

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023



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

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2023

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

BOARD OF DIRECTORS

<u>BOARD OF DIRECTORS</u>	<u>TERM EXPIRES</u>
Claudia Limon, Vice Chair, Position #1	June 30, 2023
Tina Kain, Position #2	June 30, 2025
Duane Geyer, Position #3	June 30, 2025
Don Miller, Position #4	June 30, 2025
Kelly Kessler, Position #5	June 30, 2023
Tim McElrath, Position #6	June 30, 2025
Kathy Silva, Chair, 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

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 14, 2023

INDEPENDENT AUDITORS' REPORT

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

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Milton-Freewater Unified School District, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Milton-Freewater Unified School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Changes in Accounting Principle

The District adopted new accounting guidance, *GASB Statement No. 96 – Subscription-based Information Technology Arrangements*, during the fiscal year under audit. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Milton-Freewater Unified School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Milton-Freewater Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Milton-Freewater Unified School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other required supplementary information as noted in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates 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 expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other information, as listed in the table of contents, and the listing of board members containing their term expiration dates, located before the table of contents, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and 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 the effectiveness of the 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 14, 2023, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Tara M Kamp, CPA

PAULY, ROGERS AND CO., P.C.

Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2023

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, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements that begin with the Statement of Net Position.

FINANCIAL HIGHLIGHTS

- In the Government-Wide financial statement at June 30, 2023, the District's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources by \$12,609,219. The net position increased \$10,229,102 from the June 30, 2022 balance. This increase is primarily due to a reduction in the District portion of the state's unfunded pension liability (PERS) and OPEB liability (health insurance). The District, like other government agencies across the State have a PERS liability due to the contractual defined benefit plan for more tenured State employees. With the August 2021 PERS bond payment to offset the District's unfunded liability, the pension liability and related deferrals are decreased from the prior year. Other changes include an increase in capital assets with the addition of the STEAM building and a decrease of long-term debt, following the scheduled annual payments. These factors contribute to the District's *deficit* unrestricted net position of \$16,777,811 which is improved from the prior year *deficit* of \$24,763,351.
- The District implemented Governmental Accounting Standards Board Statement No. 96 *Subscription-Based Information Technology Arrangements*. The District is reporting both Subscription-Based Technology Assets and Subscription-Based Information Technology Liabilities from negotiated contracts (over 1 year) for subscription-based technology. The primary objective of this statement is to enhance the relevance and consistency of information about the District's subscription based information technology software.
- The District's investment in capital assets net of related debt increased \$2,182,125 to \$27,638,131. Improvements include construction in progress for the new STEAM classrooms, as well as facility roofing, HVAC replacement, track resurfacing, safety enhancements, career technical education equipment, classroom instructional technology and district equipment. In addition, prior year proceeds from the Eastside sale were used to replace the announcer's booth at Shockman field.
- The District maintains liquidity with cash totaling \$3,177,315. With the timing of payments from federal, state and local grants the balance is decreased from \$5,797,362 in the previous year. Notably, accounts receivable collected after June 30, 2023 increased by \$2,624,867 to \$4,332,080.
- The District relies upon the State School Fund as its primary source of operating revenue. In 2023, the Sate School Formula afforded District collections totaling \$16,664,532 compared to \$16,269,971 in the prior year. The increase was due to improved state funding and reduced statewide enrollment. District enrollment decreased from 1650 to 1590.
- At June 30, 2023, the assigned and unassigned fund balance for the General Fund was \$2,380,760 or approximately 11.3% of total General Fund expenditures (including transfers).

Milton-Freewater Unified School District
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2023

FINANCIAL HIGHLIGHTS (con’t)

- In 2022-2023 the District maintained enrollment in the Child Nutrition Community Eligibility Program. All District students are afforded a free breakfast and lunch. Through the COVID-19 pandemic Federal and state funding for the school lunch program increased. The students of our District as well as the District Food Service Fund, benefited from the increased funding opportunities.
- The District received local grants from the Milton-Freewater Area Foundation, EURUS, and Wildhorse Foundation. These grants supported the District music programs, athletics programs and career technical education programs. In addition, the grants allowed for the purchase of band and choir uniforms and supplies for the new student extra-curricular trap sport club.
- 2022-2023 State grants included Student Investment Account (SIA), High School Success (Measure 98), Outdoor School (Measure 99), and CTE Pathway grants. The grants totaled over \$2,000,000 and supported educational opportunities in outdoor school, student internships, high school counseling and CTE programs as well as student supports in mental health, school safety officer and after school programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements consist of three components: 1) Government-Wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the District through the use of Government-Wide statements and fund financial statements. In addition to the basic financial statements, this report also contains supplementary information that will enhance the reader’s understanding of the financial condition of the District.

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

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

Milton-Freewater Unified School District
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS (con’t)

Government-Wide Financial Statements

The Government-Wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business. In the Government-Wide financial statements, the District’s activities are in Governmental Activities which include regular and special program instructional and support services, administrative and fiscal support, and community services. These activities are primarily financed through property tax revenues, Oregon State school fund, and inter-Governmental grants. These statements include:

- The Statement of Net Position. The Statement of Net Position presents information on all of the assets and liabilities of the District at year end. The net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The Statement of Activities. The Statement of Activities presents information showing how the net 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.

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.

Milton-Freewater Unified School District
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS (con’t)

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 23 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, 2023.

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, 2023, cash totaled \$3,177,315. With the timing of grant funding, District receivables total \$4,332,080 from state contracts and grants.

Capital assets consist of the District’s land, buildings, building improvements, vehicles, equipment, and the intangible leased right to use equipment, totaling \$38,321,501 net of depreciation. This represents about 82.7% of total assets. For the year ended June 30, 2023, larger investments in capital assets include the construction in progress on the STEAM classrooms as well the completion of the district wide audio system, roof replacement on the MacHi Science building, HVAC unit at Central, track resurfacing, district safety improvements, and CTE instructional equipment.

Deferred outflows of resources related to pensions and OPEB totaled \$8,840,483 and represent contributions subsequent to the measurement date combined with differences between expected and actual experience changes in assumptions (discount rate) and investment earnings.

The District’s largest liability consists of the 2016 general obligation bonds and related bond premium, with a June 30, 2023 balance of \$11,525,177. 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.

Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (con't)

The District had three PERS bond issues, from 2002, 2003 and 2021. The bonds were sold to fund or partially fund the Agencies PERS Unfunded Actuarial Liability (UAL). At June 30, 2023, the PERS bonds balance totaled \$14,650,001.

Other notes include Oregon Department of Energy (\$48,157) for 2012 energy efficiency improvement and (\$80,190) for 2016 energy efficiency improvement. Total notes payable \$128,347. Long-term debt related to GASB 87, Leases includes District copy machine leases and totaled \$100,024. During the year ended June 20, 2023 the District adopted GASB 96, Subscription-Based Information Technology Arrangements. This adoption increased the long-term debt by \$77,452

The District reported OPEB liability of \$1,376,160 to reflect the explicit and implicit rate subsidy for the Districts retiree health insurance. The District offers post-employment health insurance benefits as part of the collective bargaining agreement with the Milton-Freewater Education Association. That explicit benefit rate is coupled with the implicit rate produced by State Statute that requires the District to offer health insurance to retirees at the lower rate paid for current employees until the retiree turns 65 years of age. In an open, private market, retirees would pay higher premiums to cover increased healthcare costs related to their age. The lower rates enjoyed by the District's retirees creates a District OPEB liability.

The District has a net pension liability totaling \$6,813,480. The pension liability reflects the District's proportionate share of the State of Oregon's Unfunded Actuarial Liability. This liability has contracted with increased 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 \$5,610,468. The accrual is driven by the changes in proportion and differences between employer contributions and proportionate share of contributions.

At June 30, 2023 the assets and deferred outflows exceeded its liabilities and deferred inflows by \$12,609,219. The District's net position increased by \$10,229,102 from the prior year.

The majority of the District's unrestricted deficit net position (\$16,777,881) is due to the significant net pension liability 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, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (con't)

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

Net Position at June 30, 2023

	Governmental Activities		
	<u>2023</u>	<u>2022</u>	<u>Difference</u>
<u>Assets:</u>			
Cash and Cash Equivalents	\$ 3,177,315	\$ 5,797,362	\$ (2,620,047)
Taxes Receivable	263,725	199,345	64,380
Accounts Receivable	4,332,080	1,707,213	2,624,867
Prepaid Expenses	16,427	29,806	(13,379)
Net RHIA Asset	234,795	252,056	(17,261)
Capital Assets - Nondepreciable	7,194,712	5,563,415	1,631,297
Capital Assets - Depreciable, Net of Depreciation	31,126,789	30,887,822	238,967
Total Assets	<u>46,345,843</u>	<u>44,437,019</u>	<u>1,908,824</u>
<u>Deferred Outflows of Resources:</u>			
Pension & OPEB Deferred Outflows	<u>8,840,483</u>	<u>5,292,414</u>	<u>3,548,069</u>
<u>Liabilities:</u>			
Accounts Payable	970,453	1,050,532	(80,079)
Accrued Payroll Liability	1,087,221	1,072,309	14,912
Accrued Interest	16,981	17,663	(682)
Long-Term Debt Due Within One Year	2,116,673	1,442,110	674,563
Unearned Revenue	221,343	179,190	42,153
Proportionate Share of Net Pension Liability	6,813,480	7,097,603	(284,123)
Total OPEB Liability	1,376,160	1,358,727	17,433
Bonds Payable Due in More Than One Year	24,364,328	26,494,615	(2,130,287)
Total Liabilities	<u>36,966,639</u>	<u>38,712,749</u>	<u>(1,746,110)</u>
<u>Deferred Inflows of Resources:</u>			
Net Pension related Deferrals	<u>5,610,468</u>	<u>8,636,567</u>	<u>(3,026,099)</u>
Net Position			
Investment in Capital Assets	27,638,131	25,456,006	2,182,125
Restricted for Non Spendable	16,427	0	16,427
Restricted for Debt Service	110,172	139,306	(29,134)
Restricted for Other Purposes	1,622,300	1,548,156	74,144
Unrestricted	<u>(16,777,811)</u>	<u>(24,763,351)</u>	<u>7,985,540</u>
Total Net Position	<u>\$ 12,609,219</u>	<u>\$ 2,380,117</u>	<u>\$ 10,229,102</u>

