

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020



12700 SW 72nd Ave.
Tigard, OR 97223

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

FINANCIAL REPORT

For the Year Ended June 30, 2020

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

2019-20
FINANCIAL REPORT

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June 30, 2023

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June 30, 2021

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June 30, 2023

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June 30, 2021

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June 30, 2023

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Christine Manley, Administrative Assistant/Deputy Clerk
Lauren Wolfe, Business Manager

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MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

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November 23, 2020

To the Board of Directors
Monroe School District No. 1J
Benton County, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Monroe School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Monroe School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis as listed in the table of contents, 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 Management's Discussion and Analysis, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monroe School District's financial statements. The supplementary and other information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements.

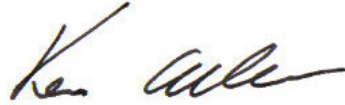
The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of board members containing their term expiration dates, located before the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 23, 2020, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink, appearing to read "Kenny Allen".

Kenny Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.

Monroe School District 1J

MONROE, OREGON

MANAGEMENT DISCUSSION & ANALYSIS

As management of Monroe School District 1J, Benton County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the district for the fiscal year ended June 30, 2020. It should be read in conjunction with the district's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

On June 30, 2020, the total net position of Monroe School District 1J was \$5,284,298.

Of this amount, \$8,758,497 was invested in capital assets, net of related debt. The remaining balance included \$15,184 restricted for various purposes and (\$3,489,383) in unrestricted net position.

On June 30, 2020, the District's governmental funds reported combined ending fund balances of \$3,240,353.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Monroe School District 1J's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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.

The statement of net position presents information on all the District's assets and liabilities with the difference between the two reported as net position. 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 presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements can be found on pages 4 through 5 of this report.

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of Monroe School District 1J can be classified as governmental funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue Fund, Food Service Fund, Debt Service Fund, and Capital Project Fund, all of which are considered to be major governmental funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Monroe School District 1J adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 6 through 9 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 10 through 33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may, over time, serve as a useful indicator of the district's financial position. At June 30, 2020, Monroe School District 1J had assets of \$13,298,418 and deferred outflows of resources of \$1,247,550, liabilities of \$12,582,080 and deferred inflows of \$813,051 resulting in a net position of \$5,284,298.

A large portion of the district's net position reflects its investment in capital assets (e.g. land, buildings and improvements, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The district uses these capital assets for classrooms and supporting services for providing kindergarten through twelfth-grade education; consequently, these assets are not available for future spending. Although the district's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Position

The District's net position increased by \$2,486,139 during the current fiscal year. The condensed state of net position is shown below.

Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>
ASSETS:		
Current Assets:		
Cash and Investments	\$ 1,614,680	\$ 4,414,400
Accounts Receivable	2,518,781	199,690
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation	<u>13,298,418</u>	<u>10,059,730</u>
TOTAL ASSETS	<u>17,431,879</u>	<u>14,673,820</u>
DEFERRED OUTFLOWS:		
Pension Items	1,219,798	1,575,264
Other Post-Employment Benefit Related Deferrals	<u>27,752</u>	<u>21,057</u>
	1,247,550	1,596,321
LIABILITIES:		
Current Liabilities:		
Accounts Payable	593,255	565,369
Short-Term Note	0	0
Payroll Liabilities	276,973	243,995
Long-Term Debt due in on year	298,555	204,876
Direct Borrowings due in one year	23,673	22,842
Long Term Liabilities:		
Bonds and notes due in more than one year	7,036,882	7,335,437
Direct borrowings due in more than one year	151,407	175,080
Other Post-Employment Benefits	318,841	336,035
Proportionate Share of Net Pension Liability	<u>3,882,494</u>	<u>4,123,326</u>
TOTAL LIABILITIES	<u>12,582,080</u>	<u>13,006,960</u>
DEFERRED INFLOWS:		
Pension Items	765,096	448,926
Other Post-Employment Benefit Related Deferrals	<u>47,955</u>	<u>16,096</u>
	813,051	465,022
NET POSITION:		
Net Investment in Capital Assets	8,758,497	6,228,621
Restricted	15,184	5,156
Unrestricted	<u>-3,489,383</u>	<u>-3,435,618</u>
TOTAL NET POSITION	<u>\$ 5,284,298</u>	<u>\$ 2,798,159</u>

