

Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

MULTNOMAH EDUCATION SERVICE DISTRICT

Multnomah County, Oregon

Multnomah Education Service District

Multnomah County, Oregon

Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

Prepared by the Business Services Department

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Portland, OR 97220
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INTRODUCTORY SECTION

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October 21, 2014

To the Board of Directors of the Multnomah Education Service District and
Residents of Multnomah County, Oregon:

Oregon Municipal Law requires that an independent audit be made of all District funds within six months following the close of the fiscal year. Pursuant to this requirement, the Comprehensive Annual Financial Report of Multnomah Education Service District (the District or Multnomah ESD or MESD) for the fiscal year ended June 30, 2014 is hereby submitted.

The District's Business Services Department prepared this report, and management assumes the responsibility for the completeness, reliability, and accuracy of all the information presented.

The District's management has established a comprehensive internal control framework that is designed both to protect the assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Since the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Independent Audit

The provisions of Oregon Revised Statutes require an independent audit of the financial records and fiscal affairs of the District. The auditors selected by the Board of Education, Talbot, Korvola & Warwick, LLP, have completed their audit of the financial statements and, accordingly, have issued an unmodified ("clean") opinion on the MESD's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

The Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 require state and local governments that expend \$500,000 or more in federal assistance in a year have a special form of audit conducted for that year. MESD has issued a report on these requirements and the requirements of the implementing circular, U.S. Office of Management and Budget's Circular A-133, Audits of State and Local Governments. Talbot, Korvola & Warwick, LLP have also provided various required reports. These reports are located in the Single Audit Section of this report.

Management's Discussion and Analysis

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditor's report.

Report Contents

The Comprehensive Annual Financial Report is presented in five sections. These sections and their components are as follows:

- The **Introductory Section** includes this Letter of Transmittal, the list of the Board of Directors and Administration, and the District's organization chart.
- The **Financial Section** includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), the basic financial statements including notes to the basic financial statements, required supplementary information (RSI), and other supplemental information including fund financial statements.
- The **Statistical Section** includes government wide summary financial data, summary financial trends, revenue capacity, debt capacity, demographic and economic information and operating information.
- The **Single Audit Section** includes the Schedule of Expenditures of Federal Awards, and the required Independent Auditor's Reports on internal controls and compliance with laws and regulations.
- The **Other Information as Required by the Oregon Department of Education** includes supplemental information and audit summaries.
- The **Other Information as Required by the State of Oregon** section contains disclosures required by the Minimum Standards for Audits of Oregon Municipal Corporations.

PROFILE OF THE DISTRICT

Mission Statement:

Multnomah Education Service District improves the lives of all children and families by providing equitable, high quality, innovative, cost-effective and locally responsive educational, health and support services at a regional level in partnership with school districts and community agencies.

General Background

Education Service Districts (ESDs) originated in Oregon's first laws establishing a general system of common schools. The Multnomah ESD evolved from the county school superintendent's office, first established in 1854. Responsibilities of that office were transferred from county government to an independent district in 1957. The state legislature formally established the ESD in 1963. In 1978, the name of the district was changed from Intermediate Education District to Multnomah Education Service District.

Throughout the history of Oregon's regional services system, local governance and state statutes concerning the mission of ESDs has remained somewhat constant: "Education Service Districts assist school districts and the State of Oregon achieving Oregon's education goals by providing excellent and equitable educational opportunities for all Oregon public school students." Today, each ESD provides regional services to its component school districts, primarily in areas that the school districts alone would not be able to adequately and equitably provide. Currently there are 19 ESDs in Oregon serving 36 counties.

Local district programs and services are provided by two means. Non-resolution programs are funded via grants or fee for service contracts. Resolution programs are those that, through a resolution, are authorized by at least two-thirds of the school boards representing a majority of total county students. Resolution programs are funded from property taxes and state school fund revenue. The State allocates support by granting ESDs a percentage of the total amount available for K-12 school funding, with each ESD receiving a fixed share of that total based on the ADMw of its component school districts.

Senate Bill 250, adopted in the 2011 Legislative Session, substantially changed how ESDs operate. The bill allows component school districts in specific Education Service Districts, including MESD, to opt out of ESD services and provides for school districts to receive funding for ESD services directly from the state. In 2013-14, none of the MESD's local districts chose to opt out.

District Structure

Multnomah ESD is governed by an elected seven-member board consisting of five directors representing specific geographic zones in Multnomah County and two at-large. The Board of Directors establishes and oversees policies, employs staff and dedicates resources. It is the chief governing body and is exclusively responsible for its public policies and accountable for fiscal oversight. Board members serve four-year terms without compensation and can be re-elected. The chief administrative officer of the District is the superintendent who is appointed by the Board.

Geography and Population

The Multnomah ESD is the second-largest education service district in Oregon. The eight school districts (referred to as "component districts") in MESD's region are diverse and include inner city, suburban and rural schools.

MESD Component Districts



MESD Eight Component Districts					
District	Total Schools	Total Enrollment	District	Total Schools	Total Enrollment
Centennial	10	7,654	Parkrose	6	4,178
Corbett	3	1,427	Portland	92	54,087
David Douglas	16	12,920	Reynolds	19	14,226
Gresham-Barlow	20	14,000	Riverdale	2	576

Source: MESD Accountability Report 2012-2013, Enrollment = ADMw

Within these districts are 168 schools with 109,068 students over a geographic area that stretches from Portland's west hills to the foothills of the Cascades, and from the Columbia River on the north to the Clackamas County line on the south. An estimated population of 760,000 live within the Multnomah ESD boundary which includes Multnomah County and extends into Clackamas and Washington counties along school district boundaries.

Services Provided (Local Service Plan)

Every Oregon ESD, working with their component school districts, must annually develop a Local Service Plan which determines how the State School Funds (SSF) will be used. Ninety percent of the SSF revenue received by an ESD is subject to this process. The Local Service Plan determines programs and services that the ESD will offer its component districts for the following fiscal year. In accordance with Oregon Revised Statute 334.177, the remaining ten percent of the SSF revenue is used for the general operating costs of the ESD.

The Local Service Plan must include services from at least the following categories: special education, technology, school improvement, and administrative support. The plan must also include any "entrepreneurial services" that the ESD intends to offer to any entity that is not a component school district either outside of the ESD boundary or inside the ESD boundary.

Under the Resolution Process, at least two-thirds of the school districts in an ESD, representing more than one-half of the student population, must approve the Local Service Plan.

MESD provides the following services to its component school districts:

Special Education Services provides services to the component districts as well as to districts outside of Multnomah County. Special education partners with community organizations and the component districts to ensure that every child with a disability is provided the best educational opportunities available.

School Health Services provides and coordinates specialized services that support the educational experience for students enrolled in our component districts as well as some Clackamas County districts. The department works to ensure that all areas of health are supported for our students' physical, emotional and mental well-being. Together a connection is formed between health and education.

Instructional Services provides instruction for students enrolled in regional programs, instructional support for schools, and professional development for educators on a variety of topics. These programs offer a variety of enrichment and enhancement opportunities which complement instruction within the component districts as well as to several districts in Clackamas County. Students in the District's

educational programs receive comprehensive educational support, social services, career training, college assistance, environmental education, and specialized education services. These programs emphasize compassion for others, nonviolent ways of settling disputes, resiliency to handle life's challenges, and preparation for college, work, parenthood and civic responsibility.

Technology Services provides services both to the component districts through resolution and contracted services as well as internally to the District. The goal of Technology Services is to deliver administrative computer technology and support designed to increase the component district's efficiency and improve internal and external communications. The services fall into four categories: Student Information Services, Business Systems Support, Network Services, and Internal Agency Support.

Administrative and Support Services provides services for component school districts, including but not limited to services designed to consolidate component school district business functions, liaison services between the Department of Education and component school districts, registration of children being taught by private teachers, parents or legal guardians pursuant to ORS 339.035, and substitute teacher registration and administration. Other support services include home school registration and courier services.

Budget Process and Budgetary Level of Control

The District is required by the State of Oregon to adopt an annual budget for all funds subject to the requirements of Local Budget Law as outlined in the 2011 Oregon Revised Statutes 297.405 to 297.555 and 297.990. The budget for each individual fund is a plan for the financial operations to be conducted during the coming fiscal year and is adopted annually, prior to July 1, by the Board after certification by the Multnomah County Tax Supervising and Conservation Commission (TSCC). The budget also provides the authority to levy property taxes. After adoption, the budget may be amended through procedures specified in State statute and Board policy.

The Budget Committee consists of the seven members of the MESD Board, along with an equal number of representatives, plus one, who are appointed by the MESD Board from among members of component district boards or designees of component district boards. The Superintendent is designated as budget officer and he/she or designee prepares the budget document and submits it to the Budget Committee for approval before presentation to the Board and the TSCC. Activities for all governmental funds are included in the annual appropriated budget. For each fund, the expenditures are appropriated by the following major functions:

- Instruction
- Enterprise & Community Services
- Debt Service
- Fund Transfers
- Support Services
- Facilities Acquisitions & Construction
- Other Uses (Transit Payments)
- Contingencies

Department directors may realign appropriation within a major function as they see fit; however, transfers between major functions, even within the same fund, require Board approval. More information about the budgetary process can be found in the notes to the basic financial statements (see note I.F).

Cash Management

Through the year, cash not required for current operations is invested in the State of Oregon Local Government Investment Pool, U.S. Treasury securities and demand deposits.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy

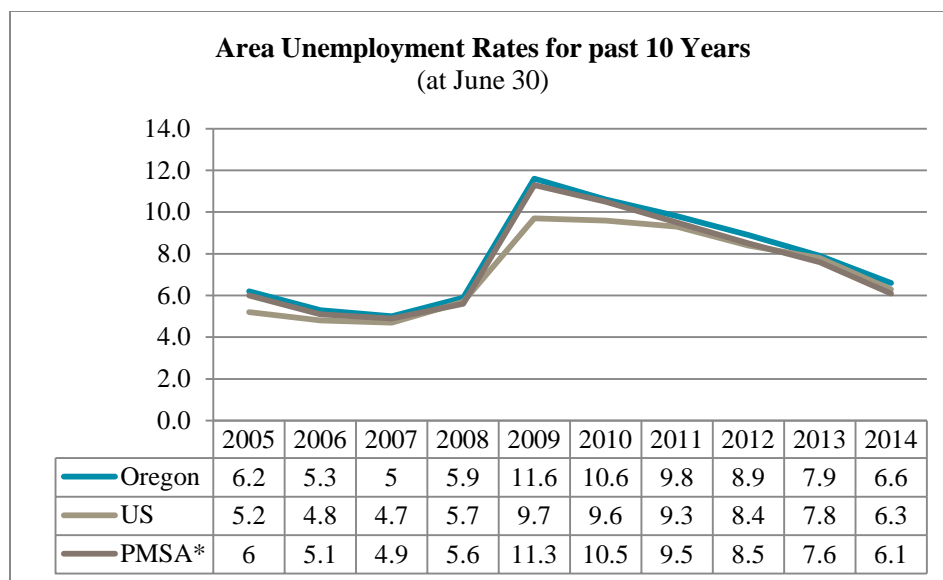
The District is primarily encompassed within Multnomah County. It is located in northwestern Oregon at the confluence of the Columbia and Willamette rivers, approximately 110 river miles and 80 highway miles from the Pacific Ocean. The County covers 465 square miles, and serves a population of 756,530 residents. The cities of Portland and Gresham are the largest incorporated cities in the County.