**Milton-Freewater Unified School District
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2023**

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, 2023 are as follows:

- Overall, revenues decreased slightly by \$529,882 as the federal COVID-19 funding is expended and closing, as reflected in the large decrease in Other Federal, State and Local Sources. State school sources increased reflecting improved statewide funding. Operating grants increased with the expansion of Pre-school Promise program funding and one-time ODE grants. Property tax rose with improved local tax collections. Interest earnings increased following the economy and growing interest rates.
- District expenses report an overall decrease. The prior year Debt Service pension bond sale increased 2022 program expenditures. Outside of that change, in 2023 the District continued to strengthen student support for equitable social, emotional programs well as maintenance and infrastructure upgrades to maintain safe and healthy learning environments. Negotiated COLA agreements were honored and all staff received an additional \$1,000 bonus.

Changes in Net Position for the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>Difference</u>
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$ 300,479	\$ 278,802	\$ 21,677
Operating Grants & Contributions	8,498,144	7,909,548	588,596
General Revenues:			
Property Taxes	4,451,310	4,214,540	236,770
State School Sources	16,664,532	16,269,971	394,561
Other Federal, State and Local Sources	169,812	2,064,649	(1,894,837)
Intermediate Sources	71,500	60,616	10,884
Interest and Investment Earnings	145,770	33,303	112,467
Total Revenues	<u>30,301,547</u>	<u>30,831,429</u>	<u>(529,882)</u>
<u>Expenses:</u>			
Instruction	11,221,051	15,421,792	(4,200,741)
Support Services	6,641,682	9,525,582	(2,883,900)
Enterprise & Community Services	892,698	1,110,989	(218,291)
Debt Service	1,317,014	9,667,486	(8,350,472)
Total Expenses	<u>20,072,445</u>	<u>35,725,849</u>	<u>(15,653,404)</u>
Change in Net Position	10,229,102	(4,894,420)	15,123,522
Net Position, Beginning	<u>2,380,117</u>	<u>7,274,537</u>	<u>(4,894,420)</u>
Net Position, Ending	<u>\$ 12,609,219</u>	<u>\$ 2,380,117</u>	<u>\$ 10,229,102</u>

Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2023

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, 2023, the District's Governmental Funds reported a combined ending fund balance of \$5,273,637. This balance increased \$24,444 from the balance of \$5,249,193 in the previous year. The increase is due primarily to improved revenue in the District Food Service Fund.

General Fund. The General Fund is the primary operating fund of the District. As of June 30, 2023, the assigned and unassigned fund balance was \$2,380,760. 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 11.3% of total General Fund expenditures (including transfers) for the fiscal year ending June 30, 2023.

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. 2023 grants include ESSER (COVID-19), Student Investment Account (SIA), Measure 98 (High School Success) and Measure 99 (Outdoor School). Current state grants for title programs were slightly lower for 2023. The Special Revenue Fund balances totaled \$1,635,075.

Debt Service Fund. The Debt Service Fund provides for the payment of principal and interest on long-term general obligation of governmental funds. The primary revenue source for this fund is property taxes. Bond payments include the 2016 general obligation bond and limited tax pension bonds, issued in 2002, 2003 and 2021. The District transferred \$46,850 into the debt service fund for payments on notes payable funding the purchase of energy efficiency projects. The Fund reports an ending balance of \$110,172.

Capital Projects Fund. The Capital Projects Funds are being used to accumulate resources to address District's building and infrastructure needs with existing sources. Capital purchases include the construction in progress on the STEAM classrooms as well the completion of the district wide audio system, roof replacement on the MacHi Science building, HVAC unit at Central, track resurfacing, district safety improvements, and career technical education instructional equipment. In addition, prior year proceeds from the Eastside sale were used to replace the announcer's booth at Shockman field. The District transferred \$53,150 into the capital projects fund for future district wide upgrades. The District's Transportation Fund collects the State Transportation Grant. With supply and delivery issues the District did not purchase a bus in 2023. Two buses will be purchased in 2024. The Fund reports and ending balance of \$1,147,630.

**Milton-Freewater Unified School District
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2023**

GENERAL FUND BUDGETARY HIGHLIGHTS

The District received 51% of a \$9.3 billion State School Fund allocation for the second year of the biennium. Coupled with federal ESSER funds and voter approved grant funds, the District maintained current staff levels, supported the pre-school program, mental health programs, purchased CTE classroom equipment, and updated district technology.

For the 2022-2023 school year, the District based its budget on 1650 average daily enrollment and a beginning fund balance totaling \$2,450,000. The actual beginning fund balance totaled \$2,243,537 and enrollment dropped to 1590. The beginning fund balance and increased Federal funding was used to offset the reduced enrollment. The District must continue to right size program, services and staff for the current student population.

The 2022-2023 school year began with in-person instruction and a sense of re-invigoration with COVID-19 restrictions in the rear-view mirror. The learning environment for teachers, staff and students began to return to a familiar routine, with scheduled athletic seasons, concerts, and activities. General Fund expenditures increased with students and staff returning to the buildings. Funding priorities quickly focused around the required social and emotional support and related learning. Improved salaries, benefits, COLA and steps from negotiated agreements were honored as well as an additional \$1,000 bonus to all staff at the end of the fiscal year. The District transferred \$53,150 to the Capital Projects Funds for district wide improvements.

PERS rates remained at 1.19% for Tier 1/Tier 2 employees and 0% for OPSRP employees. The District charges 17% from gross wages to recoup debt payments on the PERS bond obligations. The net savings is approximately 9% of gross wages. The District continues to pay the 6% PERS employee portion.

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, 2023, the District’s capital assets are reported on the Statement of Net Position. New additions include the construction in progress on the STEAM classrooms as well the completion of the district wide audio system, roof replacement on the MacHi Science building, HVAC unit at Central, track resurfacing, district safety improvements, and CTE instructional equipment.

	Governmental Activities
Land	\$ 4,433,893
Construction In Progress	2,760,819
Buildings & Improvements	29,822,192
Equipment & Vehicles	1,133,939
Leases - Right to use	92,637
Subscriptions - Right to use	78,021
	<u>\$ 38,321,501</u>

Milton-Freewater Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2023

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, 2023, the District had \$26.5 million debt outstanding which is comparable to \$27.9 million last year and includes new GASB 96, Subscription-Based Information Technology Arrangements. The District paid all of the required debt payments according to the debt instruments. See Note 5 of the Notes to the Financial Statements for more information on long-term debt obligations.

	Outstanding Debt Obligations		
	<u>2023</u>	<u>2022</u>	<u>Difference</u>
2002 Limited Tax Pension Bonds, PERS	\$ 3,160,000	\$ 3,680,000	\$ (520,000)
2003 Limited Tax Pension Bonds, PERS	3,750,001	3,938,300	(188,299)
2021 Limited Tax Pension Bonds, PERS	7,740,000	8,005,000	(265,000)
2016 General Obligation Bond, capital improvements	10,330,000	10,745,000	(415,000)
2016 Bond Premium	1,195,177	1,348,831	(153,654)
Oregon Department of Energy Loan 2012	48,157	60,215	(12,058)
Oregon Department of Energy Loan 2016	80,190	106,563	(26,373)
Leased: Pitney Bowes Postage Machine	0	1,949	(1,949)
Leased: Central Copier Kyocera (3)	4,227	9,073	(4,846)
Leased: Ferndale Copier Kyocera (3)	16,374	20,551	(4,177)
Leased: MacHi Copier Kyocera (3)	16,835	21,243	(4,408)
Leased: District Office Copier Kyocera	10,899	0	10,899
Leased: Freewater Copier Kyocera (2)	9,933	0	9,933
Leased: Gib Copier Kyocera (7)	41,756	0	41,756
SBITA: Finalsite Website Software	29,254	0	29,254
SBITA: Edupoint Multi Tiered Student Support	13,786	0	13,786
SBITA: Frontline Absence & Substitute tracking	27,312	0	27,312
SBITA: Tyler Tech Transportation Software	7,100	0	7,100
Total	\$ <u>26,481,001</u>	\$ <u>27,936,725</u>	\$ <u>(1,455,724)</u>

Milton-Freewater Unified School District
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2023

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, 2023, the State School Fund – General Support provided 77% of the District’s program resources for the General Fund. The percentage climbs to 94% 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.

At the end of May 2023, the Oregon Legislature approved a \$10.2B State School fund budget for the 2023-2025 biennium. The District budget was completed well before the end of May utilizing an estimate based on a \$9.9B State School fund. The additional State support was driven by a continued strong economy to include property tax collections. In the first year of the biennium, the District’s 2023-2024 budget is supported by 49% of the State’s \$10.2B State School fund. However, the District has seen a decline of students over the last 3 years that continues to reduce the District share of the state funding allocation.

