$ 17,695	\$ 340,000	\$ 455,000
2022	-	-	-	-	375,000	444,800
2023	-	-	-	-	415,000	429,800
2024	-	-	-	-	460,000	413,200
2025	-	-	-	-	505,000	394,800
2026-30	-	-	-	-	3,285,000	1,632,200
2031-35	-	-	-	-	4,875,000	855,000
2036-40	-	-	-	-	1,205,000	48,200
	<u>\$ 85,000</u>	<u>\$ 8,750</u>	<u>\$ 430,000</u>	<u>\$ 17,695</u>	<u>\$ 11,460,000</u>	<u>\$ 4,673,000</u>

Fiscal Year Ended	Notes Payables		Lease Payable	
	Principal	Interest	Principal	Interest
2021	\$ 35,834	\$ 7,818	\$ 45,632	\$ 1,279
2022	37,110	6,542	-	-
2023	38,431	5,221	-	-
2024	39,793	3,859	-	-
2025	41,217	2,435	-	-
2026-28	47,305	1,095	-	-
	<u>\$ 239,690</u>	<u>\$ 26,970</u>	<u>\$ 45,632</u>	<u>\$ 1,279</u>

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED PENSION BENEFIT 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:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-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 one 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 their variable account after retiring and may experience annual benefit fluctuations due to changes in the fair value of the underlying global equity investments of that account. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED PENSION BENEFIT 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. The surviving spouse may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.
- 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.

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, 2017 actuarial valuation, which became effective July 1, 2019. 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, 2020 were \$634,087, excluding amounts to fund employer specific liabilities. In addition approximately \$608,443 in employee contributions were paid or picked up by the District in fiscal 2020. At June 30, 2020, the District reported a net pension liability of \$8,666,917 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2017. 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, 2019 and 2018, the District's proportion was .050 percent and .056 percent, respectively. Pension expense for the year ended June 30, 2020 was \$1,322,715.

The rates in effect for the year ended June 30, 2020 were:

- (1) Tier 1/Tier 2 – 9.80%
- (2) OPSRP general services – 4.35%

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED PENSION BENEFIT PLAN (CONTINUED)

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 477,955	\$ -
Changes in assumptions	1,175,766	-
Net difference between projected and actual earnings on pension plan investments	-	245,698
Net changes in proportionate share	611,739	725,154
Differences between District contributions and proportionate share of contributions	<u>7,571</u>	<u>1,298,604</u>
Subtotal - Amortized Deferrals (below)	2,273,031	2,269,456
District contributions subsequent to measuring date	634,087	-
Deferred outflow (inflow) of resources	<u>\$ 2,907,118</u>	<u>\$ 2,269,456</u>

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, 2021.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 476,680
2022	(309,962)
2023	(55,596)
2024	(67,299)
2025	(40,248)
Thereafter	-
Total	<u>\$ 3,575</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 4, 2020. Oregon PERS produces an independently audited CAFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>

Actuarial Valuations – The employer contribution rates effective July 1, 2019 through June 30, 2021, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED PENSION BENEFIT PLAN (CONTINUED)

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2017
Experience Study Report	2016, Published July 26, 2017
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
Discount Rate	7.20 percent
Investment rate of return	7.20 percent
Projected salary increase	3.50 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/1.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

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 2016 Experience Study which is reviewed for the four-year period ending December 31, 2016.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
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 Investments	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

(Source: June 30, 2019 PERS CAFR; p. 100)

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED PENSION BENEFIT PLAN (CONTINUED)

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 2017 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.

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
<i>Assumed Inflation - Mean</i>		2.50%

(Source: June 30, 2019 PERS CAFR; p. 74)

Discount Rate – The discount rate used to measure the total pension liability as of the measurement date of June 30, 2019 and 2018 was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED PENSION BENEFIT PLAN (CONTINUED)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$ 13,879,298	\$ 8,666,917	\$ 4,304,872

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.

There are no changes subsequent to the June 30, 2019 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

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 resignation, death, disability, or retirement; unforeseeable emergency; or by requesting a de minimis distribution from inactive accounts valued less than \$5,000. 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.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED PENSION BENEFIT 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, 2020.

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 BENEFIT PLAN – (RHIA)

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

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. OTHER POST-EMPLOYMENT BENEFIT PLAN – (RHIA) (CONTINUED)

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 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 0.06% of annual covered OPERF payroll and 0.00% of OPSRP payroll under a contractual requirement in effect until June 30, 2020. Consistent with GASB Statement 75, the OPERS Board of Trustees sets the employer contribution rates as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined. The basis for the employer's portion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the plan with the total actual contributions made in the fiscal year of all employers. The District's contributions to RHIA for the years ended June 30, 2018, 2019, and 2020 were \$41,858, \$42,684, and \$11,681 respectively, which equaled the required contributions each year.

At June 30, 2020, the District reported a net OPEB asset of \$166,419 for its proportionate share of the net OPEB asset. The OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017. Consistent with GASB Statement No. 75, paragraph 59(a), the District's proportion of the net OPEB asset is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. As of the measurement date of June 30, 2019 and 2018, the District's proportion was .086 percent and .086 percent, respectively. OPEB income for the year ended June 30, 2020 was \$33,771.