Condensed Statement of Changes of Net Position

	Governmental Activities		
	2020	2019	Change
Program Revenues			
Charges for services	105,911	167,725	-61,814
Operating Grants & Contributions	550,114	752,368	-202,254
Capital Grants & Contributions	2,261,592	4,875,451	-2,613,859
Total program revenues	<u>2,917,617</u>	<u>5,795,544</u>	<u>-2,877,927</u>
General Revenues			
Property Taxes levied for General Purposes	1,309,707	1,248,841	60,866
Property Taxes levied for Debt Service	411,752	645,585	-233,833
State school fund	3,475,221	3,542,670	-67,449
Local sources	136,966	44,745	92,221
Intermediate sources	17,335	17,189	146
Other state sources	227,125	89,439	137,686
Federal sources	25,079	11,525	13,554
Earnings on investments	88,540	161,111	-72,571
Total general revenues	<u>5,691,725</u>	<u>5,761,105</u>	<u>-69,380</u>
Total revenues	<u>8,609,342</u>	<u>11,556,649</u>	<u>-2,947,307</u>
Program Expenses			
Instruction	3,144,675	3,493,265	-348,590
Support Services	2,400,953	2,491,575	-90,622
Enterprise & community services	235,345	250,788	-15,443
Interest on long-term debt	342,230	346,060	-3,830
Total program expenses	<u>6,123,203</u>	<u>6,581,688</u>	<u>-458,485</u>
Change in Net position	2,486,139	4,974,961	-2,488,822
Net position beginning of year	2,798,159	-2,176,802	4,974,961
Prior period adjustment	0	0	0
Net position end of year	<u>5,284,298</u>	<u>2,798,159</u>	<u>2,486,139</u>

Revenues

Since the District's mission is to provide a free and appropriate public education for kindergarten through twelfth-grade students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide 66% of the funding required for governmental programs. Property taxes and state school funding combined for 84% of general revenues and 56% of total revenues.

Charges for services make-up 1.2% of total revenues and are composed of the following items for which it is appropriate that the District charge tuition of fees:

• Food services charges for lunch and breakfast	\$ 34,137
• Various student extracurricular activities	<u>71,774</u>
Total charge for services	<u>\$ 105,911</u>

Operating grants and contributions represent 6.4% of total revenues.

Capital grants and contributions represent 26% of total revenues. This contains the District's reimbursement of \$2,261,592, under the state seismic rehabilitation grant.

Expenses

Expenses related to governmental activities are presented in four functional categories: instruction, support services, enterprise and community services, and interest on long-term debt. Costs of direct classroom instruction account for 51.3% of the total expenses of \$6,123,203.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted previously, 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 near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the district's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the district's net resources available for spending at the end of the fiscal year.

On June 30, 2020, the district's governmental funds reported combined ending fund balances of \$3,240,353. Of this amount, \$1,204,626 constitutes unassigned fund balance, which is available for spending at the District's discretion. This unassigned fund balance was 25.7% of total General Fund expenditures.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and one supplemental budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2020, amounted to \$13,298,418 net of accumulated depreciation. This investment in capital assets includes land, buildings, machinery, and equipment. The total depreciation related to the District's investment in capital assets for the current fiscal year was \$71,347.

Additional information on the District's capital assets can be found on page 20 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total debt outstanding of \$7,335,437. This amount is comprised of general obligation bonds and limited pension bonds. The District's total debt outstanding decreased by \$204,876 during the current fiscal year.

Additional information on the District's long-term debt can be found on page 28 of this report.

ECONOMIC FACTORS AND THE 2020-21 BUDGET

At the time these financial statements were prepared and audited, the District anticipated total appropriations of \$11,469,839 in the 2020-21 budget. The District's funding resources are significantly impacted by economic conditions in the State of Oregon and the State's General Fund Budget. At the time of this discussion and analysis, the State's General Fund Budget is in the second year of the current biennium. Public education is anticipated to receive \$4.59 billion of the original \$9 billion dollars. Due to the uncertainty of the current COVID-19 pandemic and the anticipation of negative budget impacts for at least the next two biennium's, the District must remain diligent in strategic spending of our resources.

REQUESTS FOR INFORMATION

Our financial report is designed to provide our stakeholders a general overview of Monroe School District 1J's finances. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the Business Manager, Monroe School District 1J, 365 N 5th St, Monroe, Oregon 97456.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Investments	\$ 1,614,680
Receivables	2,518,781
Noncurrent Assets:	
Capital Assets:	
Non-Depreciable	3,547,524
Depreciable, Net of Accumulated Depreciation	9,750,894
Total Capital Assets	<u>13,298,418</u>
TOTAL ASSETS	<u>17,431,879</u>
DEFERRED OUTFLOWS:	
Pension Related Deferrals	1,219,798
Other Post-Employment Benefit Related Deferrals	27,752
TOTAL DEFERRED OUTFLOWS	<u>1,247,550</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	593,255
Payroll Liabilities	261,059
Accrued Compensated Absences	15,914
Long-Term Debt due in one year	298,555
Direct Borrowings due in one year	23,673
Long Term Liabilities:	
Long-Term Debt due in more than one year	7,036,882
Direct Borrowings due in more than one year	151,407
Other Post-Employment Benefits	318,841
Proportionate Share of Net Pension Liability	3,882,494
TOTAL LIABILITIES	<u>12,582,080</u>
DEFERRED INFLOWS:	
Pension Related Deferrals	765,096
Other Post-Employment Benefit Related Deferrals	47,955
TOTAL DEFERRED INFLOWS	<u>813,051</u>
NET POSITION:	
Net Investment in Capital Assets	8,758,497
Restricted	15,184
Unrestricted	(3,489,383)
TOTAL NET POSITION	<u>\$ 5,284,298</u>