The 2023-2024 budget at \$36,477,000 is reduced from the prior year, reflecting current District enrollment and the conclusion of federal ESSER funding (COVID-19). The budget is based on decreased enrollment of 1,590 average daily membership, as compared to 1,650 in the prior year. The District will continue to utilize the beginning fund balance to maintain current general fund programs including preschool, dual language, mental health, high school activities and the virtual learning academy. The District will honor the negotiated COLA increases and benefits per the collective bargaining agreements.

The final year of ESSER III is budgeted to complete the STEAM building and to fund 10 instructional FTE. The State Student Investment Account (SIA) and High School Success (HSS) programs are fully funded for this biennium. As in prior years, the SIA funds allocate expenditures based upon the District’s equity plan to strive for equal, inclusive services among District schools and community. Activities include additional mental health services, staffing to support and align individualized wraparound student services, special education programs and English language development programs. The District will continue to budget High School Success funding and CTE grants to provide for a student success coach, offer additional CTE instruction and curriculum for students.

REQUESTS FOR INFORMATION

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

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

STATEMENT OF NET POSITION
 June 30, 2023

ASSETS

Cash and Cash Equivalents	\$	3,177,315
Property Taxes Receivable		263,725
Accounts Receivable		4,332,080
Prepaid Expenses		16,427
Net RHIA Asset		234,795
Capital Assets - Nondepreciable		7,194,712
Capital Assets - Depreciable, Net of Depreciation and Amortization		<u>31,126,789</u>
Total Assets		<u>46,345,843</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension Related Deferrals		8,557,662
OPEB Related Deferrals		222,795
RHIA Related Deferrals		<u>60,026</u>
Total Deferred Outflows of Resources		<u>8,840,483</u>

LIABILITIES:

Accounts Payable		970,453
Payroll Liabilities		1,087,221
Accrued Interest		16,981
Long-Term Debt Due Within One Year		2,116,673
Unearned Revenue		221,343
Noncurrent Liabilities:		
Proportionate Share of Net Pension Liability		6,813,480
Total OPEB Liability		1,376,160
Long-Term Obligations		<u>24,364,328</u>
Total Liabilities		<u>36,966,639</u>

DEFERRED INFLOWS OF RESOURCES

Pension Related Deferrals		4,870,135
OPEB		708,238
RHIA Related Deferrals		<u>32,095</u>
Total Deferred Inflows of Resources		<u>5,610,468</u>

NET POSITION

Net Investment in Capital Assets		27,638,131
Restricted for:		
Non-Spendable		16,427
Debt Service		110,172
Other		1,622,300
Unrestricted		<u>(16,777,811)</u>
Total Net Position	\$	<u>12,609,219</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, 2023

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 11,221,051	\$ 283,411	\$ 4,150,980	\$ (6,786,660)
Support Services	6,641,682	-	3,282,297	(3,359,385)
Community Services	892,698	17,068	1,064,867	189,237
Interest on Long-Term Debt	1,317,014	-	-	(1,317,014)
Total Governmental Activities	<u>\$ 20,072,445</u>	<u>\$ 300,479</u>	<u>\$ 8,498,144</u>	<u>(11,273,822)</u>
General Revenues				
				3,629,403
				821,907
				16,664,532
Income Not Restricted to Specific Programs				
				166,386
				71,500
				3,426
				145,770
Total General Revenues				<u>21,502,924</u>
Changes in Net Position				10,229,102
Net Position - Beginning				<u>2,380,117</u>
Net Position - Ending				<u>\$ 12,609,219</u>

See accompanying notes to basic financial statements.

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2023

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTALS
ASSETS:					
Cash and Investments	\$ 1,908,989	\$ -	\$ 105,112	\$ 1,163,214	\$ 3,177,315
Property Taxes Receivable	213,815	-	49,910	-	263,725
Accounts Receivable	485,865	3,846,215	-	-	4,332,080
Interfund Receivable	1,212,636	-	-	-	1,212,636
Prepays	3,652	12,775	-	-	16,427
	<u>3,824,957</u>	<u>3,858,990</u>	<u>155,022</u>	<u>1,163,214</u>	<u>9,002,183</u>
Total Assets	<u>\$ 3,824,957</u>	<u>\$ 3,858,990</u>	<u>\$ 155,022</u>	<u>\$ 1,163,214</u>	<u>\$ 9,002,183</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 164,933	\$ 789,936	\$ -	\$ 15,584	\$ 970,453
Payroll Liabilities	1,087,221	-	-	-	1,087,221
Interfund Payable	-	1,212,636	-	-	1,212,636
Unearned Revenue	-	221,343	-	-	221,343
	<u>1,252,154</u>	<u>2,223,915</u>	<u>-</u>	<u>15,584</u>	<u>3,491,653</u>
Total Liabilities	<u>1,252,154</u>	<u>2,223,915</u>	<u>-</u>	<u>15,584</u>	<u>3,491,653</u>
Deferred Inflows:					
Unavailable Property Taxes	192,043	-	44,850	-	236,893
	<u>192,043</u>	<u>-</u>	<u>44,850</u>	<u>-</u>	<u>236,893</u>
Fund Balances:					
Non-spendable	3,652	12,775	-	-	16,427
Restricted	-	1,622,300	110,172	-	1,732,472
Assigned	-	-	-	1,147,630	1,147,630
Unassigned	2,377,108	-	-	-	2,377,108
	<u>2,380,760</u>	<u>1,635,075</u>	<u>110,172</u>	<u>1,147,630</u>	<u>5,273,637</u>
Total Fund Balances	<u>2,380,760</u>	<u>1,635,075</u>	<u>110,172</u>	<u>1,147,630</u>	<u>5,273,637</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 3,824,957</u>	<u>\$ 3,858,990</u>	<u>\$ 155,022</u>	<u>\$ 1,163,214</u>	<u>\$ 9,002,183</u>

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, 2023

Total Fund Balances - Governmental Funds	\$	5,273,637
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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		38,321,501
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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	\$	(26,175,178)
Leases Payable		(100,024)
Subscriptions Payable		(77,452)
Accrued Interest		(16,981)
Notes Payable		(128,347)
		(26,497,982)

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		(6,813,480)
PERS pension related deferred outflows		8,557,662
PERS pension related deferred inflows		(4,870,135)
OPEB net pension liability		(1,376,160)
OPEB pension related deferred outflows		222,795
OPEB pension related deferred inflows		(708,238)
Net RHIA Asset		234,795
District RHIA related deferred outflows		60,026
District RHIA related deferred inflows		(32,095)
		(4,724,830)

Unearned revenue related to property taxes		236,893
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Net Position	\$	12,609,219
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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, 2023

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTALS
REVENUES:					
From Local Sources	\$ 4,019,088	\$ 196,542	\$ 2,786,302	\$ 4,960	\$ 7,006,892
From Intermediate Sources	69,666	-	1,834	-	71,500
From State Sources	16,873,038	2,780,760	-	170,529	19,824,327
From Federal Sources	71,537	5,171,134	-	-	5,242,671
Total Revenues	21,033,329	8,148,436	2,788,136	175,489	32,145,390
EXPENDITURES:					
Current:					
Instruction	12,963,627	2,374,190	-	-	15,337,817
Support Services	7,456,381	1,637,629	-	29,815	9,123,825
Community Services	2,537	1,217,673	-	-	1,220,210
Facilities Acquisition and Construction	-	31,141	-	3,514	34,655
Debt Service	-	-	2,917,270	-	2,917,270
Capital Outlay	519,464	2,800,884	-	351,367	3,671,715
Total Expenditures	20,942,009	8,061,517	2,917,270	384,696	32,305,492
Excess of Revenues Over, (Under) Expenditures	91,320	86,919	(129,134)	(209,207)	(160,102)
OTHER FINANCING SOURCES (USES)					
Lease Proceeds	66,398	-	-	-	66,398
Subscription Proceeds	79,505	-	-	-	79,505
Sale of Capital Assets	-	-	-	38,643	38,643
Transfers In	-	-	100,000	-	100,000
Transfers Out	(100,000)	-	-	-	(100,000)
Total Other Financing Sources (Uses)	45,903	-	100,000	38,643	184,546
Net Change in Fund Balance	137,223	86,919	(29,134)	(170,564)	24,444
Beginning Fund Balance	2,243,537	1,548,156	139,306	1,318,194	5,249,193
Ending Fund Balance	\$ 2,380,760	\$ 1,635,075	\$ 110,172	\$ 1,147,630	\$ 5,273,637

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, 2023

Total Net Changes in Fund Balances - Governmental Funds \$ 24,444

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	\$ 1,632,825	
	Changes in Accrued Interest	<u>682</u>	1,633,507

Lease proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing Leases debt increases liabilities. (66,398)

Subscription proceeds are reported as the other financing sources in the governmental funds. In the Statement of Net Position, however, issuing Subscriptions increases liabilities. (79,505)

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		3,649,285
	Depreciation Expense		(1,810,219)

Revenue reported in in the funds is on the modified accrual basis however property taxes are not deferred in the statement of activities. 54,391

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		6,809,159
	OPEB pension expense		12,864
	OPEB pension expense - RHIA		<u>1,574</u>

Change in Net Position of Governmental Activities \$ 10,229,102

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)

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.

DEBT SERVICE FUND

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

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023.

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.

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.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

LEASE ASSETS

Lease assets are assets which the government leases for a term of more than one year. The value of leases is determined by the net present value of the leases at the governments' incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

SUBSCRIPTION ASSETS

Subscription assets are assets in which the government obtains control of the right to use the underlying IT asset. The value of the subscription asset is initially measured as the sum of initial subscription liability amount, any payments made to the IT software vendor before commencement of the subscription term, and any capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized in a straight-line manner over the course of the subscription term.

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

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

LEASE PAYABLE

In the government-wide financial statement, leases payable are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources.