Components of OPEB Expense/(Income):

Employer's proportionate share of collective system OPEB Expense/(Income)	\$ (21,643)
Net amortization of employer-specific deferred amounts from:	
- Changes in proportionate share (per paragraph 64 of GASB 75)	(401)
- Differences between employer contributions and employer's proportionate share of system contributions (per paragraph 65 of GASB 75)	-
Employer's Total OPEB Expense/(Income)	<u>\$ (22,044)</u>

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. OTHER POST-EMPLOYMENT BENEFIT PLAN – (RHIA) (CONTINUED)

Components of Deferred Outflows/Inflows of Resources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 21,946
Changes in assumptions	-	172
Net difference between projected and actual earnings on pension plan investments	-	10,272
Net changes in proportionate share	177	543
Differences between City contributions and proportionate share of contributions	-	-
Subtotal - Amortized Deferrals (below)	177	32,933
City contributions subsequent to measuring date	11,681	-
Deferred outflow (inflow) of resources	\$ 11,858	\$ 32,933

The amount of contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability/(asset) in the fiscal year ended June 30, 2021.

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
2021	\$ (17,005)
2022	(14,915)
2023	(1,894)
2024	1,058
2025	-
Thereafter	-
Total	\$ (32,756)

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS Retirement Health Insurance Account Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the Year Ended June 30, 2019. That independently audited report was dated February 24, 2020 and can be found at:

<https://www.oregon.gov/pers/EMP/Documents/GASB/2019/PERS%20GASB%2075%20RHIA%20Report%20FY%206.30.19.pdf>

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. OTHER POST-EMPLOYMENT BENEFIT PLAN – (RHIA) (CONTINUED)

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2017
Experience Study Report	2016, Published July 26, 2017
Actuarial cost method	Entry Age Normal
Inflation rate	2.50 percent
Investment rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increase	3.50 percent
Retiree healthcare participation	Healthy retirees: 35%; Disabled retirees: 20%
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

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 2016 Experience Study which is reviewed for the four-year period ending December 31, 2016.

Discount Rate:

The discount rate used to measure the total OPEB liability as of the measurement date of June 30, 2019 and 2018 was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA 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 OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

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 2017 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.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. OTHER POST-EMPLOYMENT BENEFIT PLAN – (RHIA) (CONTINUED)

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
<i>Assumed Inflation - Mean</i>		<i>2.50%</i>

(Source: June 30, 2019 PERS CAFR; p. 74)

Sensitivity of the District's proportionate share of the net OPEB liability/(asset) to changes in the discount rate – The following presents the District's proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net OPEB liability (asset)	\$ (129,018)	\$ (166,419)	\$ (198,287)

Changes Subsequent to the Measurement Date

There are no changes subsequent to the June 30, 2019 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The District administers a single-employer defined benefit healthcare plan that covers both active and retired participants. The plan provides post-retirement healthcare benefits for eligible retirees and their dependents through the District's group health insurance plans. The District's post-retirement plan was established in accordance with Oregon Revised Statutes (ORS) 243.303 which states, in part, that for the purposes of establishing healthcare premiums, the calculated rate must be based on the cost of all plan members, including both active employees and retirees. Because claim costs are generally higher for retiree groups than for active members, the premium amount does not represent the full cost of coverage for retirees. The resulting additional cost, or implicit subsidy, is required to be valued under GASB Statement 75 related to Other Post-Employment Benefits (OPEB). Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective. The valuation date was June 30, 2020 and the measurement date was June 30, 2020.

Funding Policy

The District has not established a trust fund to finance the cost of post-employment health care benefits related to implicit rate subsidies. Premiums are paid by retirees based on the rates established for active employees. Additional costs related to an implicit subsidy are paid by the District on a pay-as-you-go basis. There is no obligation on the part of the District to fund these benefits in advance. The District considered the liability to be solely the responsibility of the District as a whole and it is allocated to the governmental statements.

Actuarial Methods and Assumptions

The District engaged an actuary to perform a valuation as of June 30, 2020 using the Entry Age Normal, level percent of salary Actuarial Cost Method. Mortality rates were based on the RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females. Demographic assumptions regarding retirement, mortality, and turnover are based on Oregon PERS valuation assumptions as of December 31, 2017. Election rate and lapse assumptions are based on experience implied by valuation data for this and other Oregon public employers.

MILTON-FREEWATER SCHOOL DISTRICT
 UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Health Care Cost Trend Medical and vision:

Year	Pre-65 Trend
2021	6.75%
2022-23	6.00%
2024	5.90%
2025	5.80%
2026	5.70%
2027	5.60%
2028	5.50%
2029	5.40%
2030	5.30%
2031	5.20%
2032	5.10%
2033	5.00%
2034	4.90%
2035	4.80%
2036	4.70%
2037	4.60%
2038+	4.50%

Dental: 4.50% per year

Health care cost trend affects both the projected health care costs as well as the projected health care

General Inflation

2.25% per year, used to develop other economic assumptions

Annual Pay Increases

3.50% per year, based on general inflation and the likelihood of raises throughout participants' careers

Mortality

RP-2014 Healthy Annuitant, sex distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data Scale.

Disability

Not used

Withdrawal

Based on Oregon PERS assumptions. Annual rates are based on employment classification, gender, and duration from hire date.