The Portland metropolitan area is the financial, trade, transportation and service center for Oregon, southwest Washington State and the Columbia River basin. Its manufacturing base includes electronics, machinery, transportation equipment, and fabricated metals. Between June 2013 and June 2014, area employment increased by 34,000 jobs, or 3.3 percent.

Nonfarm Payroll Employment (not seasonally adjusted)				
	June 2014	June 2013	Change	Percent
Construction	56,200	52,000	4,200	8.1%
Manufacturing	119,300	116,000	3,300	2.8%
Trade, Trans., & Utilities	198,800	192,700	6,100	3.2%
Information	23,000	22,500	500	2.2%
Financial Activities	64,400	63,700	700	1.1%
Professional & Bus. Svc	159,500	152,600	6,900	4.5%
Educ. & Health Services	154,600	147,800	6,800	4.6%
Leisure & Hospitality	109,300	106,300	3,000	2.8%
Government	149,500	148,400	1,100	0.7%
Mining and Logging	1,000	1,000	0	0.0%
Other Services	38,300	36,900	1,400	3.8%
Total Nonfarm Payroll	1,073,900	1,039,900	34,000	3.3%

Source: Oregon Employment Dept: WorkSource Oregon Portland Metro Labor Trends (August 2014)

During the past five years, the area's unemployment rate has made a gradual decrease. As of June 30, 2014 the Portland-Vancouver-Hillsboro MSA unemployment rate was at 6.1%, down from 7.6% a year ago, but still higher than the 4.7% in 2007. The unemployment rate for the area is slightly lower than the State of Oregon (6.6%) and the national average (6.3%). The following chart shows the 10-year rate history.



* The Portland metro area includes all of Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark and Skamania counties in Washington State.

Source: Oregon Employment Department: WorkSource Oregon Labor Force Data (qualityinfo.org)

Long-Term Financial Planning

The Multnomah ESD is funded primarily through local property taxes and by the State of Oregon based on the state school formula. State funding is heavily dependent on personal income tax collections, and is subject to fluctuation based on the overall economic status of the state.

ACKNOWLEDGEMENTS

We would like to express our appreciation to the staff of the Business Services Department and members of other MESD departments who assisted in the preparation of this Comprehensive Annual Financial Report. We further extend our appreciation to the members of the Board of Directors, employees of the District, and the citizens of Multnomah County whose continued cooperation, support, and assistance have contributed greatly to the achievements of the Multnomah Education Service District.

Respectfully submitted,

Barbara Jorgensen
Superintendent

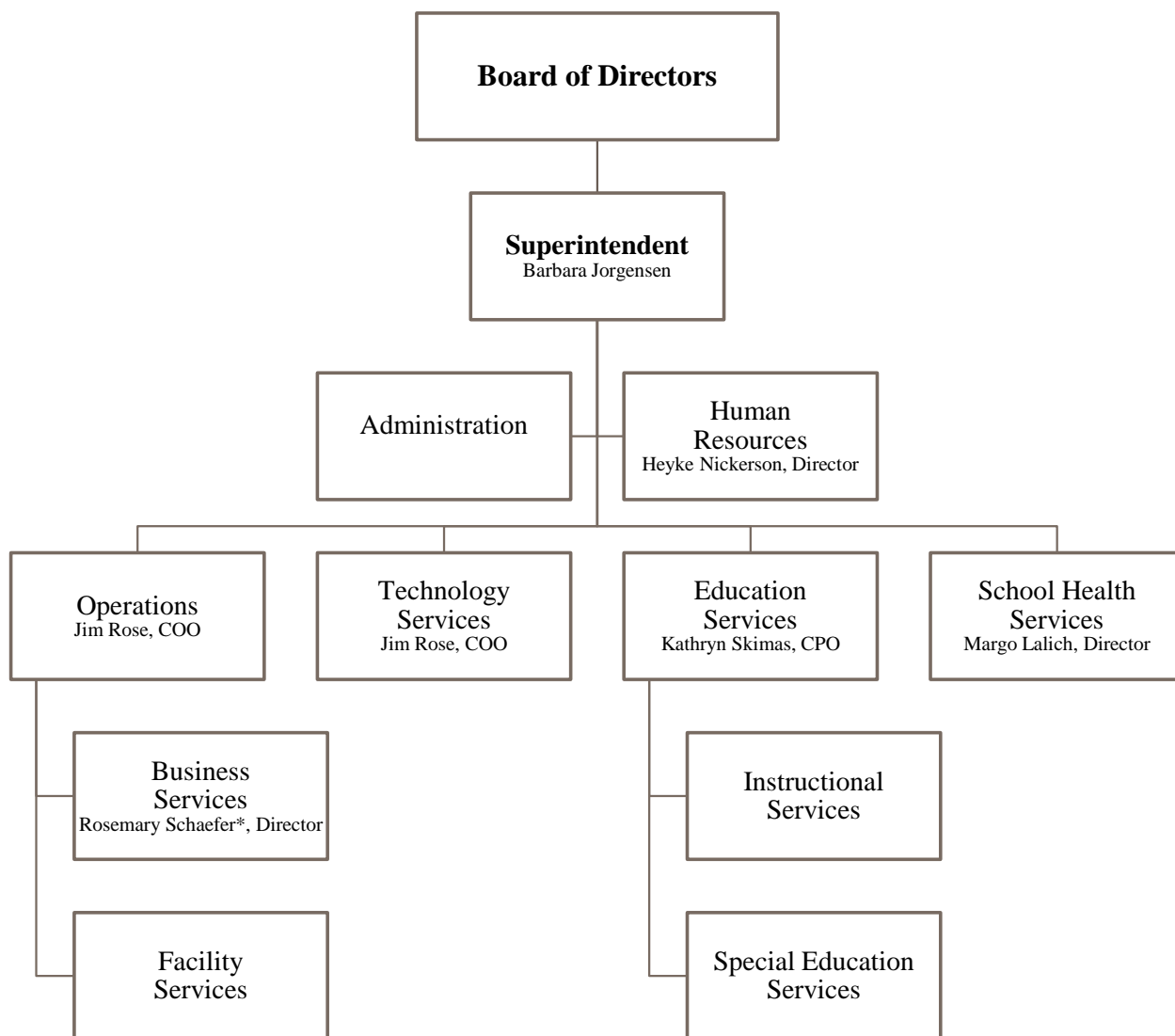
Jim Rose
Chief Operating Officer

Multnomah Education Service District**BOARD OF DIRECTORS****June 30, 2014**

<u>Position</u>	<u>Board Member</u>	<u>Represented Zone</u>	<u>Term Ends</u>
One	Bernie Giusto, Chair	East Multnomah County	6/30/2017
Two	Nels Johnson	At Large	6/30/2017
Three	Erica Thatcher	Central Portland	6/30/2017
Four	Francisco (Frank) Acosta Jr.	Mid-Multnomah County	6/30/2017
Five	Gary Hollands	N/NE Portland	6/30/2015
Six	Doug Montgomery	At Large	6/30/2015
Seven	Kevin Spellman	SE/SW Portland	6/30/2015

ADMINISTRATION

Barbara Jorgensen	Superintendent
Jim Rose	Chief Operating Officer, and Director, Technology Services
Heyke Nickerson	Director, Human Resource Services/Legal Services
Mark Skolnick	Public Information Officer
Don Hicks	Risk Management

Multnomah Education Service District**ORGANIZATIONAL STRUCTURE****JUNE 30, 2014**

* Doana Anderson became Director of Business Services in August, 2014.

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FINANCIAL SECTION

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**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

ACHIEVE MORE

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Multnomah Education Service District
Portland, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Multnomah Education Service District, Portland, Oregon (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity's 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 entity's 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Board of Directors
Multnomah Education Service District
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OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying budgetary information for the Operating Fund, Resolution Services Fund, and Contracted Services Fund, as listed in the Table of Contents as Required Supplementary Information, although not a part of the basic financial statements, is presented for purposes of additional analysis and is required by the Governmental Accounting Standards Board, who considers it to be an essential part of basic financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information 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. This 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, this Required Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Board of Directors
Multnomah Education Service District
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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other schedules, listed in the Table of Contents as Other Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary Information 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Information as Required by the Oregon Department of Education

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other information as required by the Oregon Department of Education, as listed in the Table of Contents, is not a required part of the basic financial statements and is presented for the purposes of additional analysis, as required by the Oregon Department of Education. We have applied certain limited procedures to this other information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Board of Directors
Multnomah Education Service District
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Other Reporting Required by Oregon Minimum Standards.

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated October 21, 2014 on our consideration of the compliance with certain provisions of laws and regulations, including the provisions of the Oregon Revised Statutes as specified in the 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.

TALBOT, KORVOLA & WARWICK, LLP

By 

Timothy R. Gillette, Partner
Lake Oswego, Oregon
October 21, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Multnomah Education Service District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014.

Financial Highlights

- In the government-wide statements, the assets of the District exceeded its liabilities at June 30, 2014 by \$8.6 million. Of this amount, \$7.7 million represents the District's investment in capital assets net of related debt, \$2.0 million is restricted, and the remainder is an unrestricted net deficit of -\$1.2 million.
- The District's total net position decreased by \$2.7 million, primarily due to the loss of the Early Childhood program and less than anticipated contract revenues.
- The District's governmental funds report combined ending fund balance of \$12.8 million, a decrease of \$1.8 million. Approximately 34 percent of this total amount, \$4.4 million, is assigned to help support future program services provided to component school districts and approximately 32 percent, \$3.3 million, is available for the District's operating needs. The remaining amount is either unspendable inventory, restricted by grants and resolution funding, or is committed for future facilities projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and 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 of the assets and liabilities of the District at year-end, with the difference 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 net position of the District 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 for some items that will only result in cash flows in future fiscal periods.