SUBSCRIPTIONS PAYABLE

In the government-wide financial statements, subscription liabilities are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, the present value of subscription payments expected to be made during the subscription term is reported as other financing sources. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit or the governments incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financials reporting periods.

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.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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's deferred outflows are clearly labeled on the face of the financial statements.

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's deferred inflows are clearly labeled on the face of the financial statements.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).
- 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, 2023.

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements is \$3,242,625, of which \$500,000 is covered by federal depository insurance. The remainder is covered by the collateral held in a multiple financial institutions collateral pool administered by the Oregon State Treasurer. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. State statutes (ORS 295.002) allow public officials to deposit public funds in one or more depositories currently qualified pursuant to ORS 295.001 to 295.108. As long as the bank depository has entered into an agreement (ORS 295.008(2)(b)) and has deposited securities pursuant to state statutes (ORS 295.015(1)), there may be deposits at any one bank depository and its branches, a sum in excess of the amount insured by the Federal Deposit Insurance Corporation.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

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 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, 2023 (recorded at fair value) consisted of:

Local Government Investment Pool	\$	1,107,641
Demand Deposits		<u>2,069,674</u>
Total	\$	<u><u>3,177,315</u></u>

There were the following investments and maturities at June 30, 2023:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
State Treasurer's Investment Pool	\$ 1,107,641	\$ 1,107,641	\$ -	\$ -
Total	<u>\$ 1,107,641</u>	<u>\$ 1,107,641</u>	<u>\$ -</u>	<u>\$ -</u>

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

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, 2023, none of the bank balance was exposed to custodial credit risk because it was fully insured.

Interest Rate Risk

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

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, 2023, 100% of total investments were in the State Treasurer’s Investment Pool. State statutes do not limit the percentage of investments in this instrument.

3. ACCOUNTS/GRANTS RECEIVABLE

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 213,815	\$ -	\$ 49,910	\$ -	\$ 263,725
Accounts Receivable	485,865	3,846,215	-	-	4,332,080
Total	\$ 699,680	\$ 3,846,215	\$ 49,910	\$ -	\$ 4,595,805

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, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated:				
Land & Land Improvements	\$ 4,433,893	\$ -	\$ -	\$ 4,433,893
Construction In Progress	1,129,522	1,631,297	-	2,760,819
Total capital assets not being depreciated	<u>5,563,415</u>	<u>1,631,297</u>	<u>-</u>	<u>7,194,712</u>
Capital assets being depreciated/amortized:				
Buildings and Improvements	80,257,870	1,812,685	(17,133)	82,053,422
Leases - Right to Use	63,762	66,398	-	130,160
Subscriptions - Right to Use	-	110,703	-	110,703
Vehicles & Equipment	3,374,437	59,400	(132,107)	3,301,730
Total capital assets being depreciated/amortized:	<u>83,696,069</u>	<u>2,049,186</u>	<u>(149,240)</u>	<u>85,596,015</u>
Less total accumulated depreciation/amortization for:				
Buildings and Improvements	50,857,785	1,390,578	(17,133)	52,231,230
Leases - Right to Use	14,763	22,760	-	37,523
Subscriptions - Right to Use	-	32,682	-	32,682
Vehicles & Equipment	1,935,699	364,199	(132,107)	2,167,791
Total accumulated depreciation/amortization	<u>52,808,247</u>	<u>1,810,219</u>	<u>(149,240)</u>	<u>54,469,226</u>
Total capital assets being depreciated/amortized, net	<u>30,887,822</u>	<u>238,967</u>	<u>-</u>	<u>31,126,789</u>
Total Capital Assets, Net	<u>\$ 36,451,237</u>			<u>\$ 38,321,501</u>
Depreciation/amortization by Function				
Instruction	\$ 1,081,106			
Support	643,105			
Enterprise and Community Service	86,008			
Total	<u>\$ 1,810,219</u>			

5. LONG-TERM OBLIGATIONS

A summary of debt transactions of the year ended June 30, 2023 is as follows:

Issue Date	Original Issue	Outstanding 7/1/22	Issued	Matured and Redeemed	Outstanding 6/30/23	Due within One Year
Bonds:						
2002 - Limited Pension Bonds, PERS	\$ 6,124,639	\$ 3,680,000	\$ -	\$ 520,000	\$ 3,160,000	\$ 585,000
2003 - Limited Pension Bonds, PERS	7,189,061	3,938,300	-	188,299	3,750,001	695,000
2021 - Limited Pension Bonds, PERS	2,795,000	8,005,000	-	265,000	7,740,000	280,000
2016 GO Bond	12,500,000	10,745,000	-	415,000	10,330,000	460,000
Direct Borrowings and Placements:						
Notes Payable		166,778	-	38,431	128,347	39,793
OTHER						
Leased Equipment	-	52,816	66,398	19,190	100,024	25,434
Subscriptions	-	-	110,703	33,251	77,452	31,446
Premium	2,046,053	1,348,831	-	153,654	1,195,177	-
Total Long-term Liabilities		<u>\$27,936,725</u>	<u>\$ 177,101</u>	<u>\$ 1,632,825</u>	<u>\$26,481,001</u>	<u>\$ 2,116,673</u>

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS (CONTINUED)

BONDS

2002, 2003, and 2021 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 2002/03/21 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 2002/03/21 Trustee (“Trustee”) for payment of bond principal and interest. The Series 2002/03/21 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 2002/03/21 issuer is responsible solely for its own pension bond payments and related fees or charges.

The District’s obligations under the 2002/03/21 pension bond issuance shall terminate if and when the following has occurred:

- Prepayment in full of the District’s Series 2002/03/21 Pension Bonds
- Legal defeasance of the District’s Series 2002/03/21 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

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.

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
2024	\$ 585,000	\$ 175,380	\$ 695,000	\$ 212,509
2025	655,000	142,912	775,000	173,524
2026	730,000	106,560	865,000	129,504
2027	810,000	66,046	960,000	80,372
2028	380,000	21,090	455,001	25,841
	<u>\$ 3,160,000</u>	<u>\$ 511,988</u>	<u>\$ 3,750,001</u>	<u>\$ 621,750</u>

Fiscal Year Ended	2016 GO Bond		Notes Payables		2021 PERS Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 460,000	\$ 413,200	\$ 39,793	\$ 3,859	\$ 280,000	\$ 168,318
2025	505,000	394,800	41,218	2,435	295,000	166,660
2026	550,000	374,600	37,991	976	315,000	164,082
2027	600,000	352,600	9,345	119	335,000	160,604
2028	655,000	328,600	-	-	355,000	156,048
2029-33	4,185,000	1,203,200	-	-	2,150,000	679,956
2034-39	3,375,000	276,400	-	-	2,935,000	407,351
2039-43	-	-	-	-	1,075,000	41,833
	<u>\$ 10,330,000</u>	<u>\$ 3,343,400</u>	<u>\$ 128,347</u>	<u>\$ 7,389</u>	<u>\$ 7,740,000</u>	<u>\$ 1,944,852</u>

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS (CONTINUED)

GOVERNMENTAL ACTIVITIES

LEASES

The District leases a postage machine from Pitney Bowes for \$503 per quarter for 36 months with 5% annual interest. The lease contract expired on June 30, 2023.

The District leases 3 copiers located at Central Middle School, from Leaf Capital Funding LLC for \$432 per month for 60 months with 5% annual interest. The lease contract expires on April 8, 2024.

The District leases 3 copiers located at Ferndale Elementary School, from Leaf Capital Funding LLC for \$426 per month for 60 months with 5% annual interest. The lease contract expires on December 16, 2026.

The District leases 3 copiers located at McLoughlin High School, from Leaf Capital Funding LLC for \$448 per month for 60 months with 5% annual interest. The lease contract expires on November 1, 2026.

The District leases one copier located at the District Office, from Leaf Capital Funding LLC for \$219 per month for 60 months with 5% annual interest. The lease contract expires on February 15, 2028.

The District leases 2 copiers located at Freewater School, from Leaf Capital Funding LLC. Copier 1 is \$144 per month for 60 months with 5% annual interest, expiring September 15, 2027. Copier 2 is \$65 per month for 60 months with 5% annual interest, expiring March 15, 2028.

The District leases 7 copiers located at Gib Olinger Elementary School, from Leaf Capital Funding LLC for \$825 per month for 60 months with 5% annual interest. The lease contract expires on March 15, 2028.

All Leases are included in the Leases – Right to Use on the capital assets schedule.

Future lease payments are as follows:

<u>Fiscal Year Ended</u>	<u>Lease Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 25,434	\$ 4,405
2025	22,291	3,224
2026	23,432	2,082
2027	18,877	951
2028	<u>9,990</u>	<u>199</u>
Total	<u>\$ 100,024</u>	<u>\$ 10,861</u>

SUBSCRIPTIONS

The District subscribes to website software from FinalSite for \$8,250 annually, for five years with a 5.00% annual interest rate. The contract expires June 30, 2027.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS (CONTINUED)

SUBSCRIPTIONS (CONTINUED)

The District subscribes to multi-tiered student support software from Edupoint with annual payments for five years, with a 5.00% annual interest rate. Remaining payments range from \$4,925 to \$5,224 annually. The contract expires June 30, 2027.

The District subscribes to absence and substitute tracking software from Frontline for \$14,689 annually for 3 years, with a 5.00% annual interest rate. The contract expires June 30, 2025.

The District subscribes to a transportation software from PowerSchool with annual payments for 3 years, with a 5.00% annual interest rate. The final payment will be \$7,455 paid annually. The contract expires June 30, 2024.