Retirement

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

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in OPEB Liability

	2019-20	2018-19	2017-18
Balance at Beginning of Year	\$ 2,090,832	\$ 1,677,117	\$ 1,694,829
Changes for the Year:			
Service Cost	88,132	85,152	62,652
Interest	78,214	77,605	62,060
Differences Between Expected and Actual Experience	106,389	-	-
Changes of Assumptions or Other Input	82,846	448,612	-
Benefit Payments	(186,498)	(197,654)	(142,424)
Net Changes for the Year	169,084	413,715	(17,712)
Total OPEB Liability at end of year	<u>\$ 2,259,916</u>	<u>\$ 2,090,832</u>	<u>\$ 1,677,117</u>

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 analysis presents the net OPEB liability using a discount rate 2.25%, as well as what the District's net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower (1.25%) or one percentage point higher (3.25%) than the current rate, a similar sensitivity analysis is presented for the changes in the healthcare trend assumption:

June 30, 2020	1% <u>Decrease</u>	Current <u>Discount Rate</u>	1% <u>Increase</u>
Total OPEB Liability	\$ 2,413,267	\$ 2,259,916	\$ 2,114,008

June 30, 2020	1% <u>Decrease</u>	Current <u>Trend Rate</u>	1% <u>Increase</u>
Total OPEB Liability	\$ 2,069,347	\$ 2,259,916	\$ 2,483,443

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Benefits

The District reports information on deferred outflows and deferred inflows of resources at year end as well as a schedule of amounts of those deferred outflows of resources and deferred inflows of resources that will be recognized in other post-employment benefit expense for the following five years.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 93,090	\$ -
Changes in assumptions	392,931	-
Deferred outflow (inflow) of resources	<u>\$ 486,021</u>	<u>\$ -</u>

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. 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:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 87,742
2022	87,742
2023	87,742
2024	87,742
2025	87,742
Thereafter	47,305
Total	<u>\$ 222,789</u>

9. 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.

10. RISK MANAGEMENT

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

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

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020 were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 615,000	\$ 4,390
Special Revenue Fund	4,390	120,000
Debt Service Fund	-	182,000
Capital Projects Fund	87,000	400,000
	<u>\$ 706,390</u>	<u>\$ 706,390</u>

Transfers were made to fund operations in the district.

12. 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.

13. TAX ABATEMENTS

As of June 30, 2020, 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

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

13. TAX ABATEMENTS (CONTINUED)

For the fiscal year ended June 30, 2020, the Milton-Freewater School District had abated property taxes totaling \$128,915 under these programs.

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
Strategic Investment	\$ 128,915
	\$ 128,915

14. DUE TO AND DUE FROM OTHER FUNDS

Interfund balances represent cash owed by one fund to another. The District utilizes a common cash depository. The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Major components of the balances include reimbursement from the State School Fund Transportation Grant for amounts spent on a new facility, debt payments made on bonds for tax receivables due, and payments for reimbursable grants and risk claims. These amounts are not included in the Government Wide Statement of Net Position. For purposes of the fund financial statements, individual fund due to and from other funds at June 30, 2020 were as follows:

<u>Fund</u>	<u>Fund #</u>	<u>Due From</u>	<u>Due To</u>
General Fund	100	\$ 274,423	\$ -
Special Revenue Fund	200	-	274,423
	Total	\$ 274,423	\$ 274,423

15. COVID-19

The COVID-19 outbreak in the United States has caused disruption through mandated and voluntary closure of government and business activities. These developments are expected to impact District revenues. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, the District expects this matter to negatively affect its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

16. RESTATEMENT OF BEGINNING NET POSITION

The District restated the beginning net position, allocating the difference for the disclosure of OPEB RHIA asset in the amount of \$166,419.

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
 For the fiscal year ended June 30, 2020

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
2020	0.05 %	\$ 8,666,917	\$ 9,506,028	91.2 %	80.2 %
2019	0.06	8,507,411	9,042,612	94.1	82.1
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
2020	\$ 634,087	\$ 634,087	-	\$ 10,136,208	6.3 %
2019	233,458	233,458	-	9,506,028	2.5
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
UMATILLA COUNTY, OREGON
 SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFITS LIABILITY
 AND RELATED RATIOS STIPEND BENEFITS

For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability at beginning of year	\$ 2,090,832	\$ 1,677,117	\$ 1,694,829
Changes for the year			
Service Cost	88,132	85,152	62,652
Interest on Total Pension Liability	78,214	77,605	62,060
Difference between expected and actual experience	106,389	-	-
Effect of assumptions changes or inputs	82,846	448,612	-
Benefit payments	<u>(186,498)</u>	<u>(197,654)</u>	<u>(142,424)</u>
Total Pension Liability at end of year	<u>\$ 2,259,916</u>	<u>\$ 2,090,832</u>	<u>\$ 1,677,117</u>
Covered Payroll	10,402,455	9,106,745	8,798,787
Net Single Employer Pension Plan as a Percentage of Covered Payroll	21.72%	22.96%	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
UMATILLA COUNTY, OREGON
 SCHEDULE OF PROJECTED OTHER POST-EMPLOYMENT BENEFITS PAYMENTS

For the Year Ended June 30, 2020

EXPLICIT BENEFIT

Fiscal Year Ending	Admin	Licensed	Classified	Confidential	Total
2021	\$ 18,050	\$ 56,222	\$ -	\$ -	\$ 74,272
2022	19,046	35,324	-	-	54,370
2023	21,000	36,027	-	-	57,026
2024	22,968	38,004	-	-	60,972
2025	25,109	23,951	-	-	49,059
2026	6,636	27,665	-	-	34,300
2027	9,108	33,649	-	-	42,758
2028	11,347	32,864	-	-	44,211
2029	13,849	18,481	-	-	32,330
2030	6,729	21,617	-	-	28,345