See accompanying notes to basic financial statements.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 3,144,675	\$ 71,774	\$ 331,285	\$ 2,261,592	\$ (480,024)
Support services	2,400,953	-	100,999	-	(2,299,954)
Enterprise and community services:	235,345	34,137	117,830	-	(83,378)
Interest on long-term debt	342,230	-	-	-	(342,230)
Total governmental activities	\$ 6,123,203	\$ 105,911	\$ 550,114	\$ 2,261,592	(3,205,586)
General revenues:					
					1,309,707
					411,752
					3,475,221
					136,966
					17,335
					227,125
					25,079
					88,540
					5,691,725
					2,486,139
					2,798,159
					\$ 5,284,298

See accompanying notes to basic financial statements.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2020

	GENERAL	SPECIAL REVENUE	FOOD SERVICE	DEBT SERVICE
ASSETS				
Cash and Investments	\$ 1,306,960	\$ 59,507	\$ -	204,031
Due from Other Funds	147,241	-	-	
Receivables:				
Taxes	29,446	-	-	9,348
Accounts	36,009	149,540	14,426	-
Total Assets	\$ 1,519,656	\$ 209,047	\$ 14,426	213,379
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 24,587	\$ -	\$ 449	\$ -
Due to Other Funds	-	133,264	13,977	-
Payroll Liabilities	260,997	62	-	-
Total Liabilities	285,584	133,326	14,426	-
Deferred Inflows:				
Unavailable Revenue	-			
Property Taxes	29,446	-	-	9,348
Grants	-	-	-	-
Total Deferred Inflows	29,446	-	-	9,348
Fund Balance				
Restricted for:				
Grants	-	15,184	-	-
Capital Projects	-	-	-	-
Committed for:				
Debt Service	-	-	-	204,031
Student Activities	-	60,537	-	-
Facilities and Improvements	-	-	-	-
Unassigned	1,204,626	-	-	-
Total Fund Balance	1,204,626	75,721	-	204,031
Total Liabilities, Deferred Inflows and Fund Balance	\$ 1,519,656	\$ 209,047	\$ 14,426	213,379

See accompanying notes to basic financial statements.

<u>CAPITAL PROJECTS</u>		<u>TOTAL</u>	
\$	44,182	\$	1,614,680
	-		147,241
	-		38,794
	2,280,012		2,479,987
<u>\$</u>	<u>2,324,194</u>	<u>\$</u>	<u>4,280,702</u>
\$	568,219	\$	593,255
	-		147,241
	-		261,059
	568,219		1,001,555
	-		38,794
	-		-
	-		38,794
	-		15,184
	1,685,596		1,685,596
	-		204,031
	-		60,537
	70,379		70,379
	-		1,204,626
	1,755,975		3,240,353
<u>\$</u>	<u>2,324,194</u>	<u>\$</u>	<u>4,280,702</u>

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
 June 30, 2020

TOTAL FUND BALANCES		\$ 3,240,353
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 15,595,289	
Accumulated depreciation	<u>(2,296,871)</u>	13,298,418
The Statement of Net Position reports an actuarially determined asset or liability which represents the funding status of the District's defined benefit pension plan		
		(3,882,494)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. These assets consist of:		
Property Taxes Deferred Inflow		38,794
Deferred Outflows/(Inflows) related to pensions arise from current year contributions that the District made to the pension system, as well as changes in the return on pension system investments that were not included in the original actuarial calculations		
Deferred Outflows - Pensions	\$ 1,219,798	
Deferred Outflows - OPEB	27,752	
Deferred Inflows - Pensions	(765,096)	
Deferred Inflows - OPEB	<u>(47,955)</u>	434,499
The Other Post-Employment Benefits are not recognized in the fund financial statements, but are liabilities on the Statement of Net Position.		
		(318,841)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:		
Compensated Absences	\$ (15,914)	
Direct Borrowings	(175,080)	
Bonds Payable	<u>(7,335,437)</u>	<u>(7,526,431)</u>
TOTAL NET POSITION		<u>\$ 5,284,298</u>