Future subscription payments are as follows:

<u>Fiscal Year Ended</u>	<u>Subscription Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 31,446	\$ 3,872
2025	25,691	2,300
2026	12,458	1,016
2027	<u>7,857</u>	<u>393</u>
Total	<u>\$ 77,452</u>	<u>\$ 7,581</u>

6. DEFINED BENEFIT PENSION PLAN

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

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2022-Annual-Comprehensive-Financial-Report.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.

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.
- 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.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- 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, 2019 actuarial valuation, which became effective July 1, 2021. 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, 2023 were \$1,109,471, excluding amounts to fund employer specific liabilities. In addition, approximately \$680,569 in employee contributions were paid or picked up by the District in fiscal 2023. At June 30, 2023, the District reported a net pension liability of \$6,813,480 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2020. 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, 2022 and 2021, the District’s proportion was .044 percent and .059 percent, respectively. Pension expense for the year ended June 30, 2023 was \$(6,809,159).

The rates in effect for the year ended June 30, 2023 were:

- (1) Tier 1/Tier 2 – 7.05%
- (2) OPSRP general services – 3.94%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 330,739	\$ 42,490
Changes in assumptions	1,069,072	9,767
Net difference between projected and actual earnings on pension plan investments	-	1,218,118
Net changes in proportionate share	832,344	2,584,355
Differences between contributions and proportionate share of contributions	5,216,036	1,015,405
Subtotal - Amortized Deferrals (below)	7,448,191	4,870,135
Contributions subsequent to measuring date	1,109,471	-
Deferred outflow (inflow) of resources	\$ 8,557,662	\$ 4,870,135

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2024.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ 454,982
2025	503,726
2026	43,327
2027	1,206,814
2028	369,206
Thereafter	-
Total	<u>\$ 2,578,056</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 2, 2023. Oregon PERS produces an independently audited ACFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2022-Annual-Comprehensive-Financial-Report.pdf>

Actuarial Valuations – The employer contribution rates effective July 1, 2021 through June 30, 2023, 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 BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions:

Valuation date	December 31, 2020
Experience Study Report	2020, Published July 20, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value of assets
Inflation rate	2.40 percent
Investment rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increase	3.40 percent
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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 2020 Experience Study which is reviewed for the four-year period ending December 31, 2020.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	25.0%	35.0%	30.0%
Real Estate	7.5%	17.5%	12.5%
Private Equity	15.0%	27.5%	20.0%
Risk Parity	0.0%	3.5%	2.5%
Real Assets	2.5%	10.0%	7.5%
Diversifying Strategies	2.5%	10.0%	7.5%
Opportunity Portfolio	0.0%	5.0%	0.0%
Total			100.0%

(Source: June 30, 2022 PERS ACFR; p. 104)

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION 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 June 2021 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
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited Partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Fund of Funds - Multistrategy	1.25%	5.11%
Hedge Fund Equity - Hedge	0.63%	5.31%
Hedge Fund - Macro	5.62%	5.06%
US Cash	-2.50%	1.76%
<i>Assumed Inflation - Mean</i>		2.40%

(Source: June 30, 2022 PERS ACFR; p. 74)

Discount Rate – The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan, a reduction approved by the Board from 7.20 percent in the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate – the following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.90 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 one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net pension liability	\$ 12,083,117	\$ 6,813,480	\$ 2,403,037

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, 2022 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.

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

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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. Effective July 1, 2020, currently employed Tier 1/Tier 2 and OPSRP members earning \$2,500 or more per month (increased to \$3,333 per month in 2022) will have a portion of their 6 percent monthly IAP contributions redirected to an Employee Pension Stability Account. The Employee Pension Stability Account will be used to pay part of the member's future benefit. Of the 6 percent monthly IAP contribution, Tier 1/Tier 2 will have 2.5 percent redirected to the Employee Pension Stability Account and OPSRP will have 0.75 percent redirected to the Employee Pension Stability Account, with the remaining going to the member's existing IAP account. Members may voluntarily choose to make additional after-tax contributions into their IAP account to make a full 6 percent contribution to the IAP. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2023.

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 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.

MILTON-FREEWATER SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

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

Participating Districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.05% of annual covered OPERF payroll and 0.00% of OPSRP payroll under a contractual requirement in effect until June 30, 2023. 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, 2021, 2022 and 2023 were \$1,964, \$572, and \$1,503, respectively, which equaled the required contributions each year.

At June 30, 2023, the District reported a net OPEB liability/(asset) of \$(234,795) for its proportionate share of the net OPEB liability/(asset). The OPEB liability/(asset) was measured as of June 30, 2022, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2020. Consistent with GASB Statement No. 75, paragraph 59(a), the District's proportion of the net OPEB liability/(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, 2022 and 2021, the District's proportion was .066 percent and .073 percent, respectively. OPEB expense for the year ended June 30, 2023 was \$(1,574).

Components of OPEB Expense/(Income):

Employer's proportionate share of collective system OPEB Expense/(Income)	\$ (35,154)
Net amortization of employer-specific deferred amounts from:	
- Changes in proportionate share (per paragraph 64 of GASB 75)	35,080
- Differences between employer contributions and employer's proportionate share of system contributions (per paragraph 65 of GASB 75)	-
Employer's Total OPEB Expense/(Income)	\$ (74)

Components of Deferred Outflows/Inflows of Resources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 6,363
Changes in assumptions	1,838	7,826
Net difference between projected and actual earnings on pension plan investments	-	17,906
Net changes in proportionate share	56,685	-
Differences between contributions and proportionate share of contributions	-	-
Subtotal - Amortized Deferrals (below)	58,523	32,095
Contributions subsequent to measuring date	1,503	-
Deferred outflow (inflow) of resources	\$ 60,026	\$ 32,095

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, 2024.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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

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

Year ending June 30,	Amount
2024	\$ 39,176
2025	(7,183)
2026	(11,300)
2027	5,735
2028	-
Thereafter	-
Total	\$ 26,428

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, 2022. That independently audited report was dated February 2, 2023 and can be found at:

<https://www.oregon.gov/pers/EMP/Documents/GASB/2022/GASB-75-RHIA-2022.pdf>

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2020
Experience Study Report	2020, Published July 20, 2021
Actuarial cost method	Entry Age Normal
Inflation rate	2.40 percent
Investment rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increase	3.40 percent
Retiree healthcare participation	Healthy retirees: 27.5%; Disabled retirees: 15%
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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 2020 Experience Study which is reviewed for the four-year period ending December 31, 2020.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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

Discount Rate:

The discount rate used to measure the total OPEB liability as of the measurement date of June 30, 2022 was 6.90 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 June 2021 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
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited Partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Fund of Funds - Multistrategy	1.25%	5.11%
Hedge Fund Equity - Hedge	0.63%	5.31%
Hedge Fund - Macro	5.62%	5.06%
US Cash	-2.50%	1.76%
<i>Assumed Inflation - Mean</i>		<i>2.40%</i>

(Source: June 30, 2022 PERS ACFR; 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 6.90 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 one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate.

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net OPEB liability (asset)	\$ (211,616)	\$ (234,795)	\$ (254,664)

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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

Changes Subsequent to the Measurement Date

There are no changes subsequent to the June 30, 2022 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

8. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The District operates a single-employer retiree benefit plan that provides postemployment health, dental and vision insurance benefits to eligible employees and their spouses. There are active and retired members in the plan. All classes of employee are eligible to continue coverage upon retirement. Qualified spouses domestic partners, and children may qualify for coverage. Coverage for retirees and eligible dependents continues until Medicare eligibility for each individual (or until dependent children become ineligible).

Benefits and eligibility for members are established through the collective bargaining agreements. The postretirement healthcare plan is established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution. The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

Funding Policy

The benefits from this program are paid by the District on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is not obligation on the part of the District to fund these benefits in advance.

Actuarial Methods and Assumptions

The District engaged an actuary to perform an evaluation as of June 30, 2022 using entry age normal, level percent of salary Actuarial Cost Method. The Single Employer Pension Plan liability was determined using the following actuarial assumptions, applied to all periods including the measurement:

Discount Rate per year		3.50%
General Inflation Rate per year		2.00%
Salary Scale per year		3.00%
Annual Medical Premium increase rate	2022-23	3.50%
Increasing by 0.5% per year until 2028	2027-2028	6.00%
Decreasing by 0.1% per year until 2042+	2042+	4.50%

Mortality rates were based on the Pub-2010 Teachers Table, separate employee/health annuitant, sex distinct, generation, no setback. Mortality rates for active male participants are 125% of the rates, and for active female participants are 100% of the rates.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Disability rates were based on the percentages developed for the valuation benefits under Oregon PERS and vary by employee age.

Retirement rates were calculated based on age and years of service with the assumption that are 60% are to remain enrolled and 50% of retirees electing coverage will cover a spouse as well.

Changes in OPEB Liability

	22-23	21-22	20-21
Balance at Beginning of Year	\$ 1,358,727	\$ 2,279,106	\$ 2,259,916
Changes for the Year:			
Service Cost	80,944	124,788	120,568
Interest	48,430	52,364	51,837
Differences Between Expected and Actual Experience	-	(283,905)	-
Changes of Assumptions or Other Input	-	(660,411)	-
Benefit Payments	(111,941)	(153,215)	(153,215)
Net Changes for the Year	17,433	(920,379)	19,190
Total OPEB Liability at end of year	\$ 1,376,160	\$ 1,358,727	\$ 2,279,106

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 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current rate, a similar sensitivity analysis is presented for the changes in the healthcare trend assumption:

	1% Decrease	Current Discount Rate	1% Increase
June 30, 2023 Total OPEB Liability	\$ 1,476,118	\$ 1,376,160	\$ 1,282,694

	1% Decrease	Current Trend Rate	1% Increase
June 30, 2023 Total OPEB Liability	\$ 1,236,999	\$ 1,376,160	\$ 1,542,122

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.