IMPLICIT BENEFIT

Fiscal Year Ending	Admin	Licensed	Classified	Confidential	Total
2021	\$ 5,682	\$ 64,168	\$ 7,823	\$ 1,270	\$ 78,943
2022	6,921	43,108	19,694	55	69,778
2023	8,647	51,455	31,928	114	92,144
2024	10,639	61,039	36,158	192	108,027
2025	12,973	43,733	47,244	333	104,282
2026	9,229	46,939	57,911	534	114,613
2027	11,653	64,747	59,325	571	136,296
2028	14,172	70,521	59,227	923	144,843
2029	7,638	51,363	42,694	1,351	103,048
2030	4,557	59,275	38,717	251	102,800

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 COUNTY, OREGON
 REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)

For the Year Ended June 30, 2020

SCHEDULE OF CHANGES IN THE TOTAL OPEB - RHIA LIABILITY

Year Ended June 30,	Service Cost	Difference Between Expected and Actual Experience	Changes in Assumptions	Difference Between Projected and Actual Investment Earnings	Employer Actual Contributions	Changes in Employer Proportion	Employer Total Expense
2020	\$ -	\$ (21,946)	\$ (172)	\$ (10,272)	\$ 11,681	\$ (401)	\$ (22,044)

SCHEDULE OF TOTAL OPEB LIABILITY AND RELATED RATIOS

Year Ended June 30,	Total OPEB Liability Beginning (Asset)	Net Change in Total OPEB Liability (Asset)	Total OPEB Liability (Asset) Ending	Covered Payroll	Total OPEB Liability as a Percentage of Covered Payroll	Discount Rate
2020	\$ (96,498)	\$ (69,921)	\$ (166,419)	\$ 3,548,317	-4.69%	7.20%

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

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended June 30, 2020

<u>GENERAL FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	\$ 3,407,000	\$ 3,407,000	\$ 3,624,465	\$ 217,465
Intermediate Sources	46,000	46,000	47,984	1,984
State Sources	16,113,887	16,113,887	15,126,594	(987,293)
Federal Sources	2,500	2,500	78,075	75,575
Total Revenues	19,569,387	19,569,387	18,877,118	(692,269)
EXPENDITURES:				
Instruction	12,407,928	12,507,928 (1)	12,359,252	148,676
Support Services	7,166,409	7,066,409 (1)	6,592,432	473,977
Enterprise & Community Services	5,000	5,000 (1)	2,682	2,318
Facilities Acquisition	40,000	40,000 (1)	-	40,000
Contingencies	2,209,850	2,209,850 (1)	-	2,209,850
Total Expenditures	21,829,187	21,829,187	18,954,366	2,874,821
Excess of Revenues Over (Under) Expenditures	(2,259,800)	(2,259,800)	(77,248)	2,182,552
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	3,913	(3,913)
Transfers In	75,000	75,000	4,390	70,610
Transfers Out	(615,200)	(615,200) (1)	(615,000)	200
Total Other Financing Sources (Uses)	(540,200)	(540,200)	(606,697)	70,810
Net Change in Fund Balance	(2,800,000)	(2,800,000)	(683,945)	2,253,362
Beginning Fund Balance	2,800,000	2,800,000	2,996,501	196,501
Ending Fund Balance	\$ -	\$ -	\$ 2,312,556	\$ 2,449,863

(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, 2020

<u>SPECIAL REVENUE FUNDS</u>				
REVENUES:	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
Local Sources	\$ 266,000	\$ 266,000	\$ 219,252	\$ (46,748)
State Sources	373,000	373,000	381,866	8,866
Federal Sources	<u>2,357,000</u>	<u>2,357,000</u>	<u>2,187,006</u>	<u>(169,994)</u>
Total Revenues	<u>2,996,000</u>	<u>2,996,000</u>	<u>2,788,124</u>	<u>(207,876)</u>
 EXPENDITURES:				
Instruction	1,472,405	1,665,905 (1)	1,458,970	206,935
Support Services	680,025	486,525 (1)	407,231	79,294
Enterprise & Community Services	1,133,570	1,133,570 (1)	931,650	201,920
Contingency	<u>750,000</u>	<u>750,000 (1)</u>	<u>-</u>	<u>750,000</u>
Total Expenditures	<u>4,036,000</u>	<u>4,036,000</u>	<u>2,797,851</u>	<u>1,238,149</u>
Revenues Over (Under) Expenditures	(1,040,000)	(1,040,000)	(9,727)	1,030,273
 Other Financing Sources, (Uses)				
Transfers In	120,000	120,000	120,000	-
Transfers Out	<u>(75,000)</u>	<u>(75,000) (1)</u>	<u>(4,390)</u>	<u>70,610</u>
Total Other Financing Sources	<u>45,000</u>	<u>45,000</u>	<u>115,610</u>	<u>70,610</u>
Net Change in Fund Balance	(995,000)	(995,000)	105,883	1,100,883
Beginning Fund Balance	<u>995,000</u>	<u>995,000</u>	<u>1,028,781</u>	<u>33,781</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,134,664</u>	<u>\$ 1,134,664</u>