See accompanying notes to basic financial statements.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2020

	GENERAL	SPECIAL REVENUE	FOOD SERVICE	DEBT SERVICE
REVENUES:				
Property Taxes	\$ 1,311,118	\$ -	\$ -	\$ 411,752
Earnings on Investment	87,755	-	-	784
Internal Charges	-	-	-	142,669
Intermediate Sources	30,460	4,142	-	-
State School Fund - General Support	3,475,221	-	-	-
Other State Sources	139,475	190,154	1,003	-
Federal Sources	24,273	285,007	116,827	-
Miscellaneous Local Sources	75,896	104,294	34,137	-
Total Revenues	5,144,198	583,597	151,967	555,205
EXPENDITURES:				
1000 Instruction	2,374,922	595,920	-	-
2000 Support Services	2,307,575	25,179	-	-
3000 Enterprise and Community Services	-	-	229,455	-
4000 Facilities Acquisition and Construction	-	-	-	-
5000 Debt Service				
Principal	-	-	-	204,163
Interest	-	-	-	365,785
Capital Outlay	-	-	-	-
Total Expenditures	4,682,497	621,099	229,455	569,948
Excess of Revenues Over, -Under Expenditures	461,701	(37,502)	(77,488)	(14,743)
Other Financing Sources, -Uses:				
Transfers In	50,762	60,248	76,601	29,472
Transfers Out	(166,321)	(5,589)	-	(45,173)
Total Other Financing Sources, -Uses	(115,559)	54,659	76,601	(15,701)
Net Change in Fund Balance	346,142	17,157	(887)	(30,444)
Beginning Fund Balance	858,484	58,564	887	234,475
Ending Fund Balance	<u>\$ 1,204,626</u>	<u>\$ 75,721</u>	<u>\$ -</u>	<u>204,031</u>

See accompanying notes to basic financial statements.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2020

NET CHANGE IN FUND BALANCE		\$	(524,168)
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>			
 Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Expenditures for capital assets	\$	3,310,035	
Current year depreciation		<u>(71,347)</u>	3,238,688
 Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position:			
Debt principal repaid			204,163
 Compensated absences are only expensed as paid in the governmental funds. On the Statement of Activities they are expensed as earned			
			(15,914)
 Amortization bond issue premiums is recorded in the government-wide statements as a reduction of interest expense			
			23,555
 The current year net change in pension related assets, deferred outflows, liabilities and deferred inflows affects total income on the statement of activities			
			(430,804)
 Revenues that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.			
Property Taxes			(1,411)
 The change in Other Post-Employment Benefit obligations is not reflected in the fund financial statements, but is a component of expenditures on the Statement of Activities			
			<u>(7,970)</u>
 CHANGE IN NET POSITION		 \$	 <u>2,486,139</u>

See accompanying notes to basic financial statements.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Monroe School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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

The District was organized under provisions of Oregon Statutes Chapter 332 for the purpose of operating elementary and secondary schools. The Monroe School District is a municipal corporation governed by an elected five member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The District does not have any component units.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Non-exchange Transactions".

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 the District's general revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest of general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Fund Financial Statements

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with 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 the District's 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. Property tax revenue and proceeds from sale of property are not considered available and, therefore, are not recognized until received. 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 District reports the following major governmental funds:

General Fund – The General Fund accounts for all financial resources and expenditures of the District, 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 Funds – These funds account for the revenues and expenditures for specific purposes. Principal revenues are federal, state, and local grants.

Food Service Fund – The Food Service Fund accounts for all financial resources and expenditures required to provide student meals. Principal revenue sources are grants from the federal school lunch program and receipts from meal sales.

Debt Service Fund – This fund accounts for the servicing of all long-term obligations. Revenue is from local property taxes and proceeds of loans received. Expenditures are for principal and interest.

Capital Projects Fund – This fund, financed by grant revenue and debt proceeds, accounts for expenditures resulting from capital construction projects.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Measurement Focus and Basis of Accounting

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. All revenues reported in the governmental funds are considered to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash, Cash Equivalents and Investments

Cash and cash equivalents

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

Fair Value Inputs and Methodologies and Hierarchy

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

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

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

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

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Cash, Cash Equivalents and Investments (Continued)

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.

Property Taxes Receivable

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected property taxes are recorded on the statement of net position. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

Interfund Receivables and Payables and Transfers

The receipt and payment of monies through one central checking account, as well as transfers between funds, result in inter-fund payables and receivables until cash is transferred from one fund to the other. These amounts represent current assets and liabilities and are reported as due to or due from other funds.

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. Grant monies received prior to the occurrence of qualifying expenditures are recorded as deferred revenue.