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 53,193	\$ 212,929
Changes in assumptions	169,602	495,309
Deferred outflow (inflow) of resources	\$ 222,795	\$ 708,238

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
2024	\$ (30,294)
2025	(30,294)
2026	(94,384)
2027	(94,389)
2028	(118,039)
Thereafter	(118,043)
Total	\$ (485,443)

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 AND INTERFUND RECEIVABLES AND PAYABLES

Interfund transfers for the year ended June 30, 2023 were as follows:

	Transfers Out	Transfers In	Due From	Due To
General Fund	\$ (100,000)	\$ -	\$ 1,212,636	\$ -
Special Revenue Fund	-	-	-	1,212,636
Debt Service Fund	-	100,000	-	-
	\$ (100,000)	\$ 100,000	\$ 1,212,636	\$ 1,212,636

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, 2023, the Milton-Freewater School District had tax abatements through two programs: Strategic Investment Program, and the Special Assessment Low Income Housing 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 area

MILTON-FREEWATER SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

13. TAX ABATEMENTS (CONTINUED)

Special Assessment Low Income Housing (ORS 307.541):

In order to be eligible for the low income housing exemption, the property:

- 1) Is owned or being purchased by a 501(c)(3) or (4) corporation; or
- 2) Is occupied by low income persons; or
- 3) Is held for the purpose of developing low income housing, within a period adopted by governing body; and
- 4) Has been approved for exemption as provided in ORS 307.547

For the fiscal year ended June 30, 2023, the Milton-Freewater School District had abated property taxes totaling \$135,191 under these programs.

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
Strategic Investment	\$ 130,984
Special Assessment Low Income Housing	<u>4,207</u>
	<u>\$ 135,191</u>

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

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
2023	0.04 %	\$ 6,813,480	\$ 11,213,592	60.8 %	84.5 %
2022	0.06	7,097,603	10,161,635	69.8	87.6
2021	0.06	13,732,465	10,136,208	135.5	75.8
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
2023	\$ 1,109,471	\$ 1,109,471	\$ -	\$ 11,432,461	9.7 %
2022	1,109,217	1,109,217	-	11,213,592	9.9
2021	631,058	631,058	-	10,161,635	6.2
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, 2023

	2023	2022	2021	2020	2019	2018
Total Pension Liability at beginning of year	\$ 1,358,727	\$ 2,279,106	\$ 2,259,916	\$ 2,090,832	\$ 1,677,117	\$ 1,694,829
Changes for the year						
Service Cost	80,944	124,788	120,568	88,132	85,152	62,652
Interest on Total Pension Liability	48,430	52,364	51,837	78,214	77,605	62,060
Difference between expected and actual experience	-	(283,905)	-	106,389	-	-
Effect of assumptions changes or inputs	-	(660,411)	-	82,846	448,612	-
Benefit payments	(111,941)	(153,215)	(153,215)	(186,498)	(197,654)	(142,424)
Total Pension Liability at end of year	<u>1,376,160</u>	<u>\$ 1,358,727</u>	<u>\$ 2,279,106</u>	<u>\$ 2,259,916</u>	<u>\$ 2,090,832</u>	<u>\$ 1,677,117</u>
Covered Payroll	11,432,461	11,213,592	10,766,541	10,402,455	9,106,745	8,798,787
Net Single Employer Pension Plan as a Percentage of Covered Payroll	12.04%	12.12%	21.17%	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, 2023

EXPLICIT BENEFIT

Fiscal Year Ending	Admin	Licensed	Classified	Confidential	Total
2023	\$ 19,271	\$ 35,700	\$ -	\$ -	\$ 54,971
2024	19,867	32,800	-	-	52,667
2025	20,479	17,065	-	-	37,544
2026	480	19,560	-	-	20,041
2027	503	21,861	-	-	22,363
2028	866	19,795	-	-	20,661
2029	1,652	8,819	-	-	10,471
2030	2,502	5,629	-	-	8,131
2031	2,867	2,678	-	-	5,545
2032	3,947	1,114	-	-	5,061

IMPLICIT BENEFIT

Fiscal Year Ending	Admin	Licensed	Classified	Confidential	Total
2023	\$ 9,345	\$ 42,988	\$ 4,638	\$ -	\$ 56,970
2024	10,618	45,689	14,466	64	70,836
2025	12,049	28,735	23,894	193	64,871
2026	7,080	36,455	34,258	352	78,145
2027	7,995	45,920	40,634	450	95,000
2028	9,116	48,586	41,747	807	100,255
2029	629	33,976	39,900	1,245	75,751
2030	992	30,370	31,769	299	63,431
2031	1,229	28,567	40,952	484	71,232
2032	1,845	23,381	37,139	714	63,079

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, 2023

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
2023	\$ -	\$ 6,363	\$ 6,024	\$ 17,906	\$ 1,503	\$ (56,685)	\$ (1,574)
2022	-	7,013	(1,209)	59,902	7,813	(73,173)	(19,598)
2021	-	(34,072)	(17,716)	37,065	1,964	(78,979)	(95,525)
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
2023	\$ (252,056)	\$ 17,261	\$ (234,795)	\$ 2,663,635	-8.81%	6.90%
2022	(333,292)	81,236	(252,056)	2,888,187	-8.73%	6.90%
2021	(166,419)	(166,873)	(333,292)	3,261,766	-10.22%	7.20%
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 COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2023

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	\$ 3,550,400	\$ 3,550,400	\$ 4,019,088	\$ 468,688
Intermediate Sources	52,000	52,000	69,666	17,666
State Sources	16,558,431	17,058,431	16,873,038	(185,393)
Federal Sources	23,800	23,800	71,537	47,737
Total Revenues	20,184,631	20,684,631	21,033,329	348,698
EXPENDITURES:				
Instruction	13,380,770	13,580,770 (1)	13,149,900	430,870
Support Services	7,543,230	7,843,230 (1)	7,789,572	53,658
Enterprise & Community Services	3,000	3,000 (1)	2,537	463
Facilities Acquisition	10,000	10,000 (1)	-	10,000
Contingencies	1,672,631	1,672,631 (1)	-	1,672,631
Total Expenditures	22,609,631	23,109,631	20,942,009	2,167,622
Excess of Revenues Over (Under) Expenditures	(2,425,000)	(2,425,000)	91,320	2,516,320
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	-	-	66,398	(66,398)
Subscription Proceeds	-	-	79,505	(79,505)
Transfers In	75,000	75,000	-	75,000
Transfers Out	(100,000)	(100,000) (1)	(100,000)	-
Total Other Financing Sources (Uses)	(25,000)	(25,000)	45,903	(70,903)
Net Change in Fund Balance	(2,450,000)	(2,450,000)	137,223	2,445,417
Beginning Fund Balance	2,450,000	2,450,000	2,243,537	(206,463)
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,380,760</u>	<u>\$ 2,238,954</u>

(1) Appropriation Level

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2023

<u>SPECIAL REVENUE FUNDS</u>				
REVENUES:	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
Local Sources	\$ 316,000	\$ 316,000	\$ 196,542	\$ (119,458)
State Sources	2,292,000	3,112,000	2,780,760	(331,240)
Federal Sources	9,450,000	8,630,000	5,171,134	(3,458,866)
Total Revenues	<u>12,058,000</u>	<u>12,058,000</u>	<u>8,148,436</u>	<u>(3,909,564)</u>
 EXPENDITURES:				
Instruction	3,746,110	3,488,110 (1)	2,433,590	1,054,520
Support Services	3,055,690	3,313,690 (1)	1,911,399	1,402,291
Enterprise & Community Services	1,328,200	1,328,200 (1)	1,217,673	110,527
Facilities Acquisition	4,190,000	4,190,000 (1)	2,498,855	1,691,145
Contingency	950,000	950,000 (1)	-	950,000
Total Expenditures	<u>13,270,000</u>	<u>13,270,000</u>	<u>8,061,517</u>	<u>5,208,483</u>
Revenues Over (Under) Expenditures	(1,212,000)	(1,212,000)	86,919	1,298,919
 Other Financing Sources, (Uses)				
Transfers In	52,000	52,000	-	(52,000)
Transfers Out	(75,000)	(75,000) (1)	-	75,000
Total Other Financing Sources	<u>(23,000)</u>	<u>(23,000)</u>	<u>-</u>	<u>23,000</u>
Net Change in Fund Balance	(1,235,000)	(1,235,000)	86,919	1,321,919
Beginning Fund Balance	<u>1,235,000</u>	<u>1,235,000</u>	<u>1,548,156</u>	<u>313,156</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,635,075</u>	<u>\$ 1,635,075</u>

(1) Appropriation Level

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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, 2023

<u>DEBT SERVICE FUND</u>				
REVENUES:	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
Local Sources	\$ 2,845,000	\$ 2,845,000	\$ 2,786,302	\$ (58,698)
Intermediate Sources	-	-	1,834	1,834
Total Revenues	<u>2,845,000</u>	<u>2,845,000</u>	<u>2,788,136</u>	<u>(56,864)</u>
EXPENDITURES:				
Debt Service	<u>2,953,000</u>	<u>2,953,000</u> (1)	<u>2,917,270</u>	<u>35,730</u>
Total Expenditures	<u>2,953,000</u>	<u>2,953,000</u>	<u>2,917,270</u>	<u>35,730</u>
Revenues Over (Under) Expenditures	(108,000)	(108,000)	(129,134)	(21,134)
Other Financing Sources, (Uses)				
Transfers In	-	-	<u>100,000</u>	<u>100,000</u>
Total Other Financing Sources	-	-	<u>100,000</u>	<u>100,000</u>
Net Change in Fund Balance	(108,000)	(108,000)	(29,134)	78,866
Beginning Fund Balance	<u>108,000</u>	<u>108,000</u>	<u>139,306</u>	<u>31,306</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,172</u>	<u>\$ 110,172</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, 2023