(1) Appropriation Level

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2020

<u>DEBT SERVICE FUND</u>				
REVENUES:	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
Local Sources	\$ 2,150,000	\$ 2,150,000	\$ 2,045,603	\$ (104,397)
Total Revenues	<u>2,150,000</u>	<u>2,150,000</u>	<u>2,045,603</u>	<u>(104,397)</u>
 EXPENDITURES:				
Debt Service	<u>2,370,000</u>	<u>2,370,000</u> (1)	<u>2,325,546</u>	<u>44,454</u>
Total Expenditures	<u>2,370,000</u>	<u>2,370,000</u>	<u>2,325,546</u>	<u>44,454</u>
Revenues Over (Under) Expenditures	(220,000)	(220,000)	(279,943)	(59,943)
 Other Financing Sources, (Uses)				
Transfers In	<u>189,500</u>	<u>189,500</u>	<u>182,000</u>	<u>(7,500)</u>
Total Other Financing Sources	<u>189,500</u>	<u>189,500</u>	<u>182,000</u>	<u>(7,500)</u>
Net Change in Fund Balance	(30,500)	(30,500)	(97,943)	(67,443)
Beginning Fund Balance	<u>180,500</u>	<u>180,500</u>	<u>239,008</u>	<u>58,508</u>
Ending Fund Balance	<u><u>\$ 150,000</u></u>	<u><u>\$ 150,000</u></u>	<u><u>\$ 141,065</u></u>	<u><u>\$ (8,935)</u></u>

(1) Appropriation Level

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL

For the Year Ended June 30, 2020

	<u>CAPITAL PROJECTS FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Local Sources	\$ 10,000	\$ 10,000	\$ 33,256	\$ 23,256
State Sources	370,000	370,000	427,233	57,233
Total Revenues	<u>380,000</u>	<u>380,000</u>	<u>460,489</u>	<u>80,489</u>
EXPENDITURES:				
Instruction	100,000	100,000 (1)	31,329	68,671
Support Services	420,700	420,700 (1)	313,463	107,237
Facilities Acquisition & Construction	2,200,000	2,200,000 (1)	914,743	1,285,257
Total Expenditures	<u>2,720,700</u>	<u>2,720,700</u>	<u>1,259,535</u>	<u>1,461,165</u>
Revenues Over, (Under) Expenditures	(2,340,700)	(2,340,700)	(799,046)	1,541,654
Other Financing Sources, (Uses)				
Sale of or Compensation for Loss of Fixed Assets	-	-	2,754	2,754
Transfers In	405,000	405,000	400,000	(5,000)
Transfers Out	(94,300)	(94,300) (1)	(87,000)	7,300
Total Other Financing Sources, (Uses)	<u>310,700</u>	<u>310,700</u>	<u>315,754</u>	<u>5,054</u>
Net Change in Fund Balance	(2,030,000)	(2,030,000)	(483,292)	1,546,708
Beginning Fund Balance	<u>2,030,000</u>	<u>2,030,000</u>	<u>1,400,573</u>	<u>(629,427)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 917,281</u>	<u>\$ 917,281</u>

(1) Appropriation Level

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

OTHER INFORMATION

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2019 - 2020 DISTRICT AUDIT REVENUE SUMMARY
Milton-Freewater Unified School District

Revenue from Local Sources

1110 Ad Valorem Taxes Levied by District	
1120 Local Option Ad Valorem Taxes Levied by District	
1500 Earnings on Investments	
1600 Food Service	
1700 Extracurricular Activities	
1800 Community Services Activities	
1910 Rentals	
1920 Contributions and Donations From Private Sources	
1930 Rental or Lease Payments From Private Contractors	
1940 Services Provided Other Local Education Agencies	
1950 Textbook Sales and Rentals	
1960 Recovery of Prior Years' Expenditure	
1970 Services Provided Other Funds	
1980 Fees Charged to Grants	
1990 Miscellaneous	

Fund 100	Fund 200	Fund 300	Fund 400
\$ 3,202,097		\$ 775,057	
201			
137,874	813	14,913	19,673
	6,153		
9,571	131,979		
13,800			
24,083	70,255		13,583
44,119			
		1,255,632	
63,022			
129,698	10,053		

Total Revenue from Local Sources \$ 3,624,465 \$ 219,253 \$ 2,045,602 \$ 33,256

Revenue from Intermediate Sources

2101 County School Funds	
--------------------------	--

Fund 100	Fund 200	Fund 300	Fund 400
\$ 47,984			

Total Revenue from Intermediate Sources \$ 47,984 \$ - \$ - \$ -

Revenue from State Sources

3101 State School Fund - General Support	
3102 State School Fund - School Lunch Match	
3103 Common School Fund	
3222 State School Fund (SSF) Transportation Equipment	
3299 Other Restricted Grants-in-Aid	

Fund 100	Fund 200	Fund 300	Fund 400
\$ 14,943,071			
	10,584		
155,812			
			222,754
27,712	371,282		204,479

Total Revenue from State Sources \$ 15,126,595 \$ 381,866 \$ - \$ 427,233

Revenue from Federal Sources

4500 Restricted Revenue From the Federal Government Through the State	
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies	
4801 Federal Forest Fees	
4802 Impact Aid to School Districts for Operation (PL 874)	
4900 Revenue for/on Behalf of the District	