In both statements, the District's activities are shown in one category as *governmental activities*. The governmental activities of the District include services related to K-12 education. These activities are primarily supported through property taxes, the Oregon's State School Fund, and other intergovernmental revenues.

The government-wide financial statements begin on page 13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary 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 spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The MESD maintains six individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Resolution Services Fund, and the Contracted Services Fund which are all considered major funds and in the Debt Service Fund which is considered a nonmajor fund. For reporting purposes, the General Fund is a combination of the operating fund, the risk management reserve fund, and the facilities and equipment reserve fund. Individual fund data for the General Fund in the form of *combining statements* is presented elsewhere in this report.

The MESD adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for each fund individually in either required or supplementary information to demonstrate compliance with the fund level budgets.

The basic governmental fund financial statements begin on page 15 of this report.

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the MESD's own programs. The MESD maintains one fiduciary fund which reports resources held by the District in a custodial capacity for component districts and for the Oregon Association of Education Service Districts (OAESD) as fiscal agent.

The basic fiduciary fund financial statement is on page 19 of this report.

Notes to the basic financial statements. The notes 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 financial statements begin on page 21 of this report.

Other information. *Required Supplementary Information (RSI)* is located directly after the notes to the basic financial statements and represents the required comparison of the budget and actual results on the District's budgetary basis for the Operating Fund, the Resolution Services Fund and the Contracted Services Fund. In addition the RSI discloses the actuarial estimate of funding progress of the District's other post-employment healthcare benefits obligations (OPEB). This information begins on page 41 of this report.

Other Supplementary Information (OSI) includes combining statements for the general governmental funds, budgetary comparison schedules for the general and nonmajor governmental fund, and other financial schedules. Other supplementary information begins on page 47 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the MESD, assets exceeded liabilities by \$8.6 million at the close of the most recent fiscal year.

Multnomah Education Service District's Comparative Statement of Net Position

	June 30, 2014	June 30, 2013	Increase (Decrease)
Assets			
Current and other assets	\$ 19,206,452	\$ 23,492,046	\$ (4,285,594)
Prepaid pension cost, net of amortization	18,307,917	19,716,219	(1,408,302)
Net capital assets	9,214,678	9,651,813	(437,135)
Total assets	46,729,047	52,860,078	(6,131,031)
Liabilities			
Long-term liabilities outstanding	31,355,000	32,655,000	(1,300,000)
Other liabilities	6,816,017	8,930,179	(2,114,162)
Total liabilities	38,171,017	41,585,179	(3,414,162)
Net position			
Net investment in capital assets	7,724,678	7,691,813	32,865
Restricted	1,984,374	2,102,018	(117,644)
Unrestricted	(1,151,022)	1,481,068	(2,632,090)
Total net position	\$ 8,558,030	\$ 11,274,899	\$ (2,716,869)

A significant portion of the MESD's net position reflects its investment in capital assets (e.g. buildings, vehicles, and equipment.) The MESD uses the capital assets to provide services to students and other District residents; consequently these assets are not available for future spending. Although the MESD's investment in its 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.

The next category of the MESD's net position represents resources that are subject to external restrictions on how they may be used. Restricted assets are mostly composed of remaining resolution dollars held for component districts and grant funding. The remaining deficit of \$1.2 million is unrestricted.

There was a significant decrease of \$4.3 million reported in current and other assets. The majority of the decrease is in cash and cash equivalents (\$3.7 million). Of that amount, \$1.2 million represents a one-time payment to David Douglas School District for the Early Childhood program.

Changes in net position. Governmental activities decreased the MESD's net position by \$2.7 million for the fiscal year 2013-2014. Key elements of this decrease are as follows:

Multnomah Education Service District's Comparative Statement of Activities

	June 30, 2014	June 30, 2013	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	\$ 9,683,179	\$ 10,776,757	\$ (1,093,578)
Operating grants & contributions	9,930,046	24,018,999	(14,088,953)
General revenues			
Property taxes	27,098,503	26,195,536	902,967
State School Fund	6,850,158	5,315,956	1,534,202
Federal stimulus	6,500	299,974	(293,474)
Earnings on investments	79,432	79,693	(261)
Miscellaneous revenues	2,774,348	3,079,530	(305,182)
Total revenues	56,422,166	69,766,445	(13,344,279)
Expenses			
Instruction	12,030,218	17,718,338	(5,688,120)
Support services	26,226,125	35,535,887	(9,309,762)
Enterprise and community services	5,241,283	3,624,992	1,616,291
Facilities repairs and maintenance	235,065	110,488	124,577
Apportionment of funds by the ESD	13,321,333	13,555,146	(233,813)
Unallocated depreciation	282,651	294,277	(11,626)
Interest on long-term debt	1,802,360	1,842,632	(40,272)
Total expenses	59,139,035	72,681,760	(13,542,725)
Change in Net Position	(2,716,869)	(2,915,315)	198,446
Net Position - Beginning	11,274,899	14,190,214	(2,915,315)
Net Position - Ending	\$ 8,558,030	\$ 11,274,899	\$ (2,716,869)

- Due to the nature of grants, fluctuations in operating grants and contributions revenue is common.
- The largest fluctuation in revenues and expenditures (approximately \$13 million) is due to the loss of Early Intervention/Early Childhood grant and its related contract services in July 2013. In addition, less than anticipated expenditures and administrative fee revenue from the District's largest contract with the Oregon Department of Human Services contributed to the large variance.

Financial Analysis of the District's Major Funds

As noted earlier, the MESD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the MESD's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the MESD's financial requirements. In particular, unassigned fund balance may serve as a useful measure of the MESD's net resources available for spending at the end of the fiscal year.

General Fund. The General Fund is the chief operating fund of the District and is supported by transfers from the resolution services fund. During the 2013-14 fiscal year, the fund balance decreased by \$154 thousand. This decrease is primarily a result of facility maintenance and equipment reserve expenditures.

Resolution Services Fund. The Resolution Services Fund accounts for the revenues from property taxes and State School Fund (which together constitute “local revenues”). In accordance with Oregon statutes, 90% of these proceeds remain in the fund and are restricted for use by the MESD’s eight component school districts while the remaining 10% are transferred to the General Fund to be used to fund supporting operations. During the 2013-14 fiscal year, the fund balance increased by approximately \$398 thousand due to less than projected expenditures.

Contracted Services Fund. The Contracted Services Fund accounts for revenues from grants, state contracts, and revenues from the MESD’s component school districts for additional services beyond those purchased through the resolution services fund. During the 2013-14 fiscal year, the fund balance decreased by \$2 million. This decrease is primarily due to the distribution of \$1.2 million of Early Childhood program remaining fund balance to David Douglas School District, and the use of existing fund balance for nursing and Medicaid related services.

Operating Fund Budgetary Highlights

The MESD continues to implement several efficiency and cost-cutting measures to reduce the operating expenses of the District. This resulted in approximately \$206 thousand positive variance in fund balance from the budget.

Capital Asset and Debt Administration

Capital Assets. The District’s investment in capital assets includes buildings and improvements, site improvements, vehicles and equipment, and construction in progress. As of June 30, 2014 the District had invested \$9,214,678 in capital assets, net of depreciation. Additional information on the District’s capital assets can be found in Note III.D to the financial statements.

Long-Term Debt. At the end of the current fiscal year, the District had two bond issues with a total debt outstanding of \$32,655,000. The OSBA Limited Tax Pension Obligations, Series 2004 bonds had a remaining balance of \$31,165,000 at June 30, 2014. These bonds were sold to fund the District’s Public Employees Retirement System unfunded actuarial liability. The source of funding to repay this debt is derived from charges to payroll which reduces the District’s PERS contributions.

The second issue is the 2004 Refunding of 1997 full faith credit obligations, which had a remaining balance of \$1,490,000 at June 30, 2014. This is a general obligation bond issue and funds are transferred from the Operating fund to the Debt Service fund each year to pay the annual debt service. Proceeds from the original issue were used to construct Alpha High School and Arata Creek School.

Further information on the District’s long-term debt can be found in Note III.I to the Financial Statements.

Economic Factors and Next Year’s Budgets and Rates

A significant factor affecting the District is Property Taxes and State School Fund which make up 59% of its total revenues. These revenues in fiscal year 2013-14 were \$1.1 million less than ten years ago.

The District's PERS rates are calculated for a biennium. The fiscal year 2013-14 was the first year of the biennium and rates will remain the same for 2014-15. PERS rates for the next biennium beginning in 2015-16 are expected to be significantly lower due to PERS reforms at the state level. PERS Tier I/II rates will change from 13.85% to 5.55%, OPSRP rate will change from 11.85% to 0.86%, and the OPSRP Police & Fire rate will change from 14.58% to 4.97%.

Request for Information

This financial report is designed to provide a general overview of the Multnomah Education Service District's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be address to:

Director of Business Services
Multnomah Education Service District
11611 NE Ainsworth Circle
Portland, OR 97220

Basic Financial Statements



Multnomah Education Service District
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 8,593,537
Property Taxes Receivable	1,903,843
Accounts Receivable	8,653,141
Inventory	21,597
Prepaid Items	34,334
Prepaid Pension Costs, Net of Amortization	18,307,917
Capital Assets, Net of Depreciation	9,214,678
Total Assets	46,729,047
Liabilities	
Accounts Payable	1,294,112
Accrued Payroll & Withholdings	3,013,825
Accrued Compensated Absences	154,983
Other Post-Employment Benefits	1,053,097
Non-Current Liabilities:	
Due Within One Year	1,300,000
Due in More Than One Year	31,355,000
Total Liabilities	38,171,017
Net Position	
Net Investment in Capital Assets	7,724,678
Restricted	1,984,374
Unrestricted	(1,151,022)
Total Net Position	\$ 8,558,030

The notes to the basic financial statements are an integral part of this statement.