	<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	\$ 1,000	\$ 1,000	\$ 4,960	\$ 3,960
State Sources	215,000	215,000	170,529	(44,471)
Total Revenues	<u>216,000</u>	<u>216,000</u>	<u>175,489</u>	<u>(40,511)</u>
EXPENDITURES:				
Instruction	50,000	50,000 (1)	-	50,000
Support Services	370,000	370,000 (1)	29,815	340,185
Facilities Acquisition & Construction	910,000	910,000 (1)	354,881	555,119
Total Expenditures	<u>1,330,000</u>	<u>1,330,000</u>	<u>384,696</u>	<u>945,304</u>
Revenues Over, (Under) Expenditures	(1,114,000)	(1,114,000)	(209,207)	904,793
Other Financing Sources, (Uses)				
Sale of Capital Assets	5,000	5,000	38,643	33,643
Total Other Financing Sources, (Uses)	<u>5,000</u>	<u>5,000</u>	<u>38,643</u>	<u>33,643</u>
Net Change in Fund Balance	(1,109,000)	(1,109,000)	(170,564)	938,436
Beginning Fund Balance	<u>1,109,000</u>	<u>1,109,000</u>	<u>1,318,194</u>	<u>209,194</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,147,630</u>	<u>\$ 1,147,630</u>

(1) Appropriation Level

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

OTHER INFORMATION

2022 - 2023 DISTRICT AUDIT REVENUE SUMMARY
Milton-Freewater Unified School District

Revenue from Local Sources	Fund 100	Fund 200	Fund 300	Fund 400
1110 Ad Valorem Taxes Levied by District	\$ 3,608,515		\$ 817,130	
1120 Local Option Ad Valorem Taxes Levied by District	12			
1500 Earnings on Investments	107,328	1,186	32,295	4,960
1600 Food Service		17,067		
1700 Extracurricular Activities		149,901		
1800 Community Services Activities				
1910 Rentals	13,800			
1920 Contributions and Donations From Private Sources	23,716	28,388		
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	2,549			
1970 Services Provided Other Funds			1,936,877	
1980 Fees Charged to Grants	117,161			
1990 Miscellaneous	146,005			
Total Revenue from Local Sources	\$ 4,019,086	\$ 196,542	\$ 2,786,302	\$ 4,960

Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 300	Fund 400
2101 County School Funds	\$ 61,614			
2800 Revenue in Lieu of Taxes	8,052		1,834	
Total Revenue from Intermediate Sources	\$ 69,666	\$ -	\$ 1,834	\$ -

Revenue from State Sources	Fund 100	Fund 200	Fund 300	Fund 400
3101 State School Fund - General Support	\$ 16,231,362			
3102 State School Fund - School Lunch Match		8,499		
3103 Common School Fund	199,750			
3222 State School Fund (SSF) Transportation Equipment				170,529
3299 Other Restricted Grants-in-Aid	441,927	2,772,261		
Total Revenue from State Sources	\$ 16,873,039	\$ 2,780,760	\$ -	\$ 170,529

Revenue from Federal Sources	Fund 100	Fund 200	Fund 300	Fund 400
4500 Restricted Revenue From the Federal Government Through the State		5,013,792		
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies	68,111	59,279		
4801 Federal Forest Fees	3,426			
4802 Impact Aid to School Districts for Operation (PL 874)				
4900 Revenue for/on Behalf of the District		98,063		
Total Revenue from Federal Sources	\$ 71,537	\$ 5,171,134	\$ -	\$ -

Revenue from Other Sources	Fund 100	Fund 200	Fund 300	Fund 400
5100 Long Term Debt Financing Sources	\$ 145,904			
5200 Interfund Transfers			100,000	
5300 Sale of or Compensation for Loss of Fixed Assets				38,643
5400 Resources - Beginning Fund Balance	2,243,537	1,548,156	139,306	1,318,194
Total Revenue from Other Sources	\$ 2,389,441	\$ 1,548,156	\$ 239,306	\$ 1,356,837

Grand Totals	Fund 100	Fund 200	Fund 300	Fund 400
	\$ 23,422,769	\$ 9,696,592	\$ 3,027,442	\$ 1,532,326

**2022 - 2023 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	\$ 4,690,856	\$ 2,640,601	\$ 1,675,717	\$ -	\$ 374,538	\$ -	\$ -	\$ -
1121 Middle/Junior High Programs	2,138,183	1,280,470	733,395	2,977	121,111	-	230	-
1122 Middle/Junior High School Extracurricular	90,578	49,297	14,617	9,033	17,181	-	450	-
1131 High School Programs	2,523,474	1,452,823	859,252	24,950	185,354	-	1,095	-
1132 High School Extracurricular	557,291	199,706	58,851	87,834	16,291	186,273	8,336	-
1140 Pre-Kindergarten Programs	173,181	93,732	76,291	-	3,158	-	-	-
1250 Less Restrictive Programs for Students with Disabilities	1,944,374	1,051,947	815,862	4,242	48,041	-	24,282	-
1272 Title I	75,199	49,019	26,180	-	-	-	-	-
1280 Alternative Education	65,020	22,456	6,793	35,771	-	-	-	-
1291 English Second Language Programs	828,312	515,532	284,267	483	27,385	-	645	-
1293 Migrant Education	63,432	42,254	21,068	-	-	-	110	-
Total Instruction Expenditures	\$ 13,149,900	\$ 7,397,837	\$ 4,572,293	\$ 165,290	\$ 793,059	\$ 186,273	\$ 35,148	\$ -
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$ 51,414	\$ 27,082	\$ 24,332	\$ -	\$ -	\$ -	\$ -	\$ -
2120 Guidance Services	224,302	134,360	89,658	-	284	-	-	-
2130 Health Services	1,095	-	-	-	1,095	-	-	-
2190 Service Direction, Student Support Services	247,481	168,234	74,748	2,849	360	-	1,290	-
2210 Improvement of Instruction Services	102,229	73,504	28,725	-	-	-	-	-
2220 Educational Media Services	131,227	77,177	44,563	-	9,487	-	-	-
2230 Assessment & Testing	407	-	-	407	-	-	-	-
2240 Instructional Staff Development	28,730	2,677	21,013	4,669	371	-	-	-
2310 Board of Education Services	118,625	-	-	61,581	1,966	-	55,078	-
2320 Executive Administration Services	346,326	226,167	98,257	1,819	16,823	-	3,260	-
2410 Office of the Principal Services	1,784,486	1,128,597	578,624	7,624	60,984	-	8,657	-
2520 Fiscal Services	420,941	186,880	113,549	93,590	9,273	-	17,649	-
2540 Operation and Maintenance of Plant Services	2,653,960	754,395	495,558	822,821	177,035	187,288	216,863	-
2550 Student Transportation Services	788,137	347,986	237,800	45,701	109,006	-	47,644	-
2570 Internal Services	130,348	-	-	42,029	579	66,398	21,342	-
2640 Staff Services	3,892	-	-	3,710	-	-	182	-
2660 Technology Services	709,812	14,734	4,465	403,211	192,298	79,505	15,599	-
2700 Supplemental Retirement Program	46,160	-	46,160	-	-	-	-	-
Total Support Services Expenditures	\$ 7,789,572	\$ 3,141,793	\$ 1,857,452	\$ 1,490,011	\$ 579,561	\$ 333,191	\$ 387,564	\$ -
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3300 Community Services	2,537	-	-	-	2,537	-	-	-
Total Enterprise and Community Services Expenditures	\$ 2,537	\$ -	\$ -	\$ -	\$ 2,537	\$ -	\$ -	\$ -
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	100,000	-	-	-	-	-	-	100,000
Total Other Uses Expenditures	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000
Grand Total	\$ 21,042,009	\$ 10,539,630	\$ 6,429,745	\$ 1,655,301	\$ 1,375,157	\$ 519,464	\$ 422,712	\$ 100,000