Supply Inventories

The District elects to not report supply inventories based on their lack of significant value.

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.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life in excess of a single reporting period. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	20-50 years
Office, athletic, maintenance, tools, machinery and other equipment	10 years
Kitchen Service Equipment	15 years
Playground Equipment	20 years
Vehicles	20 years

Retirement Plans

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.

Compensated Absences

The District has a policy which permits employees to accumulate unused sick leave at the rate of one day per month of service over their working careers. The District does not compensate employees for unused accumulations upon termination of employment. Only the Superintendent accrues unused vacation time. Compensated absences are liquidated by the general fund.

Debt

In the government-wide financial statements debt is reported as a liability in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements bond premiums and discounts are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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 new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- 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. The board has granted the Superintendent authority to assign fund balances.
- 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 governing body 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.

Net Position

Net Position is comprised of the various net earnings from operations, non-operating 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 Net Position – consists of external constraints placed on the net position used by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of all other items that are not included in the above categories.

When both restricted and unrestricted net position is available for use, restricted net position is utilized first.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Budget

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. The budgetary basis of accounting is substantially the same as accounting principles generally accepted in the United States of America basis, except capital outlay expenditures are expensed when purchased, debt is recorded as an expense when paid, tax revenue is recorded when received, inventories are budgeted as expenditures when purchased, and depreciation is not recorded. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Appropriations are established at the major function level (instruction, support services, community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution.

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. Appropriations lapse at the end of each fiscal year.

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2020, except for Support Services and Transfers in the Special Revenue Fund and Transfers in the Debt Service Fund which were overspent by \$510, \$5,089 and \$45,173 respectively.

Use of Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Statement of Net Position reports deferred outflows related to pensions and other post-employment benefits.

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 represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report deferred inflows for unavailable property tax revenues. The Statement of Net Position reports deferred inflows related to pensions and other post-employment benefits.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

Investments

The policy is to follow state statutes governing cash management. 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.

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury.

These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), 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.

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 appears to be in compliance with all portfolio guidelines at June 30, 2020. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2020, the fair value of the position in the LGIP is 100.88% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial statements can be found at:

<https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/Documents/oregon-short-term-fund-osft/OSTF-Annual-Financial-Statement-June-30-2020.pdf>

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONT.)

Cash and Investments at June 30, 2020 (recorded at fair value) consisted of:

Demand Deposits:	
Checking	\$ 777,758
Petty Cash	800
Investments	836,122
Total	\$ 1,614,680

There are the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)	
		Less than 3	More than 3
Local Government Investment Pool	\$ 836,122	\$ 836,122	\$ -
Total	\$ 836,122	\$ 836,122	\$ -

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

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/Deposit Risk

At June 30, 2020, 100% was invested in the State Treasurer’s Investment Pool. State statutes do not limit the percentage of investments in either of these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers’ acceptances of any qualified financial institution.

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$847,982. Of this amount, \$250,000 was insured by the FDIC and the remainder was collateralized by the State of Oregon.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. RECEIVABLES

Receivables at June 30, 2020 consist of the following:

Property Taxes Receivable - represent delinquent amounts due to the District for property taxes levied by the District in current and prior years.

Grants Receivable - represent amounts due for claims for reimbursement of costs under various State and Federal grant programs.

State and Local Revenue Receivable – represents earned but not yet received revenue from State and Local sources.

District management believes that all receivables are collectible, and thus, no allowance for doubtful accounts is considered necessary.

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund activity during the year ended June 30, 2020 is as follows:

\$147,241 was reported as due to the General Fund. Of that amount, \$133,264 was from the Special Revenue Fund and \$13,977 was from the Food Service Fund.

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 50,762	\$ 166,321
Special Revenue	60,248	5,589
Food Service	76,601	-
Debt Service	29,472	45,173
Total	<u>\$ 217,083</u>	<u>\$ 217,083</u>

Transfers and Due To/From items are used to fund operations between funds.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2020 are as follows:

	Balance <u>June 30, 2019</u>	Additions	(Deletions)	Balance <u>June 30, 2020</u>
Fixed Assets				
Land	50	-	-	50
CIP	7,603,596	3,170,801	(7,226,923)	3,547,474
Buildings & Improvements	4,456,532	7,313,941	-	11,770,473
Equipment	<u>230,743</u>	<u>52,216</u>	<u>(5,667)</u>	<u>277,292</u>
Total	12,290,921	10,536,958	(7,232,590)	15,595,289
Accumulated Depreciation				
Buildings & Improvements	2,023,765	49,086	-	2,072,851
Equipment	<u>207,426</u>	<u>22,261</u>	<u>(5,667)</u>	<u>224,020</u>
Total	<u>2,231,191</u>	71,347	(5,667)	<u>2,296,871</u>
Total Net Capital Assets	<u><u>10,059,730</u></u>			<u><u>13,298,418</u></u>

Depreciation was allocated to the functions as follows:

Instruction	\$ 38,308
Support Services	30,080
Community Services	<u>2,959</u>
Total	<u><u>\$ 71,347</u></u>

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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 Comprehensive Annual Financial Report which can be found at:

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

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

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
 - i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.
 - ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following contributions are met:
 - member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
 - iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
 - iv. **Benefit Changes After Retirement.** Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations due to changes in the fair value of the underlying global equity investments of that account. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONT.)

- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
- Police and fire:* 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
- General service:* 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
- A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
- ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70½ years.
- iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2017 actuarial valuation, which became effective July 1, 2019. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2020 were \$402,428, excluding amounts to fund employer specific liabilities. In addition approximately \$131,385 in employee contributions were paid or picked up by the District in fiscal 2020. At June 30, 2020, the District reported a net pension liability of \$3,882,494 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2019 and 2018, the District's proportion was .02 percent and .03 percent, respectively. Pension expense for the year ended June 30, 2020 was \$430,804.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONT.)

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

- (1) Tier 1/Tier 2 – 21.95%
- (2) OPSRP general services – 16.50%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 214,108	\$ -
Changes in assumptions	526,705	-
Net difference between projected and actual earnings on pension plan investments	-	110,065
Net changes in proportionate share	74,357	566,181
Differences between District contributions and proportionate share of contributions	2,200	88,850
Subtotal - Amortized Deferrals (below)	817,370	765,096
District contributions subsequent to measuring date	402,428	-
Deferred outflow (inflow) of resources	\$ 1,219,798	\$ 765,096

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

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

Year ending June 30,	Amount
2021	203,690
2022	(89,508)
2023	(17,937)
2024	(27,643)
2025	(16,328)
Thereafter	-
Total	52,274

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

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

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

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONT.)

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

Actuarial Methods and Assumptions:

Valuation date	December 31, 2017
Experience Study Report	2016, Published July 26, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increase	3.50 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: RP-2014 Health annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2016 Experience Study which is reviewed for the four-year period ending December 31, 2016.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Investments	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

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

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONT.)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2017 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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

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

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

MONROE SCHOOL DISTRICT NO. 1J
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NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONT.)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$ 6,217,470	\$ 3,882,494	\$ 1,928,441

Changes Subsequent to the Measurement Date

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

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

Deferred Compensation Plan

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of resignation, death, disability, or retirement; unforeseeable emergency; or by requesting a de minimis distribution from inactive accounts valued less than \$5,000. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the District.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

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

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEFINED BENEFIT PENSION PLAN (CONT.)

Pension Benefits:

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

Death Benefits:

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

Contributions:

Employees of the District pay six (6) percent of their covered payroll. All employee contributions are picked up by the District.

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. DEBT

Long Term Debt:

Oregon Limited Pension Bond Series 2002 – On October 31, 2002 the District issued \$1,738,361 of Limited Tax Pension Bonds, Series 2002. The proceeds were used to pay off the outstanding PERS debt. Interest is payable at various times with interest rates ranging from 2.06% to 6.10%. Principal is due on June 30th of each year. Upon default, the owners of 25% or more of the outstanding principal of the bonds may take any actions available at law or in equity as may appear necessary or desirable to enforce or to protect any of the rights of the owners of the bonds. However, the bonds shall not be subject to acceleration.

General Obligation Bonds, Series 2017 – On April 3, 2017 the District issued \$5,970,000 of GO Bonds to finance major capital improvements. Principal payments are due annually and interest payments are due bi-annually. The bonds bear interest at between 2%-4%. In the event of default, owners of 51% or more of the principal amount of the bonds may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the owners of bonds. However, the bonds shall not be subject to acceleration.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEBT (CONT.)

Changes in Long-Term Debt were as follows:

	Outstanding July 1, 2019	Additions	Reductions	Outstanding June 30, 2020	Balance Due Within One Year
Oregon Limited Pension Bond Series 2002	\$ 1,321,321	\$ -	\$ 36,321	\$ 1,285,000	\$ 115,000
GO Bonds, Series 2017	5,795,000	-	145,000	5,650,000	160,000
Bond Issue Premium (2017)	423,992	-	23,555	400,437	23,555
Total Long-Term Debt	\$ 7,540,313	\$ -	\$ 204,876	\$ 7,335,437	\$ 298,555