Multnomah Education Service District
Statement of Activities
For the Year Ended June 30, 2014

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular Programs	\$ 543,387	\$ 379,571	\$ 287,233	\$ 123,417
Special Programs	11,486,831	4,095,165	2,902,055	(4,489,611)
Support Services				
Student Services	13,035,776	3,398,153	856,280	(8,781,343)
Instructional Staff Services	273,551	34,160	21,284	(218,107)
General Administration	528,053	-	1,442	(526,611)
School Administration	1,237,788	431,556	573,969	(232,263)
Business Services	5,262,670	644,319	139,904	(4,478,447)
Central Activities	5,888,287	484,012	55,558	(5,348,717)
Enterprise and Community Services				
Food Services	500,110	213,768	294,219	7,877
Community Services	4,741,173	2,475	4,798,102	59,404
Facilities Repairs and Maintenance	235,065	-	-	(235,065)
Apportionment of Funds by the ESD	13,321,333	-	-	(13,321,333)
Unallocated Depreciation	282,651	-	-	(282,651)
Interest on Long-Term Debt	1,802,360	-	-	(1,802,360)
Total Governmental Activities	\$ 59,139,035	\$ 9,683,179	\$ 9,930,046	(39,525,810)
General Revenues				
				27,098,503
Property Taxes, Levied for General Purposes				6,850,158
State School Fund- General Support				6,500
Federal Stimulus				79,432
Earnings on Investments				2,774,348
Miscellaneous Revenues				
Total General Revenues				36,808,941
				(2,716,869)
Change in Net Position				
Net Position - Beginning				11,274,899
Net Position - Ending				\$ 8,558,030

The notes to the basic financial statements are an integral part of this statement.

Multnomah Education Service District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Resolution Services	Contracted Services	Non-major Fund Debt Service	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 7,099,180	\$ 1,458,836	\$ -	\$ 35,521	\$ 8,593,537
Property Taxes Receivable	-	1,903,843	-	-	1,903,843
Accounts Receivable	168,920	42,776	8,441,445	-	8,653,141
Due from Other Funds	2,407,345	-	-	-	2,407,345
Inventory	21,597	-	-	-	21,597
Prepaid Items	24,384	-	9,950	-	34,334
Total Assets	\$ 9,721,426	\$ 3,405,455	\$ 8,451,395	\$ 35,521	\$ 21,613,797
Liabilities					
Accounts Payable	\$ 234,827	\$ 317,781	\$ 741,504	\$ -	\$ 1,294,112
Due to Other Funds	-	-	2,407,345	-	2,407,345
Accrued Payroll & Withholdings	3,013,825	-	-	-	3,013,825
Total Liabilities	3,248,652	317,781	3,148,849	-	6,715,282
Deferred Inflows of Resources					
Unavailable Tax Revenue	-	1,626,291	-	-	1,626,291
Unavailable Contractual Revenue	-	-	495,059	-	495,059
Total Deferred Inflows of Resources	-	1,626,291	495,059	-	2,121,350
Fund Balances					
Nonspendable					
Inventory	21,597	-	-	-	21,597
Prepaid Items	24,384	-	9,950	-	34,334
Total Nonspendable Funds	45,981	-	9,950	-	55,931
Restricted	-	1,461,383	431,539	35,521	1,928,443
Committed	2,364,622	-	-	-	2,364,622
Assigned	767,025	-	4,365,998	-	5,133,023
Unassigned	3,295,146	-	-	-	3,295,146
Total Fund Balances	6,472,774	1,461,383	4,807,487	35,521	12,777,165
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,721,426	\$ 3,405,455	\$ 8,451,395	\$ 35,521	\$ 21,613,797

The notes to the basic financial statements are an integral part of this statement.

Multnomah Education Service District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

Total Fund Balances - Governmental Funds	\$ 12,777,165
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not financial resources and therefore are not reported in the governmental funds.	9,214,678
Prepaid pension expense, net of accumulated amortization	18,307,917
A portion of the District's contractual revenue will not be available soon enough to pay for the current year's operations, and therefore is reported as unavailable revenue in the governmental funds.	495,059
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore is not reported as revenue in the governmental funds.	1,626,291
Accrued compensated absences are not reported in the governmental funds.	(154,983)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities.	
These liabilities consist of:	
GO Bonds Payable	(1,490,000)
OSBA Bonds Payable	(31,165,000)
Other Post-employment Benefits	<u>(1,053,097)</u>
Net Position	<u><u>\$ 8,558,030</u></u>

The notes to the basic financial statements are an integral part of this statement.

Multnomah Education Service District
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

	General	Resolution Services	Contracted Services	Non-major Fund Debt Service	Total Governmental Funds
Revenues					
Property Taxes	\$ -	\$ 27,001,138	\$ -	\$ -	\$ 27,001,138
State School Fund	-	6,850,158	-	-	6,850,158
Local Sources	150,274	53,415	8,134,732	-	8,338,421
State Sources	-	-	7,553,606	-	7,553,606
Federal Sources	-	-	2,079,394	-	2,079,394
Investment Earnings	77,938	-	1,494	-	79,432
Sales of Goods & Services	29	-	6,996	-	7,025
Other Revenues	234,117	103,870	1,081,636	-	1,419,623
Services to Other Funds	591,364	-	-	2,416,255	3,007,619
Charges for Services	1,087,745	-	-	-	1,087,745
Total Revenues	2,141,467	34,008,581	18,857,858	2,416,255	57,424,161
Expenditures					
Instruction	-	5,881,723	6,515,448	-	12,397,171
Support Services	5,750,041	12,124,728	7,121,927	-	24,996,696
Enterprise and Community Svcs.	-	6,713	5,307,162	-	5,313,875
Facilities Acquisitions/Constr.	235,065	-	-	-	235,065
Debt Service	-	-	-	2,927,360	2,927,360
Total Expenditures	5,985,106	18,013,164	18,944,537	2,927,360	45,870,167
Excess of Revenues Over (Under) Expenditures	(3,843,639)	15,995,417	(86,679)	(511,105)	11,553,994
Other Financing Sources (Uses)					
Apportionment of Funds	-	(12,131,957)	(1,189,376)	-	(13,321,333)
Transfers In	4,236,110	-	-	546,606	4,782,716
Transfers Out	(546,606)	(3,465,130)	(770,980)	-	(4,782,716)
Total Other Financing Sources (Uses)	3,689,504	(15,597,087)	(1,960,356)	546,606	(13,321,333)
Net Change in Fund Balance	(154,135)	398,330	(2,047,035)	35,501	(1,767,339)
Beginning Fund Balances	6,626,909	1,063,053	6,854,522	20	14,544,504
Ending Fund Balances	\$ 6,472,774	\$ 1,461,383	\$ 4,807,487	\$ 35,521	\$ 12,777,165

The notes to the basic financial statements are an integral part of this statement.

Multnomah Education Service District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2014

Total Net Changes in Fund Balances – Governmental Funds	\$ (1,767,339)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital asset additions 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.

Purchases of Capital Assets	21,693
Depreciation Expense	(454,927)
Loss on Disposal of Capital Assets	(3,901)

The repayment of debt principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position	1,125,000
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Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities

Amortization of Prepaid Pension Expense	(1,408,301)
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Governmental funds report the effect of issuance cost when debt is first issued, whereas prior to the implementation of GASB65 these amounts were amortized in the Statement of Activities. The implementation requires the District to write off the remaining amount of issuance costs.

Write off Bond Issuance Costs	(145,083)
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Revenues that do not meet the measurable and available criteria are not recognized in the current year in the governmental funds. In the Statement of Activities revenues are recognized when earned.

Property Taxes	97,365
Intergovernmental Receivables	(11,616)

Other post-employment benefits expenses are reported in the Statement of Activities but they are not reported as expenditures in the governmental funds.	(165,806)
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Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expense when incurred.	(3,954)
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Change in Position of Governmental Activities	<u>\$ (2,716,869)</u>
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The notes to the basic financial statements are an integral part of this statement.

Multnomah Education Service District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014

Assets

Cash and Cash Equivalents	\$	209,662
Accounts Receivable		<u>12,688</u>
Total Assets	\$	<u><u>222,350</u></u>

Liabilities

Accounts Payable	\$	51,804
Due to Other Funds		46,953
Held in Trust		<u>123,593</u>
Total Liabilities	\$	<u><u>222,350</u></u>

The notes to the basic financial statements are an integral part of this statement.

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Notes to the Basic Financial Statements

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Multnomah Education Service District
Notes to the Basic Financial Statements
Section Outline

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- B. Reporting entity
- C. Basis of presentation - government-wide financial statements
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NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Description of the government-wide financial statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information on all of the governmental activities of the Multnomah Education Service District as a whole. Fiduciary activities are not included in the government-wide financial statements. All fiduciary activities are reported only in the fund financial statements.

B. Reporting Entity

Multnomah Education Service District (the District) is a municipal corporation governed by an elected seven member Board of Directors. Administration officials are approved by the Board. The daily functioning of the District is under the supervision of the Superintendent. As required by accounting principles generally accepted in the United States of America, all activities of the District have been included in these basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. For the most part, the effect of interfund activity has been removed from these statements except that interfund services provided and used are not eliminated in the process of consolidation.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary fund. The emphasis of fund financial statements is on major individual governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

General Fund - accounts for the general operating costs of the District and provides supports services to other funds. The principal revenue source comes from the 10% transfer from the Resolution Services Fund. Risk Management Reserves and Facilities and Equipment Reserves are also included in this fund.

Special Revenue Funds – these funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District has two special revenue funds and both are separately reported as major funds in the governmental financial statements:

Resolution Services Fund - provides for those programs and services authorized by component districts through the resolution process. The sources of revenues for this fund come exclusively from local property taxes and the State School Fund. In accordance with Oregon Revised Statute 334.177, a maximum of 10% of these revenues are transferred to the General Fund and used to pay for the

general operating costs of the District. The remaining 90% is apportioned to the component school districts according to average daily membership weighted (ADMw).

Contracted Services Fund - accounts for activities carried on for the benefit of participating local school districts, as well as food dispensing programs. The fund is self-supporting through grants and other reimbursements, mainly from the state and participating school districts.

In addition, the District maintains the following funds:

Debt Service Fund - These funds account for the payment and interest on the Limited Tax Pension Obligation bonds and the general obligation bond.

Fiduciary Fund - Assets held in trustee capacity for others and not used to support the District's own programs qualify as fiduciary. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported as transfers in/out. While reported in fund financial statements, interfund transfers are not included in preparation of the government-wide financial statements.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-wide and fiduciary fund 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. 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.

Governmental fund financial statements are reported using the *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 (60 days). Expenditures are recorded when the liability is incurred, except for unmatured interest on long-term debt which is recognized when due, claims and judgments and compensated absences, which are recognized when expended.

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 qualifying expenditures have been incurred and all other grant requirements have been met.

F. Budgetary information*1. Budget process*

The District begins its budgeting process by appointing Budget Committee members. Budget recommendations are developed by management and the Board Finance Committee throughout the spring. The Budget Committee meets and approves the budget in March. Public notices of the budget hearing are generally published in April, and the hearing is held in May. The budget is adopted, appropriations are made and the tax levy is declared no later than June 30.

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 the fund's current budget may be adopted by the Board of Directors at a regular meeting. A supplemental budget greater than 10% of the fund's current 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). Such transfers require approval by the Board.