Fund 100	Fund 200	Fund 300	Fund 400
	2,012,724		
74,697			
3,378			
	91,276		
	83,006		

Total Revenue from Federal Sources \$ 78,075 \$ 2,187,006 \$ - \$ -

Revenue from Other Sources

5200 Interfund Transfers	
5300 Sale of or Compensation for Loss of Fixed Assets	
5400 Resources - Beginning Fund Balance	

Fund 100	Fund 200	Fund 300	Fund 400
4,390	120,000	182,000	400,000
3,913			2,754
2,996,501	1,028,781	239,009	1,400,573

Total Revenue from Other Sources \$ 3,004,804 \$ 1,148,781 \$ 421,009 \$ 1,803,327

Grand Totals

\$ 21,881,923	\$ 3,936,906	\$ 2,466,611	\$ 2,263,816
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2019 - 2020 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	\$ 4,968,606	\$ 2,833,650	\$ 1,992,724	\$ 5,925	\$ 136,307	\$ -	\$ -	\$ -
1121 Middle/Junior High Programs	1,903,756	1,147,916	688,975	2,222	64,643			
1122 Middle/Junior High School Extracurricular	85,829	54,084	18,291	4,462	8,892		100	
1131 High School Programs	2,114,370	1,257,585	738,466	1,415	110,549	5,855	500	
1132 High School Extracurricular	381,179	211,476	64,200	50,221	51,450	401	3,431	
1140 Pre-Kindergarten Programs	92,580	54,956	37,624					
1250 Less Restrictive Programs for Students with Disabilities	1,803,994	971,106	807,288	1,811	5,181		18,608	
1260 Early Intervention	118,411	70,308	48,103					
1280 Alternative Education	108,354	50,885	49,219	5,201	3,049			
1291 English Second Language Programs	701,004	417,950	280,316		2,738			
1293 Migrant Education	68,169	42,849	25,110		210			
1400 Summer School Programs	13,000	9,988	3,012					
Total Instruction Expenditures	\$ 12,359,252	\$ 7,122,753	\$ 4,753,328	\$ 71,257	\$ 383,019	\$ 6,256	\$ 22,639	\$ -
Support Services Expenditures								
	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$ 75,605	\$ 25,506	\$ 24,344	\$ 25,755	\$ -	\$ -	\$ -	\$ -
2120 Guidance Services	239,808	116,643	81,061	39,939	2,165			
2130 Health Services	75,877			74,760	1,117			
2190 Service Direction, Student Support Services	188,442	122,170	63,555	1,612			1,105	
2210 Improvement of Instruction Services	40,940	27,952	11,539	1,449				
2220 Educational Media Services	56,856	25,145	26,510		5,144		57	
2230 Assessment & Testing	624			624				
2240 Instructional Staff Development	55,758	3,269	16,413	31,458	1,354		3,264	
2310 Board of Education Services	114,634			53,992	4,916		55,726	
2320 Executive Administration Services	329,076	209,658	96,549	9,218	11,946		1,705	
2410 Office of the Principal Services	1,665,553	1,053,081	577,498	2,621	26,312		6,041	
2520 Fiscal Services	375,220	162,986	104,911	90,392	7,636	2,040	7,255	
2540 Operation and Maintenance of Plant Services	2,003,376	627,643	473,071	553,617	185,652	25,614	137,779	
2550 Student Transportation Services	708,331	330,371	275,336	42,021	40,215		20,388	
2570 Internal Services	56,896			31,464	469	24,444	519	
2640 Staff Services	13,780			13,485	295			
2660 Technology Services	511,045	7,877	2,473	266,156	233,819		720	
2700 Supplemental Retirement Program	80,611		80,611					
Total Support Services Expenditures	\$ 6,592,432	\$ 2,712,301	\$ 1,833,871	\$ 1,238,563	\$ 521,040	\$ 52,098	\$ 234,559	\$ -
Enterprise and Community Services Expenditures								
	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3300 Community Services	2,682				2,682			
Total Enterprise and Community Services Expenditures	\$ 2,682	\$ -	\$ -	\$ -	\$ 2,682	\$ -	\$ -	\$ -
Facilities Acquisition and Construction Expenditures								
	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Total Facilities Acquisition and Construction Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Uses Expenditures								
	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5200 Transfers of Funds	615,000							\$ 615,000
Total Other Uses Expenditures	\$ 615,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 615,000
Grand Total	\$ 19,569,366	\$ 9,835,054	\$ 6,587,199	\$ 1,309,820	\$ 906,741	\$ 58,354	\$ 257,198	\$ 615,000