Year	Oregon Limited Pension Bond Series 2002		Government Obligation Bonds Series 2017		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020-21	\$ 115,000	\$ 71,082	\$ 160,000	\$ 216,625	\$ 275,000	\$ 287,707
2021-22	130,000	64,757	175,000	211,825	305,000	276,582
2022-23	145,000	57,633	195,000	206,575	340,000	264,208
2023-24	165,000	49,673	210,000	200,725	375,000	250,398
2024-25	185,000	40,515	225,000	194,425	410,000	234,940
2025-30	545,000	55,223	1,465,000	818,925	2,010,000	874,148
2030-35	-	-	2,135,000	481,250	2,135,000	481,250
2035-2037	-	-	1,085,000	65,800	1,085,000	65,800
Totals	\$ 1,285,000	\$ 338,883	\$ 5,650,000	\$ 2,396,150	\$ 6,935,000	\$ 2,735,033

Direct Borrowings:

Small Scale Local Energy (SELP) Loan – On March 15, 2012 the District acquired a loan from the State of Oregon for the purpose of meeting debt service costs of an HVAC project, which replaced the boiler at Monroe High School. Revenues collected from Pacific Power and Light Company as a result of Senate Bill 1149 legislation are used to meet the debt service cost. Principal and interest is due monthly and the interest rate is 3.5%. All machinery, equipment, improvements and other property acquired as part of the project, any unexpended loan proceeds, any public purpose charge funds received by the District under SB 1149, and all pass-through payments resulting from conservation tax credits are pledged as collateral. In the event of default, lender has the right to accelerate the maturity date for any unpaid principal and accrued interest.

The loan's balance at the beginning of the year was \$197,922. During 2019-2020 the District paid down \$22,842 of the principal balance and the total outstanding principal as of June 30, 2020 was \$175,080. In the following year, \$23,673 in principal is due.

MONROE SCHOOL DISTRICT NO. 1J
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NOTES TO BASIC FINANCIAL STATEMENTS

7. DEBT (CONT.)

Future principal and interest payments on direct borrowings are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020-21	\$ 23,673	\$ 5,799
2021-22	24,515	4,957
2022-23	25,387	4,085
2023-24	26,281	3,191
2024-25	27,225	2,247
2025-2027	47,999	9,577
Totals	<u>\$ 175,080</u>	<u>\$ 29,856</u>

8. OTHER POST EMPLOYMENT BENEFIT PLAN – HEALTH INSURANCE SUBSIDY

Plan Description

The District administers a single-employer defined benefit healthcare plan that covers both active and retired participants. The plan provides post-retirement healthcare benefits for eligible retirees and their dependents through the District's group health insurance plans. The District's post-retirement plan was established in accordance with Oregon Revised Statutes (ORS) 243.303 which states, in part, that for the purposes of establishing healthcare premiums, the calculated rate must be based on the cost of all plan members, including both active employees and retirees. Because claim costs are generally higher for retiree groups than for active members, the premium amount does not represent the full cost of coverage for retirees. The resulting additional cost, or implicit subsidy, is required to be valued under GASB Statement 75 related to Other Post-Employment Benefits (OPEB). Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective. The valuation date was July 1, 2019 and the measurement date was June 30, 2019.

Funding Policy

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

Actuarial Methods and Assumptions

The District engaged an actuary to perform a valuation as of July 1, 2019 using the Entry Age Cost Method. Mortality rates were based on the RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females. Demographic assumptions regarding retirement, mortality, and turnover are based on Oregon PERS valuation assumptions as of December 31, 2018. Election rate and lapse assumptions are based on experience implied by valuation data for this and other Oregon public employers.

MONROE SCHOOL DISTRICT NO. 1J
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NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST EMPLOYMENT BENEFIT PLAN – HEALTH INSURANCE SUBSIDY (CONT.)

Health Care Cost Trend Medical and vision:

Year	Pre-65 Trend
2020	4.25%
2021	5.50%
2022-2025	5.00%
2026-2035	4.75%
2036-2051	5.00%
2052-2064	4.75%
2065-2068	4.50%
2069-2071	4.25%
2072+	4.00%

Dental and Vision: 4% per year

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

General Inflation

2.50% per year, used to develop other economic assumptions

Annual Pay Increases

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

Mortality

Pub-2010 Teacher Employee and Healthy Retiree tables, sex distinct for members and dependents. Future mortality improvement is not projected as it would be immaterial to the valuation

Disability

Not used

Withdrawal

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

Retirement

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

**Changes in Total OPEB Liability
 June 30, 2019 to June 30, 2020**

	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2019	\$ 336,035
Changes for the year:	
Service cost	29,437
Interest on total OPEB liability	13,740
Effect of changes to benefit terms	0
Effect of economic/demographic gains or losses	(27,070)
Effect of assumptions changes or inputs	(12,244)
Benefit payments	(21,057)
Balance as of June 30, 2020	\$ 318,841