2. Budgetary basis of accounting

A budget is prepared and legally adopted for each governmental fund on the modified accrual basis of accounting in the main program categories required by the Oregon Local Budget Law.

Expenditure budgets are appropriated at the major function level (instruction, support services, community services, facilities, debt service, contingency, and transfers) for each fund. Appropriations may not legally be over-expended, except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted.

Budget amounts shown in the financial statements include the original budget amounts and any appropriation transfers approved by the Board. Appropriations lapse at the end of each fiscal year.

3. Excess of expenditures over appropriations

For the year ended June 30, 2014, there are no expenditures over appropriations in any of the District's funds..

G. Estimates

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

H. Assets, liabilities, deferred inflows of resources, and net position/fund balance*1. Cash and cash equivalents*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments with a maturity of three months or less from the date of acquisition.

Cash and Cash Equivalents at June 30, 2014, (recorded at fair value) consisted of:

Cash on Hand	\$ 2,553
Demand Deposits	2,062,072
Local Government Investment Pool	6,738,574
	<u>8,803,199</u>
less Fiduciary Fund	(209,662)
Total	<u>\$ 8,593,537</u>

2. *Investments*

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the District's position in the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2014.

3. *Inventories and prepaid items*

The value of inventories is determined at the lower of cost or market, using the first-in, first-out method. Inventory items are charged to expenditure/expense at the time the items are used (consumption method).

As a result of the issuance of the Limited Tax Pension Obligation Bonds the District has reported a prepaid PERS asset in the Statement of Net Position. The prepaid asset is equal to the initial \$32,897,919 payment made to PERS from the bond proceeds, less accumulated amortization at June 30, 2014 of \$14,590,002. Annual amortization has been calculated on the straight line basis.

4. *Capital assets*

Capital assets, which include land, buildings, equipment and construction in progress, are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the assets 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	40 years
Equipment	5 to 20 years
Vehicles	5 to 10 years
Site improvements	15 years

5. *Long-term obligations*

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

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

6. *Deferred inflows of resources*

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenues*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and intergovernmental loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. *Net position flow assumptions*

Net position is classified into the following 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 net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – consists of all other net position that is not included in the other categories previously mentioned.

When both restricted and unrestricted resources are available for use in a specific program or for a specific purpose, the District's normal policy is to use restricted resources first to finance its activities.

8. *Fund balance flow assumptions*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in multiple classifications, the District uses the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

9. *Fund balance policies*

Governmental fund equity is classified as fund balance. GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on purpose for which resources can be used:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Management has classified inventories and prepaid items as being non-spendable as they are not expected to be converted to cash.

Restricted: This classification includes amounts for which constraints have been placed on the use of resources which are either:

1. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. Imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the District's Board of Directors, which is the District's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned: This classification includes spendable amounts for a specific purpose. The intent of an assigned fund balance should be expressed by either the District's Board of Directors, or a subordinate high-level body, such as a finance committee, or an official, such as the superintendent, that has the authority to assign amounts to be used for assigned purposes.

Unassigned: This classification is the residual fund balance for the General Fund. It represents fund balance that has not been assigned, committed, or restricted.

I. **Revenues and expenditures/expenses**

1. *Program revenues*

Amounts reported as *program revenues* include 1) charges to customers who purchase or use goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

2. *Property taxes*

Uncollected real and personal property taxes are reflected on the Statement of Net Position and the Balance Sheet as receivables. 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.

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

3. *Grants*

Unreimbursed expenditures due from grantor agencies are reflected in the government-wide financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as unavailable revenue on the Balance Sheet and unearned revenue on the Statement of Net Position.

4. *Compensated absences*

Vacation: The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from District service. The liability for such leave is reported as incurred in the government-wide statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Sick Leave: There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

J. New accounting standards implemented

For the fiscal year ended June 30, 2014, the District implemented the following accounting standard:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources, or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of GASB 65 resulted in the write-off of bond issuance costs of \$145,083.

NOTE II - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of legal or contractual provisions

The District had no violations of legal or contractual provisions in the fiscal year 2013-2014.

NOTE III - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**A. Cash deposits with financial institutions**

Custodial credit risk – deposits. Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance at June 30, 2014 was \$2,871,177 (carrying amount \$2,062,072). As required by Oregon Revised Statutes, deposits were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer.

B. Investments

State statutes govern the District's cash management policies because the District does not have an official investment policy. Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities of the United States, commercial paper, bankers acceptances guaranteed by a qualified financial institution, repurchase agreements, interest bearing bonds of any city, county, port or school district in Oregon (subject to specific standards), and the Oregon State Treasurer's Local Government Investment Pool (LGIP), among others.

The LGIP 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.

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. The District does not have any investments that have a maturity date greater than 18 months.

Credit risk. The District has not adopted an investment policy and all investment activity has been limited to the LGIP.

C. Receivables

Amounts are aggregated into a single account receivable line in the Balance Sheet. Below is the detail of receivables for the governmental funds:

Receivables	General	Resolution Services	Contracted Services	Total
Accounts	\$ 159,250	\$ 39,300	\$ 862,426	\$ 1,060,976
Match Receivable - Medicaid	-	-	185,000	185,000
Retiree Health	3,000	-	-	3,000
Contracts	6,670	3,476	6,718,142	6,728,288
Grants	-	-	180,818	180,818
Loans Receivable	-	-	495,059	495,059
Total Receivables	<u>\$ 168,920</u>	<u>\$ 42,776</u>	<u>\$ 8,441,445</u>	<u>\$ 8,653,141</u>

Based on the payment schedules for loans receivable, \$12,085 of the amount reported in the Contracted Services Fund is not expected to be collected within the next year.

D. Capital assets

The changes in capital assets for the year ended June 30, 2014 are as follows:

	Balance June 30, 2013	Additions	Transfers and Dispositions	Balance June 30, 2014
Non-depreciable capital assets				
Land	\$ 1,935,748	\$ -	\$ -	\$ 1,935,748
Depreciable capital assets				
Buildings & improvements	10,963,052	-	-	10,963,052
Site improvements	844,532	-	-	844,532
Equipment and furniture	1,202,931	21,693	(44,867)	1,179,757
Vehicles	305,624	-	-	305,624
	<u>13,316,139</u>	<u>21,693</u>	<u>(44,867)</u>	<u>13,292,965</u>
Less: accumulated depreciation				
Buildings & improvements	4,057,392	307,437	-	4,364,829
Site improvements	334,168	44,676	-	378,844
Equipment and furniture	916,523	94,498	(40,966)	970,055
Vehicles	291,991	8,316	-	300,307
	<u>5,600,074</u>	<u>454,927</u>	<u>(40,966)</u>	<u>6,014,035</u>
Total depreciable capital assets, net	<u>7,716,065</u>	<u>(433,234)</u>	<u>(3,901)</u>	<u>7,278,930</u>
Total capital assets, net	<u>\$ 9,651,813</u>	<u>\$ (433,234)</u>	<u>\$ (3,901)</u>	<u>\$ 9,214,678</u>

Depreciation expense for the year ended June 30, 2014 was allocated to the functions as follows:

Regular programs	\$ 280
Special programs	1,505
Student services	44,904
Instructional staff services	396
General administration	3,187
Business services	71,071
Central services	49,682
Community services	1,251
Unallocated depreciation	282,651
	<u>\$ 454,927</u>

E. Pension obligations

Plan Description

The District contributes to the Oregon Public Employees Retirement System (PERS) and to the Oregon Public Service Retirement Plan (OPSRP). PERS is a cost sharing multi-employer defined benefit public employee retirement system. OPSRP is a hybrid retirement plan with two components: the pension program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan) and the individual account program (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

A defined benefit plan is benefit-based and uses predictable criteria such as a pension determined by salary multiplied by length of service multiplied by a factor. A defined contribution plan has no guarantee. OPSRP is administered by PERS. PERS acts as a common investment and administrative agent for political subdivisions in the State of Oregon.

The 2003 Oregon Legislature established OPSRP. Public employees hired on or after August 29, 2003, become part of OPSRP, unless membership was previously established in PERS. The 1995 Oregon Legislature established a different level of benefits for employees who began their six month waiting period on or before January 1, 1996 called Tier Two.

Benefits generally vest after five years of continuous service. Retirement is allowed at age fifty-eight with unreduced benefits, but retirement is generally available after age fifty-five with reduced benefits. Retirement benefits based on salary and length of service are calculated using a formula and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statute.

The State of Oregon PERS 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, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling 1-888-320-7377.

Funding Policy

The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. Members of PERS and OPSRP are required to contribute 6

percent of their salary covered under the plan. The District is required by ORS 238.225 to contribute at an actuarially determined rate. Contribution rates for the past three biennial periods are shown below. The contribution requirements for plan members and the District are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

MESD Net Employer Contribution Rates

Contribution Period	PERS (Tier I/II)	OPSRP General	OPSRP Police & Fire
7-1-13 to 6-30-15	13.85%	11.85%	14.58%
7-1-11 to 6-30-13	11.72%	10.21%	12.92%
7-1-09 to 6-30-11	3.79%	4.31%	7.02%

The District's contribution to the plan for the years ending June 30, 2014, 2013, and 2012 were approximately \$2.3 million, \$3.0 million, and \$3.1 million, respectively, and were equal to the required contributions for each year.

The District pays the employee portion in accordance with bargaining agreements.

Limited Tax Pension Bonds

In February 2004, Multnomah ESD participated as one of twenty Oregon school districts and education service districts in issuing limited tax pension bonds. The proceeds were used to finance a portion of the estimated unfunded actuarial liability of each participating school district with the Oregon Public Employees Retirement System ("Oregon PERS"). The Oregon School Boards Association ("OSBA") sponsored this pooled limited tax pension bond program. The OSBA does not have a financial obligation in connection with the bonds issued under the program. Except for the payment of its pension bond payments and additional charges when due, each participating school district has no obligation or liability to any other participating school district's pension bonds or liabilities to Oregon PERS. The District recorded the proceeds of the debt to Oregon PERS as prepaid pension costs and amortizes it as a pension expense over the life of the bonds. The debt service activity is reflected as "employee benefit" expense in all funds with wages and as revenue to the Debt Service Fund. The actual debt service payments are then recorded as a debt service expenditure of the Debt Service Fund. The District anticipates the total costs of financing the District's actuarial obligation in this manner will result in a significant savings to the District when compared to paying for such costs as additional contribution rates to Oregon PERS.

For the year ended June 30, 2014, the District's annual debt service for the limited tax pension bonds included \$655,000 of principal, and \$1,725,768 of interest. Total debt service payments for the years 2014, 2013 and 2012 were \$2.4 million, \$2.3 million, and \$2.1 million, respectively.