**2019 - 2020 DISTRICT AUDIT EXPENDITURE SUMMARY
MILTON-FREEWATER UNIFIED SCHOOL DISTRICT**

Fund: 200 - Special Revenue

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-3	\$ 34,225	\$ 30,092	\$ -	\$ 4,000	\$ 133	\$ -	\$ -	\$ -
1113 Elementary Extracurricular	36,369	3,422	979		31,968			
1121 Middle/Junior High Programs	4,900				4,900			
1122 Middle/Junior High School Extracurricular	39,172				39,172			
1131 High School Programs	200,526	81,699	59,643	16,368	27,148	15,668		
1132 High School Extracurricular	106,192			2,195	103,997			
1250 Less Restrictive Programs for Students with Disabilities	148,970	76,709	66,590	55	5,616			
1272 Title I	778,129	442,952	268,803	1,595	64,779			
1291 English Second Language Programs	110,487	67,346	30,503		12,638			
Total Instruction Expenditures	\$ 1,458,970	\$ 702,220	\$ 426,518	\$ 24,213	\$ 290,351	\$ 15,668	\$ -	\$ -
Support Services Expenditures								
2110 Attendance and Social Work Services	\$ 92,136	\$ 22,227	\$ 23,079	\$ 46,830		\$ -	\$ -	\$ -
2120 Guidance Services	105,101	64,967	40,134					
2210 Improvement of Instruction Services	61,246	41,928	17,308		2,010			
2240 Instructional Staff Development	75,726	23,626	7,660	43,503	937			
2660 Technology Services	10,000				10,000			
2690 Other Support Services - Central	63,021						63,021	
Total Support Services Expenditures	\$ 407,230	\$ 152,748	\$ 88,181	\$ 90,333	\$ 12,947	\$ -	\$ 63,021	\$ -
Enterprise and Community Services Expenditures								
3100 Food Services	\$ 923,740	\$ 246,495	\$ 219,632	\$ 383,119	\$ 68,012		\$ 6,482	\$ -
3300 Community Services	7,911			5,280	2,631			
Total Enterprise and Community Services Expenditures	\$ 931,651	\$ 246,495	\$ 219,632	\$ 388,399	\$ 70,643	\$ -	\$ 6,482	\$ -
Facilities Acquisition and Construction Expenditures								
Total Facilities Acquisition and Construction Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Uses Expenditures								
5200 Transfers of Funds	4,390							4,390
Total Other Uses Expenditures	\$ 4,390	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,390
Grand Total	\$ 2,802,241	\$ 1,101,463	\$ 734,331	\$ 502,945	\$ 373,941	\$ 15,668	\$ 69,503	\$ 4,390

**2019 - 2020 DISTRICT AUDIT EXPENDITURE SUMMARY
MILTON-FREEWATER UNIFIED SCHOOL DISTRICT**

Fund: 300 - Debt Service

		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures									
	Total Instruction Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Support Services Expenditures									
	Total Support Services Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Enterprise and Community Services Expenditures									
	Total Enterprise and Community Services Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Facilities Acquisition and Construction Expenditures									
	Total Facilities Acquisition and Construction Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Uses Expenditures									
	5100 Debt Service	\$ 2,325,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,325,546	\$ -
	Total Other Uses Expenditures	\$ 2,325,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,325,546	\$ -
Grand Total		\$ 2,325,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,325,546	\$ -

**2019 - 2020 DISTRICT AUDIT EXPENDITURE SUMMARY
MILTON-FREEWATER UNIFIED SCHOOL DISTRICT**

Fund: 400 - Capital Projects

		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures									
1111 Primary, K-3		\$ 31,329	\$ -	\$ -	\$ -	\$ 31,329	\$ -	\$ -	\$ -
	Total Instruction Expenditures	\$ 31,329	\$ -	\$ -	\$ -	\$ 31,329	\$ -	\$ -	\$ -
Support Services Expenditures									
2520 Fiscal Services		3,049	2,281	768					
2540 Operation and Maintenance of Plant Services		188,305			35,227		153,078		
2550 Student Transportation Services		118,833					118,833		
2660 Technology Services		3,276				3,276			
	Total Support Services Expenditures	\$ 313,463	\$ 2,281	\$ 768	\$ 35,227	\$ 3,276	\$ 271,911	\$ -	\$ -
Enterprise and Community Services Expenditures									
	Total Enterprise and Community Services Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Facilities Acquisition and Construction Expenditures									
4150 Building Acquisition, Construction, and Improvement Services		914,743			709,226	11,403	194,114		
	Total Facilities Acquisition and Construction Expenditures	\$ 914,743	\$ -	\$ -	\$ 709,226	\$ 11,403	\$ 194,114	\$ -	\$ -
Other Uses Expenditures									
5200 Transfers of Funds		87,000							87,000
	Total Other Uses Expenditures	\$ 87,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,000
Grand Total		\$ 1,346,535	\$ 2,281	\$ 768	\$ 744,453	\$ 46,008	\$ 466,025	\$ -	\$ 87,000

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
 UMATILLA COUNTY, OREGON

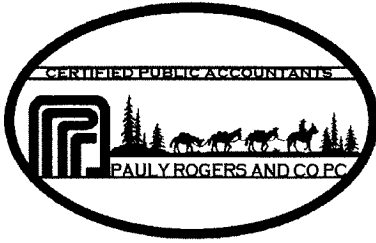
SUPPLEMENTAL INFORMATION
 As Required by The Oregon Department of Education
 For The Year Ended June 30, 2020

A.	Energy bills for heating - all funds:		<u>Objects 325/326/327</u>
		Function 2540	\$ 341,150
		Function 2550	
B.	Replacement of equipment - General Fund:		<u>Amount</u>
	Include all General Fund expenditures in Object 542, except for the following exclusions:		\$ 33,840
	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 22, 2020

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, 2020, and have issued our report thereon dated December 22, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

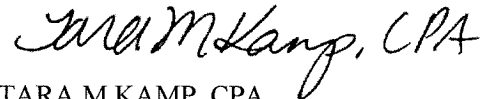
- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **State school fund factors and calculation.**

In connection with our testing nothing came to our attention that caused us to believe the Milton-Freewater Unified School District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