MONROE SCHOOL DISTRICT NO. 1J
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NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST EMPLOYMENT BENEFIT PLAN – HEALTH INSURANCE SUBSIDY (CONT.)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Trend Rates

The following analysis presents the net OPEB liability using a discount rate of 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 (3.50%) 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 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 338,138	\$ 318,841	\$ 300,882

	1% Decrease Healthcare	Current Trend Rate Healthcare	1% Increase Healthcare
Total OPEB Liability	\$ 292,307	\$ 318,841	\$ 350,444

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (23,728)
Changes in assumptions or other input	-	(24,227)
Benefit Payments	27,752	-
Deferred outflow (inflow) of resources	\$ 27,752	\$ (47,955)

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

Year ending June 30,	Amount
2021	\$ (7,455)
2022	(7,455)
2023	(7,455)
2024	(7,455)
2025	(7,267)
Thereafter	(10,868)
Total	\$ (47,955)

MONROE SCHOOL DISTRICT NO. 1J
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NOTES TO BASIC FINANCIAL STATEMENTS

9. 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.

Participating districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.06% of annual covered OPERF payroll and 0.00% of OPSRP payroll under a contractual requirement in effect until June 30, 2020. Consistent with GASB Statement 75, the OPERS Board of Trustees sets the employer contribution rates as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined. The basis for the employer's portion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the plan with the total actual contributions made in the fiscal year of all employers. The District's contributions to RHIA for the years ended June 30, 2018, 2019 and 2020 were \$10,204, \$10,419 and \$2,591, respectively, which equaled the required contributions each year.

At June 30, 2020, the District's net OPEB liability/(asset) and deferred inflows and outflows were not considered significant by management and were not accrued on the government wide statements.

10. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage.

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

SUPPLEMENTARY INFORMATION

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

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

<u>DEBT SERVICE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
1000 Local Sources	\$ 501,772	\$ 501,772	\$ 555,205	\$ 53,433
Total Revenues	<u>501,772</u>	<u>501,772</u>	<u>555,205</u>	<u>53,433</u>
EXPENDITURES:				
5000 Debt Service	570,079	570,079 (1)	569,948	131
Total Expenditures	<u>570,079</u>	<u>570,079</u>	<u>569,948</u>	<u>131</u>
Excess of Revenues Over (Under) Expenditures	(68,307)	(68,307)	(14,743)	53,302
OTHER FINANCING SOURCES (USES)				
5200 Transfer In	34,845	34,845	29,472	(5,373)
5200 Transfer Out	-	- (1)	(45,173)	(45,173)
Total Other Financing Sources (Uses)	<u>34,845</u>	<u>34,845</u>	<u>(15,701)</u>	<u>(50,546)</u>
Net Change in Fund Balance	(33,462)	(33,462)	(30,444)	3,018
Beginning Fund Balance	<u>233,667</u>	<u>233,667</u>	<u>234,475</u>	<u>808</u>
Ending Fund Balance	<u>\$ 200,205</u>	<u>\$ 200,205</u>	<u>\$ 204,031</u>	<u>\$ 3,826</u>

(1) Appropriation Level

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

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

CAPITAL PROJECTS FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
1000 Local Sources	\$ 20,000	\$ 20,000	\$ 57,692	\$ 37,692
3000 State Sources	2,500,000	2,500,000	2,261,592	(238,408)
Total Revenues	<u>2,520,000</u>	<u>2,520,000</u>	<u>2,319,284</u>	<u>(200,716)</u>
EXPENDITURES:				
4000 Facilities Acquisition and Construction	<u>6,381,747</u>	<u>6,381,747 (1)</u>	<u>3,175,420</u>	<u>3,206,327</u>
Total Expenditures	<u>6,381,747</u>	<u>6,381,747</u>	<u>3,175,420</u>	<u>3,206,327</u>
Net Change in Fund Balance	(3,861,747)	(3,861,747)	(856,136)	3,005,611
Beginning Fund Balance	<u>3,861,747</u>	<u>3,861,747</u>	<u>2,612,111</u>	<u>(1,249,636)</u>
Ending Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,755,975</u></u>	<u><u>\$ 1,755,975</u></u>

(1) Appropriation Level

MONROE SCHOOL DISTRICT NO. 1J
BENTON COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS



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November 23, 2020

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Monroe School District as of and for the year ended June 30, 2020, and have issued our report thereon dated November 23, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Monroe School District's financial statements are free of material misstatement, we performed tests of its 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.**
- **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 Monroe 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 except as follows:

1. There were three instances where actual expenditures exceeded appropriations, as noted on page 16.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal controls 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.

A handwritten signature in black ink, appearing to read "Ken Allen".

Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.