The series 2004 bonds maturing in the years 2015 through 2028 are subject to optional prepayment, in whole or in part, on any date after June 30, 2010. The series 2004 bonds maturing on June 30, 2028 are subject to mandatory prepayment beginning June 30, 2023.

F. Other postemployment benefit (OPEB) obligations*Plan Description*

The District does not have a formal post-employment benefits plan for the employees; however the District is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. This “plan” is not a stand-alone plan and therefore does not issue its own financial statements.

Funding Policy

The District collects insurance premiums from all retirees each month and deposits them into a restricted insurance premium account. The District then pays health insurance premiums for all retirees at tiered rates to the insurance company. The required contributions to the plan include the employer’s pay-as-you-go amount, an amount paid by retirees, and an additional amount calculated to prefund future benefits as determined by the actuary.

For the fiscal year ended June 30, 2014, the District retirees paid 100 percent of their insurance premium costs.

Annual OPEB Cost and Net OPEB Obligation

The District’s annual other post-employment benefit cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years.

The District’s most recent actuarial valuation date was July 1, 2012. The following table shows the components of the District’s annual OPEB cost (APC) for the last three fiscal years, amounts actually contributed to the plan, and changes in the District’s OPEB obligation to the plan.

Annual OPEB Cost and Net OPEB Obligation			
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Annual required contribution	\$ 277,454	\$ 268,072	\$ 320,401
Interest on net OPEB obligation	35,491	28,322	21,102
Adjustment to annual required contribution	(31,689)	(25,287)	(18,841)
Annual OPEB Cost (APC)	281,256	271,107	322,662
Contributions made	(115,450)	(91,863)	(142,165)
Increase in net OPEB obligation	165,806	179,244	180,497
Net OPEB obligation - beginning of year	887,291	708,047	527,550
Net OPEB obligation - end of year	<u>\$ 1,053,097</u>	<u>\$ 887,291</u>	<u>\$ 708,047</u>
Percentage of APC contributed	41%	34%	44%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the most recent actuarial valuation as of July 1, 2012, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0 percent interest rate for discounting future liabilities and an annual healthcare cost trend rate of 8.0 percent initially, and then declining over the next twenty-nine years until 5.0 percent is reached. The projected annual rate of wage inflation is 3.5 percent compounded annually and the UAAL is being amortized over a closed period of thirty years.

Retirement Health Insurance Account

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 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.

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 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 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 PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan.

A surviving spouse or dependent of a deceased PERS 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 PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating school districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.59% for PERS and 0.49% for OPSRP of annual covered payroll. The OPERS board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the year ended June 30, 2014 are included in the PERS annual pension amount.

G. Risk management

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. The District uses the Risk Management Reserve Fund to account for the payment of workers' compensation, general liability, and property damage insurance premiums. Settled claims have not exceeded this commercial coverage for any of the past three years.

H. Lease obligations

1. Capital lease

The District has no capital lease obligations.

2. Operating lease

The District leases building space at various locations. The District also leased various copier machines in 2013-14. Beginning July 2014, the District entered into a service contract with Pacific Office Automation for all copier and printer services and is no longer leasing the machines. Total payments in 2013-14 including previously leased copy machines were approximately \$657,415.

Future minimum rental commitments at June 30, 2014 are as follows:

For the Year Ending June 30,	<u>Facilities</u>
2015	\$ 371,633
2016	280,017
2017	294,019
2018	308,719
2019	324,155
2020-2023	<u>1,039,952</u>
Total minimum future lease payments	<u>\$ 2,618,495</u>

All leases are cancellable if funding is not available.

I. Purchase commitments

The District entered into a purchased service commitment with Pacific Office Automation beginning July 2014 and ending June 2019 for all copier and printer services. Pacific Office Automation provides all machines, toner, and maintenance to the District. The District is responsible for paper and any images above an agreed upon base volume by machine, paid as a per click charge. Future minimum commitment

equals \$7,853 per month (\$94,236 annually) for the fiscal years ending 2015 through 2019. The agreement is non-cancellable and is subject to renewal on an annual basis after the 60 month term is over.

J. Long-Term liabilities

At the end of the current fiscal year, the District had two bond issues with a total debt outstanding of \$32,655,000. The OSBA Limited Tax Pension Obligations, Series 2004 bonds had a remaining balance of \$31,165,000 at June 30, 2014. These bonds were sold to fund the District's Public Employees Retirement System unfunded actuarial liability. The source of funding to repay this debt is derived from charges to payroll for all funds with payroll expenditures. The funding is then recognized in the Debt Service Fund as revenue for services to other funds.

The second issue is the 2004 Refunding of 1997 full faith credit obligations. This is a general obligation bond issue and funds are transferred from the Operating Fund to the Debt Service Fund each year to pay the annual debt service. Proceeds from the original issue were used to construct Alpha High School and Arata Creek School.

Total principal and interest paid on the two bonds during the year ended June 30, 2014 was \$2,927,373. The changes in long-term debt, for the year ended June 30, 2014 are as follows:

	OSBA Pension Bonds	2004 GO Bonds	Total
Original Amount	<u>\$ 33,140,000</u>	<u>\$ 4,570,000</u>	<u>\$ 37,710,000</u>
Balance at June 30, 2013	\$ 31,820,000	\$ 1,960,000	\$ 33,780,000
Payments	<u>(655,000)</u>	<u>(470,000)</u>	<u>(1,125,000)</u>
Balance at June 30, 2014	<u>\$ 31,165,000</u>	<u>\$ 1,490,000</u>	<u>\$ 32,655,000</u>

The future principal and interest payments on long-term debt are as follows:

Beginning July 1,	Ending June 30,	OSBA Pension Bond	2004 GO Bonds	Total	Interest
2014	2015	\$ 810,000	\$ 490,000	\$ 1,300,000	\$ 1,751,004
2015	2016	985,000	500,000	1,485,000	1,692,998
2016	2017	1,170,000	500,000	1,670,000	1,624,521
2017	2018	1,375,000	-	1,375,000	1,545,082
2018	2019	1,595,000	-	1,595,000	1,473,266
2019	2024	12,000,000	-	12,000,000	5,798,489
2024	2028	13,230,000	-	13,230,000	1,720,866
TOTAL		<u>\$ 31,165,000</u>	<u>\$ 1,490,000</u>	<u>\$ 32,655,000</u>	<u>\$ 15,606,227</u>

K. Interfund receivables and payables

The District has one interfund balance as of June 30, 2014:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating	Contracted Services	\$2,407,345

The balance is primarily due to the timing of reimbursable expenditures for grants and a contract with the Oregon Department of Human Services.

L. Interfund transfers

Interfund transfers are used to fund operations in the various accounts. The composition of interfund transfers as of June 30, 2014 is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>			<u>Total</u>
	<u>Resolution Services</u>	<u>General Fund</u>	<u>Contracted Services</u>	
General Fund	\$ 3,465,130	\$ -	\$ 770,980	\$ 4,236,110
Other Governmental Funds	-	546,606	-	546,606
Total	<u>\$ 3,465,130</u>	<u>\$ 546,606</u>	<u>\$ 770,980</u>	<u>\$ 4,782,716</u>

- The Resolution Services Fund transferred \$3,385,130 to the General Fund in order to fund the District's indirect and support service functions.
- The Resolution Services Fund transferred \$80,000 to the General Fund to fund capital expenditures.
- The General Fund transferred \$546,606 to other governmental funds to cover debt service principal and interest payments.
- The Contracted Services Fund transferred \$770,980 to the General Fund for Local Service Plan services funded by the General Fund in FY 2012-13 in error.

M. Property tax limitations

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

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

increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

N. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the district. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although district management expects such amounts, if any, to be immaterial.

On November 26, 2012, the District received notification from the Substance Abuse and Mental Health Services Administration (SAMHSA) of a potential liability resulting from MESD's audit for the year ended June 30, 2011. The District is contesting the action and provided documentation to SAMHSA that supports MESD's position. The District is still waiting for a response from SAMHSA. The potential liability is indeterminable at this time, but the District believes the amount will be substantially less than SAMHSA's estimate. If the District is required to pay back any grant funds already collected the amount will come from the General Fund.

O. Subsequent event

The District is a defendant in one lawsuit. Although the outcome of this lawsuit is not presently determinable, in the opinion of the District's management, the resolution of this matter will not have a material adverse effect on the financial condition of the District.

Required Supplementary Information

mesd

Multnomah Education Service District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Operating Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Local Sources	\$ 10,500	\$ 28,913	\$ 67,102	\$ 38,189
State Sources	-	2,500	-	(2,500)
Investment Earnings	75,000	75,000	77,938	2,938
Sales of Goods & Services	-	-	29	29
Other Revenues	45,800	108,633	130,272	21,639
Charges for Services	1,949,568	1,754,378	1,087,745	(666,633)
Total Revenues	2,080,868	1,969,424	1,363,086	(606,338)
Expenditures				
Support Services	5,448,225	5,392,430	4,998,321	394,109
Contingencies	500,000	484,500	-	484,500
Total Expenditures	5,948,225	5,876,930	4,998,321	878,609
Excess of Revenues Over (Under) Expenditures	(3,867,357)	(3,907,506)	(3,635,235)	272,271
Other Financing Sources (Uses)				
Transfers In	3,536,096	4,307,076	4,240,351	(66,725)
Transfers Out	(546,606)	(546,606)	(546,606)	-
Total Other Financing Sources (Uses)	2,989,490	3,760,470	3,693,745	(66,725)
Net Change in Fund Balance	(877,867)	(147,036)	58,510	205,546
Beginning Fund Balance	3,807,664	4,049,642	4,049,642	-
Ending Fund Balance	\$ 2,929,797	\$ 3,902,606	\$ 4,108,152	\$ 205,546

Multnomah Education Service District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Resolution Services Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 26,650,000	\$ 27,668,392	\$ 27,001,138	\$ (667,254)
State School Fund	7,868,550	6,850,158	6,850,158	-
Local Sources	15,000	-	53,415	53,415
Other Revenues	-	59,212	103,870	44,658
Total Revenues	34,533,550	34,577,762	34,008,581	(569,181)
Expenditures				
Instruction	7,227,826	7,227,826	5,881,723	1,346,103
Support Services	12,548,706	12,403,706	12,124,728	278,978
Enterprise and Community Services	28,320	28,320	6,713	21,607
Total Expenditures	19,804,852	19,659,852	18,013,164	1,646,688
Excess of Revenues Over (Under) Expenditures	14,728,698	14,917,910	15,995,417	1,077,507
Other Financing Sources (Uses)				
Apportionment of Funds	(11,567,164)	(12,136,281)	(12,131,957)	4,324
Transfers Out	(3,531,855)	(3,531,855)	(3,465,130)	66,725
Total Other Financing Sources (Uses)	(15,099,019)	(15,668,136)	(15,597,087)	71,049
Net Change in Fund Balance	(370,321)	(750,226)	398,330	1,148,556
Beginning Fund Balance	370,321	1,063,053	1,063,053	-
Ending Fund Balance	\$ -	\$ 312,827	\$ 1,461,383	\$ 1,148,556