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

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



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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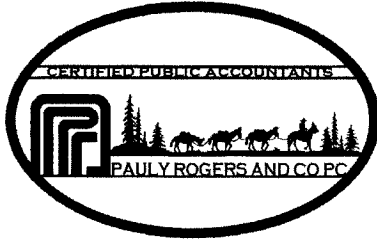
MILTON-FREE WATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

GRANTS Program Title	Pass Through Organization	Federal CFDA Number	Pass Through Entity Number	Period Covered	Expenditures
U.S. Department of Education					
Title I Grants to Local Educational Agencies					
	Oregon Department of Education	84.010	50431	7/1/18-/9/30/19	\$ 90,560
	Oregon Department of Education	84.010	53312	7/1/19-/9/30/20	796,496
	Oregon Department of Education	84.010	52091	7/1/18-/9/30/20	46,134
Total Title I Grants to Local Education Agencies					<u>933,190</u> (1)
Migrant Education - State Grant Program					
	ODE/InterMountain ESD	84.011	52520	7/1/18-/9/30/19	15,000
	ODE/InterMountain ESD	84.011	53722	7/1/19-/9/30/20	50,143
	ODE/InterMountain ESD	84.011	49212	7/1/18-/9/30/19	9,554
Total Migrant Education - State Grant Program					<u>74,697</u>
Youth Transition Program/Voc Rehab Services					
	Oregon Department of Human Services	84.126A	162394	7/1/19-/9/30/21	39,392
Total Youth Transition Program/Voc Rehab Services					<u>39,392</u>
Title III - Language Instruction					
	Oregon Department of Education	84.365	50263	7/1/18-/9/30/19	13,008
	Oregon Department of Education	84.365	53436	7/1/19-/9/30/20	30,957
Total Title III - Language Instruction					<u>43,965</u>
Title IIA - Teacher Quality					
	Oregon Department of Education	84.367	49351	7/1/18-/9/30/19	25,176
	Oregon Department of Education	84.367	53574	7/1/19-/9/30/20	29,555
Total Title IIA - Teacher Quality					<u>54,731</u>
Title IV-A Student Support and Academic Enrichment					
	Oregon Department of Education	84.424	54564	7/1/19-/9/30/20	87,919
Total Title IV-A Student Support and Academic Enrichment					<u>87,919</u>
School Improvement Grant - ESSA					
	Oregon Department of Education	84.377	54356	7/1/19-/9/30/20	49,750
Total School Improvement Grant - ESSA					<u>49,750</u>
Special Education Cluster:					
Special Education - Grants to States					
	Oregon Department of Education	84.027	54186	7/1/19-/9/30/21	19,559
	ODE/InterMountain ESD	84.027	45314	7/1/17-/9/30/19	9,759
	ODE/InterMountain ESD	84.027	49990	7/1/18-/9/30/20	81,517
Total Special Education Cluster					<u>110,835</u>
Total U.S. Department of Education					<u><u>1,394,479</u></u>
U.S. Department of Agriculture:					
Child Nutrition Cluster:					
Donated Commodities (Non-Cash Assistance)					
	Oregon Department of Education	10.555	3013001	7/1/19-/9/30/20	83,006
	Oregon Department of Education	10.553	3013001	7/1/19-/9/30/20	128,956
	Oregon Department of Education	10.553	3013001	7/1/19-/9/30/20	10,548
	Oregon Department of Education	10.555	3013001	7/1/19-/9/30/20	368,578
	Oregon Department of Education	10.555	3013001	7/1/19-/9/30/20	29,399
	Oregon Department of Education	10.559	3013001	7/1/19-/9/30/20	34,848
	Oregon Department of Education	10.559	3013001	7/1/19-/9/30/20	211,889
Total Child Nutrition Cluster					<u>867,224</u> (1)
Total U.S. Department of Agriculture					<u>867,224</u>
Total Grants Expended or Passed Through to Subrecipients					<u><u>\$ 2,261,703</u></u>

(1) - Major Program

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December 22, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

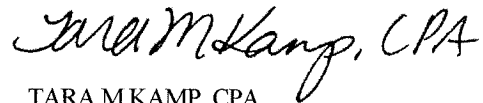
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

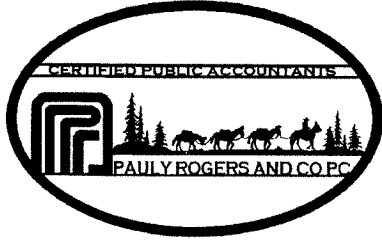
As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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



TARA MKAMP, CPA
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December 22, 2020

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, 2020. 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, 2020.

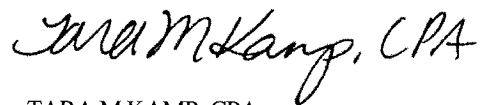
Report on Internal Control Over Compliance

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 MKAMP, 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, 2020

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 No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None Reported

Noncompliance material to financial statements noted? Yes No

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 555(d)(2) of the Uniform Guidance? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes 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? Yes No

Identification of major programs

CFDA NUMBER(S):
10.553, 10.555, 10.559

NAME OF FEDERAL PROGRAM CLUSTER:
Child Nutrition Cluster

84.010

Title 1A

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

Auditee qualified as low-risk auditee? Yes No

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

For the Year Ended June 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

None Reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

None Reported

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.