**2022 - 2023 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	\$ 676,755	\$ 349,015	\$ 234,917	\$ 75,700	\$ 17,123	\$ -	\$ -	\$ -
1113 Elementary Extracurricular	46,759	3,200	961	30,174	12,424	-	-	-
1121 Middle/Junior High Programs	49,013	18,015	13,300	-	16,797	-	901	-
1122 Middle/Junior High School Extracurricular	45,778	-	-	-	45,778	-	-	-
1131 High School Programs	335,752	123,437	71,079	9,123	59,605	59,400	13,108	-
1132 High School Extracurricular	80,076	-	-	9,886	59,338	-	10,852	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1250 Less Restrictive Programs for Students with Disabilities	240,410	138,626	88,574	8,637	4,573	-	-	-
1260 Early Intervention	153,233	95,074	58,159	-	-	-	-	-
1272 Title I	557,431	349,538	206,213	-	1,680	-	-	-
1280 Alternative Education	152,657	-	-	152,657	-	-	-	-
1291 English Second Language Programs	40,353	14,178	2,431	13,800	9,944	-	-	-
1400 Summer School Programs	55,373	45,579	6,198	-	3,596	-	-	-
Total Instruction Expenditures	\$ 2,433,590	\$ 1,136,662	\$ 681,832	\$ 299,977	\$ 230,858	\$ 59,400	\$ 24,861	\$ -
Support Services Expenditures								
2110 Attendance and Social Work Services	\$ 316,930	\$ 77,544	\$ 78,874	\$ 160,512	\$ -	\$ -	\$ -	\$ -
2120 Guidance Services	491,399	224,330	150,319	116,750	-	-	-	-
2130 Health Services	7,500	-	-	7,500	-	-	-	-
2190 Service Direction, Student Support Services	82,489	56,515	25,974	-	-	-	-	-
2210 Improvement of Instruction Services	282,810	142,119	82,864	56,627	1,200	-	-	-
2240 Instructional Staff Development	177,918	48,631	15,320	99,748	13,569	-	650	-
2490 Other Support Services - School Administration	57,467	39,424	18,043	-	-	-	-	-
2540 Operation and Maintenance of Plant Services	205,323	-	-	3,036	4,205	198,082	-	-
2660 Technology Services	172,402	-	-	11,020	72,672	75,688	13,022	-
2690 Other Support Services - Central	117,161	-	-	-	-	-	117,161	-
Total Support Services Expenditures	\$ 1,911,399	\$ 588,563	\$ 371,394	\$ 455,193	\$ 91,646	\$ 273,770	\$ 130,833	\$ -
Enterprise and Community Services Expenditures								
3100 Food Services	\$ 1,203,667	\$ 281,223	\$ 223,387	\$ 454,535	\$ 239,446	\$ -	\$ 5,076	\$ -
3300 Community Services	14,006	-	-	8,644	5,362	-	-	-
Total Enterprise and Community Services Expenditures	\$ 1,217,673	\$ 281,223	\$ 223,387	\$ 463,179	\$ 244,808	\$ -	\$ 5,076	\$ -
Facilities Acquisition and Construction Expenditures								
4150 Building Acquisition, Construction, and Improvement Services	2,498,855	-	-	27,515	-	2,467,714	3,626	-
Total Facilities Acquisition and Construction Expenditures	\$ 2,498,855	\$ -	\$ -	\$ 27,515	\$ -	\$ 2,467,714	\$ 3,626	\$ -
Other Uses Expenditures								
5200 Transfers of Funds	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total	\$ 8,061,517	\$ 2,006,448	\$ 1,276,613	\$ 1,245,864	\$ 567,312	\$ 2,800,884	\$ 164,396	\$ -

2022 - 2023 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	\$ 2,917,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,917,270	\$ -
	5400 Bond Lump Sum	-	-	-	-	-	-	-	-
	Total Other Uses Expenditures	\$ 2,917,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,917,270	\$ -
Grand Total		\$ 2,917,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,917,270	\$ -

**2022 - 2023 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									
	Total Instruction Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Support Services Expenditures									
2540 Operation and Maintenance of Plant Services		29,815			29,815				
2550 Student Transportation Services		-							
2660 Technology Services		-							
	Total Support Services Expenditures	\$ 29,815	\$ -	\$ -	\$ 29,815	\$ -	\$ -	\$ -	\$ -
Enterprise and Community Services Expenditures									
	Total Enterprise and Community Services Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Facilities Acquisition and Construction Expenditures									
4150 Building Acquisition, Construction, and Improvement Services		354,881				3,515	351,366		
	Total Facilities Acquisition and Construction Expenditures	\$ 354,881	\$ -	\$ -	\$ -	\$ 3,515	\$ 351,366	\$ -	\$ -
Other Uses Expenditures									
5200 Transfers of Funds		-	-	-	-	-	-	-	-
	Total Other Uses Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total		\$ 384,696	\$ -	\$ -	\$ 29,815	\$ 3,515	\$ 351,366	\$ -	\$ -

MILTON-FREEWATER UNIFIED SCHOOL DISTRICT
 UMATILLA COUNTY, OREGON

SUPPLEMENTAL INFORMATION
 As Required by The Oregon Department of Education
 For The Year Ended June 30, 2023

A. Energy bills for heating - all funds:		<u>Objects 325/326/327</u>
	Function 2540	\$ 450,968
	Function 2550	

B. Replacement of equipment - General Fund:		<u>Amount</u>
Include all General Fund expenditures in Object 542, except for the following exclusions:		\$ 72,688

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 14, 2023

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, 2023, and have issued our report thereon dated December 14, 2023. 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

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

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

MILTON-FREE WATER UNIFIED SCHOOL DISTRICT
UMATILLA COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2023

GRANTS Program Title	Pass Through Organization	Federal AL Number	Pass Through Entity Number	Period Covered	Expenditures	Passed Through to Subrecipients
U.S. Department of Education						
Title I Grants to Local Educational Agencies	Oregon Department of Education	84.010	67017	7/1/21-9/30/22	\$ 21,154	\$ -
	Oregon Department of Education	84.010	72557	7/1/22-9/30/23	647,949	-
Total Title I Grants to Local Education Agencies					<u>669,103</u>	<u>-</u>
Migrant Education - State Grant Program						
	ODE/InterMountain ESD	84.011	70940	5/1/22-9/30/22	23,109	-
	ODE/InterMountain ESD	84.011	73277	7/1/22-9/30/23	45,002	-
Total Migrant Education - State Grant Program					<u>68,111</u>	<u>-</u>
Youth Transition Program/Voc Rehab Services						
	Oregon Department of Human Services	84.126A	162394	7/1/21-6/30/22	92,920	-
Total Youth Transition Program/Voc Rehab Services					<u>92,920</u>	<u>-</u>
Title III - Language Instruction						
	Oregon Department of Education	84.365	67147	7/1/21-9/30/22	13,312	-
	Oregon Department of Education	84.365	73106	7/1/22-9/30/23	36,615	-
Total Title III - Language Instruction					<u>49,927</u>	<u>-</u>
Title IIA - Teacher Quality						
	Oregon Department of Education	84.367	53574	7/1/19-9/30/22	6,091	-
	Oregon Department of Education	84.367	67450	7/1/21-9/30/22	66,325	-
	Oregon Department of Education	84.367	72754	7/1/22-9/30/23	39,336	-
Total Title IIA - Teacher Quality					<u>111,752</u>	<u>-</u>
Title IV-A Student Support and Academic Enrichment						
	Oregon Department of Education	84.424	72951	7/1/22-9/30/23	61,006	-
Total Title IV-A Student Support and Academic Enrichment					<u>61,006</u>	<u>-</u>
Special Education Cluster:						
Special Education - Grants to States	Oregon Department of Education	84.027	68643	7/1/22-9/30/23	59,279	-
Total Special Education Cluster					<u>59,279</u>	<u>-</u>
Education Stabilization Fund Cluster						
Elem. and Secondary School Emergency Relief Fund - COVID-19	Oregon Department of Education	84.425D	58443	3/13/20-9/30/22	13,615	-
Elem. and Secondary School Emergency Relief Fund - COVID-19	Oregon Department of Education	84.425D	64625	3/13/20-9/30/23	578,393	-
Elem. and Secondary School Emergency Relief Fund - COVID-19	Oregon Department of Education	84.425D	64930	3/13/20-9/30/24	2,470,272	-
Total Education Stabilization Fund Cluster					<u>3,062,280</u>	<u>(1) -</u>
Total U.S. Department of Education					<u>4,174,378</u>	<u>-</u>
U.S. Department of Agriculture						
Fresh Fruit & Vegetable Program						
Fresh Fruit & Vegetable for Fiscal Year 2022	Oregon Department of Education	10.582	69609/69610	7/1/21-9/30/22	3,136	-
Fresh Fruit & Vegetable for Fiscal Year 2023	Oregon Department of Education	10.582	75026/75027	7/1/22-6/30/23	33,686	-
Total Fresh Fruit & Vegetable Program					<u>36,822</u>	<u>(1) -</u>
Child Nutrition Cluster:						
Donated Commodities (Non-Cash Assistance)	Oregon Department of Education	10.555	3013001	7/1/21-6/30/22	98,063	-
School Breakfast Program	Oregon Department of Education	10.555	3013001	7/1/21-6/30/22	223,485	-
Supply Chain Assistance - COVID-19	Oregon Department of Education	10.553	3013001	7/1/21-6/30/22	60,480	-
National School Lunch Program	Oregon Department of Education	10.555	3013001	7/1/21-6/30/22	611,900	-
Summer Food	Oregon Department of Education	10.559	3013001	7/1/21-6/30/22	34,117	-
Total Child Nutrition Cluster					<u>1,028,045</u>	<u>(1) -</u>
Total U.S. Department of Agriculture					<u>1,064,867</u>	<u>-</u>
Total Grants Expended or Passed Through to Subrecipients					<u>\$ 5,239,245</u>	<u>\$ -</u>

(1) - Major Program



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December 14, 2023

To the Board of Directors
Milton-Freewater United 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 of the governmental activities and each major fund of Milton-Freewater Unified School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 14, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

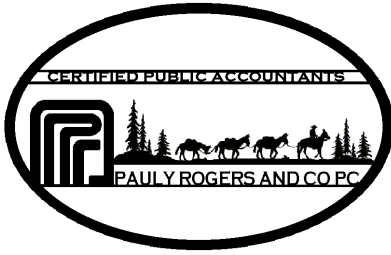
As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.



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December 14, 2023

To the Board of Directors
Milton-Freewater United 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

Opinion on Each Major Federal Program

We have audited Milton-Freewater United School District's compliance with the types of compliance requirements identified as subject to audit 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, 2023. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Milton-Freewater United 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Milton-Freewater United School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to its federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with

the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Tara M. Kamp, CPA
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, 2023

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

AL NUMBER(S):

NAME OF FEDERAL PROGRAM CLUSTER:

84.425
10.553, 10.555, 10.559, 10.582

Emergency and Secondary Stabilization Emergency Relief
Child Nutrition Cluster

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, 2023

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.