Multnomah Education Service District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Contracted Services Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Local Sources	\$ 8,543,159	\$ 10,001,060	\$ 8,134,732	\$ (1,866,328)
State Sources	18,490,094	18,551,098	7,553,606	(10,997,492)
Federal Sources	2,953,638	3,179,873	2,079,394	(1,100,479)
Investment Earnings	-	-	1,494	1,494
Sales of Goods & Services	9,372	9,372	6,996	(2,376)
Other Revenues	271,321	193,641	1,081,636	887,995
Total Revenues	30,267,584	31,935,044	18,857,858	(13,077,186)
Expenditures				
Instruction	5,338,515	7,295,775	6,515,448	780,327
Support Services	8,153,259	8,025,787	7,121,928	903,859
Enterprise and Community Services	16,456,894	16,569,249	5,307,162	11,262,087
Total Expenditures	29,948,668	31,890,811	18,944,538	12,946,273
Excess of Revenues Over (Under) Expenditures	318,916	44,233	(86,680)	(130,913)
Other Financing Sources (Uses)				
Apportionment of Funds	-	(1,189,836)	(1,189,376)	460
Transfers Out	-	(770,980)	(770,980)	-
Total Other Financing Sources (Uses)	-	(1,960,816)	(1,960,356)	460
Net Change in Fund Balance	318,916	(1,916,583)	(2,047,036)	(130,453)
Beginning Fund Balance	5,951,961	6,854,522	6,854,522	-
Ending Fund Balance	\$ 6,270,877	\$ 4,937,939	\$ 4,807,486	\$ (130,453)

Multnomah Education Service District
Other Post-Employment Benefits
Schedule of Funding Progress
June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
July 1, 2008	\$ -	\$ 2,830,915	\$ 2,830,915	0.0%	\$ 30,403,925	9.3%
July 1, 2010	-	2,700,107	2,700,107	0.0%	29,876,193	9.0%
July 1, 2012	-	2,232,402	2,232,402	0.0%	n/a	n/a

The above table represents the most recent actuarial valuations for the District's post-retirement health and welfare benefits plan and it provides information that approximates the funding progress of the plan.

Other Supplementary Information

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Multnomah Education Service District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget Positive (Negative)</u>
Revenues				
Services to Other Funds	\$ 2,380,768	\$ 2,380,748	\$ 2,416,255	\$ 35,507
Total Revenues	<u>2,380,768</u>	<u>2,380,748</u>	<u>2,416,255</u>	<u>35,507</u>
Expenditures				
Debt Service	<u>2,927,374</u>	<u>2,927,374</u>	<u>2,927,360</u>	<u>14</u>
Total Expenditures	<u>2,927,374</u>	<u>2,927,374</u>	<u>2,927,360</u>	<u>14</u>
Excess of Revenues Over (Under) Expenditures	<u>(546,606)</u>	<u>(546,626)</u>	<u>(511,105)</u>	<u>35,521</u>
Other Financing Sources (Uses)				
Transfers In	<u>546,606</u>	<u>546,606</u>	<u>546,606</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>546,606</u>	<u>546,606</u>	<u>546,606</u>	<u>-</u>
Net Change in Fund Balance	-	(20)	35,501	35,521
Beginning Fund Balance	<u>-</u>	<u>20</u>	<u>20</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,521</u>	<u>\$ 35,521</u>

Multnomah Education Service District
Combining Balance Sheet
General Fund
June 30, 2014

	Operating	Risk Management Reserve	Facilities & Equipment Reserve	Total
Assets				
Cash and Cash Equivalents	4,685,994	\$ 780,590	\$ 1,632,596	\$ 7,099,180
Accounts Receivable	168,920	-	-	168,920
Due from Other Funds	2,407,345	-	-	2,407,345
Inventory	21,597	-	-	21,597
Prepaid Items	24,384	-	-	24,384
Total Assets	\$ 7,308,240	\$ 780,590	\$ 1,632,596	\$ 9,721,426
Liabilities				
Accounts Payable	\$ 186,263	\$ 1,533	\$ 47,031	\$ 234,827
Accrued Payroll & Withholdings	3,013,825	-	-	3,013,825
Total Liabilities	3,200,088	1,533	47,031	3,248,652
Fund Balances				
Nonspendable				
Inventory	21,597	-	-	21,597
Prepaid Items	24,384	-	-	24,384
Total Nonspendable Funds	45,981	-	-	45,981
Committed	-	779,057	1,585,565	2,364,622
Assigned	767,025	-	-	767,025
Unassigned	3,295,146	-	-	3,295,146
Total Fund Balances	4,108,152	779,057	1,585,565	6,472,774
Total Liabilities and Fund Balances	\$ 7,308,240	\$ 780,590	\$ 1,632,596	\$ 9,721,426

Multnomah Education Service District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2014

	Operating	Risk Management Reserve	Facilities & Equipment Reserve	Eliminations *	Total
Revenues					
Local Sources	\$ 67,102	\$ -	\$ 83,172	\$ -	\$ 150,274
Investment Earnings	77,938	-	-	-	77,938
Sales of Goods & Services	29	-	-	-	29
Other Revenues	130,272	103,845	-	-	234,117
Services to Other Funds	-	591,364	-	-	591,364
Charges for Services	1,087,745	-	-	-	1,087,745
Total Revenues	1,363,086	695,209	83,172	-	2,141,467
Expenditures					
Support Services	4,998,321	609,244	142,476	-	5,750,041
Facilities Acquisition/Constr.	-	-	235,065	-	235,065
Total Expenditures	4,998,321	609,244	377,541	-	5,985,106
Excess of Revenues Over (Under) Expenditures	(3,635,235)	85,965	(294,369)	-	(3,843,639)
Other Financing Sources (Uses)					
Transfers In	4,240,351	-	80,000	(84,241)	4,236,110
Transfers Out	(546,606)	(84,241)	-	84,241	(546,606)
Total Other Financing Sources (Uses)	3,693,745	(84,241)	80,000	-	3,689,504
Net Change in Fund Balance	58,510	1,724	(214,369)	-	(154,135)
Beginning Fund Balances	4,049,642	777,333	1,799,934	-	6,626,909
Ending Fund Balances	\$ 4,108,152	\$ 779,057	\$ 1,585,565	\$ -	\$ 6,472,774

* Intrafund transfer between Operating and Risk Management Reserve funds has been excluded

Multnomah Education Service District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Risk Management Reserve Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Other Revenues	\$ -	\$ 102,707	\$ 103,845	\$ 1,138
Services to Other Funds	592,556	609,360	591,364	(17,996)
Total Revenues	592,556	712,067	695,209	(16,858)
Expenditures				
Support Services	652,556	671,860	609,244	62,616
Total Expenditures	652,556	671,860	609,244	62,616
Excess of Revenues Over (Under) Expenditures	(60,000)	40,207	85,965	45,758
Other Financing Sources (Uses)				
Transfers Out	(84,241)	(84,241)	(84,241)	-
Total Other Financing Sources (Uses)	(84,241)	(84,241)	(84,241)	-
Net Change in Fund Balance	(144,241)	(44,034)	1,724	45,758
Beginning Fund Balance	753,236	777,333	777,333	-
Ending Fund Balance	\$ 608,995	\$ 733,299	\$ 779,057	\$ 45,758

Multnomah Education Service District
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual
Facilities and Equipment Reserve Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Local Sources	\$ -	\$ -	\$ 83,172	\$ 83,172
Total Revenues	-	-	83,172	83,172
Expenditures				
Support Services	250,000	310,000	142,476	167,524
Facilities Acquisitions/Construction	330,000	270,000	235,065	34,935
Total Expenditures	580,000	580,000	377,541	202,459
Excess of Revenues Over (Under) Expenditures	(580,000)	(580,000)	(294,369)	285,631
Other Financing Sources (Uses)				
Transfers In	80,000	80,000	80,000	-
Total Other Financing Sources (Uses)	80,000	80,000	80,000	-
Net Change in Fund Balance	(500,000)	(500,000)	(214,369)	285,631
Beginning Fund Balance	1,779,697	1,799,934	1,799,934	-
Ending Fund Balance	\$ 1,279,697	\$ 1,299,934	\$ 1,585,565	\$ 285,631

Multnomah Education Service District
Schedule of Property Tax Transactions
Resolution Fund
For the Year Ended June 30, 2014

	Tax Year	Current Levy & Taxes Uncollected June 30, 2013	Discounts Allowed	Adjustments	Interest	Cash Collection by County Treasurer	Taxes Uncollected June 30, 2014
Multnomah County							
Current Year	2013-2014	\$ 27,116,896	\$ (690,439)	\$ (69,575)	\$ 10,597	\$ (25,662,195)	\$ 705,284
Prior Years	2012-2013	718,661	568	(26,023)	25,342	(331,087)	387,461
	2011-2012	434,970	23	(7,282)	25,380	(139,741)	313,350
	2010-2011	261,960	16	(2,720)	35,985	(138,041)	157,200
	2009-2010	160,866	3	(2,111)	23,218	(78,499)	103,477
	5+ yrs prior	39,355	-	(2,868)	6,597	(14,537)	28,547
Total Multnomah County		28,732,708	(689,829)	(110,579)	127,119	(26,364,100)	1,695,319
Clackamas County							
Current Year	2013-2014	500,200	(12,700)	(820)	247	(474,355)	12,572
Prior Years	2012-2013	14,257	8	(390)	638	(7,560)	6,953
	2011-2012	8,138	3	(127)	711	(3,762)	4,963
	2010-2011	5,184	1	(36)	813	(3,117)	2,845
	2009-2010	2,899	-	(55)	362	(1,194)	2,012
	5+ yrs prior	1,200	-	(149)	70	(270)	851
Total Clackamas County		531,878	(12,688)	(1,577)	2,841	(490,258)	30,196
Washington County							
Current Year	2013-2014	133,931	(3,529)	(366)	36	(127,416)	2,656
Prior Years	2012-2013	2,691	(13)	(58)	90	(1,409)	1,301
	2011-2012	1,371	-	30	78	(527)	952
	2010-2011	1,017	-	34	102	(490)	663
	2009-2010	610	-	(28)	44	(158)	468
	5+ yrs prior	170	-	(45)	19	(53)	91
Total Washington County		139,790	(3,542)	(433)	369	(130,053)	6,131
All Counties Combined							
General Tax							
Current Year	2013-2014	27,751,027	(706,668)	(70,761)	10,880	(26,263,966)	720,512
Prior Years	2012-2013	735,609	563	(26,471)	26,070	(340,056)	395,715
	2011-2012	444,479	26	(7,379)	26,169	(144,030)	319,265
	2010-2011	268,161	17	(2,722)	36,900	(141,648)	160,708
	2009-2010	164,375	3	(2,194)	23,624	(79,851)	105,957
	5+ yrs prior	40,725	-	(3,062)	6,686	(14,860)	29,489
Total All Counties Combined		\$ 29,404,376	\$ (706,059)	\$ (112,589)	\$ 130,330	\$ (26,984,411)	\$ 1,731,646

Reconciliation to financial statements

Property tax collections for the year ended June 30, 2014	\$ 26,984,411	
Uncollected property taxes at June 30, 2014		\$ 1,731,646
Property taxes held with County at June 30, 2014		172,197
Total property tax receivable - Resolution Fund		1,903,843
Non-levied tax revenue received for the year ended June 30, 2014	35,796	
Uncollected property taxes susceptible to accrual at June 30, 2014	105,355	(277,552)
Property taxes susceptible to accrual at June 30, 2013; collected during the year ended June 30, 2014	(124,424)	
Total property taxes - Resolution Fund	<u>\$ 27,001,138</u>	
Total unavailable tax revenue - Resolution Fund		<u>\$ 1,626,291</u>

**OTHER INFORMATION AS REQUIRED BY THE
OREGON DEPARTMENT OF EDUCATION**

mesd

Oregon Department of Education
225 Capitol Street NE
Salem, Oregon 97310

Office of Finance and Administration
School Finance Unit

SUPPLEMENTAL INFORMATION, 2013-2014

This page is a required part of the annual audited financial statements.

Part A is needed for computing Oregon's full allocation of ESEA, Title I & other Federal Funds for Education.

- A. Energy Bill for Heating – All Funds:**
Please enter your expenditures for electricity & heating fuel for these Functions & Objects.

	Objects 325 & 326
Function 2540	\$ 269,347
Function 2550	None

- B. Replacement of Equipment – General Fund:**
Include all General Fund expenditures in object 542, except for the following exclusions:

None

Exclude these functions:

1113,1122 & 1132	Co-curricular Activities	4150	Construction
1140	Pre-Kindergarten	2550	Pupil Transportation
1300	Continuing Education	3100	Food Service
1400	Summer School	3300	Community Services

Multnomah Education Service District
Oregon Department of Education
District Audit Summary – Revenues and Other Resources
For the Year Ended June 30, 2014

ODE Major Object MESD Resource/ODE Resource	100 General Fund*	200 Special Revenue Fund	300 Debt Service Fund	700 Trust & Agency Fund	Total
1000 - Local Sources					
<i>Property Taxes</i>					
1110 - Ad Valorem Taxes	\$ 26,993,684	\$ -	\$ -	\$ -	\$ 26,993,684
1190 - Penalties & Interest on Taxes	7,454	-	-	-	7,454
<i>Local Sources</i>					
1311 - Tuition from Individuals	-	1,826	-	-	1,826
1940 - Services to Local Ed Agencies	120,517	8,132,906	-	-	8,253,423
1990 - Miscellaneous	83,172	-	-	-	83,172
<i>Investment Earnings</i>					
1500 - Earnings on Investments	77,938	1,494	-	370	79,802
<i>Sales of Goods & Services</i>					
1600 - Food Service	-	6,854	-	-	6,854
1940 - Services to Local Ed Agencies	29	143	-	-	172
<i>Other Revenues</i>					
1800 - Community Service Activities	1,425	-	-	-	1,425
1920 - Private Contribution/Donations	1,299	223,930	-	-	225,229
1960 - Recover Prior Yrs Expenditures	26,416	6,025	-	-	32,441
1970 - Services Provided Other Funds	591,364	-	2,416,256	-	3,007,620
1990 - Miscellaneous	133,011	321,116	-	141,133	595,260
<i>Overhead Revenues</i>					
1980 - Fees Charged to Grants	1,087,745	-	-	-	1,087,745
1000 - Local Sources Total	29,124,054	8,694,294	2,416,256	141,503	40,376,107
2000 - Intermediate Sources					
<i>Other Revenues</i>					
2200 - Restricted Revenue	87,151	530,565	-	-	617,716
3000 - State Sources					
<i>State School Fund</i>					
3101 - SSF- General Support	6,850,158	-	-	-	6,850,158
<i>State Sources</i>					
3102 - SSF - School Lunch Match	(2,699)	2,699	-	-	-
3299 - Other Restricted Grants Aid	-	7,550,907	-	-	7,550,907
3000 - State Sources Total	6,847,459	7,553,606	-	-	14,401,065

Multnomah Education Service District
Oregon Department of Education
District Audit Summary – Revenues and Other Resources (continued)
For the Year Ended June 30, 2014

	100	200	300	700	
ODE Major Object MESD Resource/ODE Resource	General Fund*	Special Revenue Fund	Debt Service Fund	Trust & Agency Fund	Total
4000 - Federal Sources					
<i>Federal Sources</i>					
1990 - Miscellaneous	-	543,554	-	-	543,554
4300 - Fed Restricted Revenue	-	222,428	-	-	222,428
4500 - Federal Restrict Rev Thru State	-	681,135	-	-	681,135
4900 - Rev For/On Behalf of Districts	-	632,277	-	-	632,277
4000 - Federal Sources Total	-	2,079,394	-	-	2,079,394
5000 - Other Sources					
<i>Other Revenues</i>					
1910 - Rentals	78,633	-	-	-	78,633
5300 - Sale/Comp Loss of Fixed Assets	12,750	-	-	-	12,750
<i>Transfers In**</i>					
5200 - Interfund Transfers	4,320,351	-	546,606	-	4,866,957
<i>Fund Equity</i>					
5400 - Beginning Fund Balance	7,689,962	6,854,523	20	126,788	14,671,293
5000 - Other Sources Total	12,101,696	6,854,523	546,626	126,788	19,629,633
Grand Total	\$ 48,160,360	\$ 25,712,382	\$ 2,962,882	\$ 268,291	\$ 77,103,915

*ODE General Fund includes the Resolution, Operating, Risk Management Reserve, and Facilities & Equipment Reserve funds.

** Transfers In includes transfers within the General Fund.

Slight differences from other financial statements and schedules may occur due to rounding.

Multnomah Education Service District
Oregon Department of Education
District Audit Summary - Expenditures & Other Uses
For the Year Ended June 30, 2014

ODE Fund Major Function/ODE Function	100 Salaries	200 Employee Benefits	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	700 Transfers	800 Other Uses Of Funds	Total
ODE General Fund (Resolution Services, Operating, Risk Management, and Facilities & Equipment Reserve Funds)									
Instruction									
1111 - Primary, K-3	\$ -	\$ -	\$ -	\$ (276)	\$ -	\$ -	\$ -	\$ -	\$ (276)
1121 - Middle/Junior High Programs	-	-	9,699	10,479	-	-	-	-	20,178
1220 - Restrictive Prgrms- Disability	2,799,368	2,003,684	52,962	45,371	-	1,038	-	-	4,902,423
1280 - Alternative Education	1,610	503	20,504	2,333	-	755	-	-	25,705
1292 - Teen Parent Program	115,979	95,449	21,109	35,320	-	4,297	-	-	272,154
1294 - Youth Correction	155,390	102,690	-	-	-	-	-	-	258,080
1299 - Other Designated Programs	216,064	147,680	21,984	13,311	-	4,421	-	-	403,460
Total Instruction	3,288,411	2,350,006	126,258	106,538	-	10,511	-	-	5,881,724
Support Services									
2110 - Attendance Services	61,960	49,413	314	(2)	-	-	-	-	111,685
2120 - Guidance Services	-	-	7,210	-	-	-	-	-	7,210
2130 - Health Services	3,133,988	1,912,263	32,329	83,969	-	30	-	-	5,162,579
2140 - Psychological Services	82,922	50,524	439	678	-	-	-	-	134,563
2150 - Speech Pathology & Audiology	430,769	291,206	147,741	10,642	-	-	-	-	880,358
2160 - Other Student Treatment	243,469	149,582	82,267	1,949	-	-	-	-	477,267
2190 - Director Student Services	855,557	500,316	148,721	33,956	-	7,341	-	-	1,545,891
2210 - Improvement of Instruction	115,043	57,146	43,145	5,790	-	412	-	-	221,536
2310 - Board of Education	-	-	47,642	2,261	-	25,233	-	-	75,136
2320 - Executive Administration	249,329	140,885	32,388	9,043	-	7,181	-	-	438,826
2410 - Office of the Principal	177,449	112,821	8,168	1,049	-	19	-	-	299,506
2510 - Direction of Business	222,283	135,477	951	1,784	-	3,252	-	-	363,747
2520 - Fiscal Services	295,506	195,185	51,452	5,818	-	1,313	-	-	549,274
2540 - Plant Operations & Maintenance	322,301	222,632	1,182,367	65,916	13,277	27,905	-	-	1,834,398
2570 - Internal Services	133,570	81,123	2,753	7,417	-	457,564	-	-	682,427
2610 - Central Support	-	-	386	1,600	-	-	-	-	1,986
2630 - Information Services	84,880	51,294	8,585	24,648	-	125	-	-	169,532
2640 - Staff Services	413,957	383,464	145,375	17,439	-	5,992	-	-	966,227
2660 - Technology Services	1,596,842	939,970	1,291,351	101,782	21,693	850	-	-	3,952,488
2670 - Records Management	-	-	-	(1,359)	-	-	-	-	(1,359)
2690 - Other Support Systems	-	-	330	550	-	612	-	-	1,492
Total Support Services	8,419,825	5,273,301	3,233,914	374,930	34,970	537,829	-	-	17,874,769

Multnomah Education Service District
Oregon Department of Education
District Audit Summary - Expenditures & Other Uses (continued)
For the Year Ended June 30, 2014

ODE Fund Major Function/ODE Function	100 Salaries	200 Employee Benefits	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	700 Transfers	800 Other Uses Of Funds	Total
Enterprise & Community Service									
3100 - Food Services	-	-	-	6,323	-	390	-	-	6,713
Facilities Acq. & Construction									
4150 - Building Acquisition Construct	-	-	-	-	235,065	-	-	-	235,065
Other Uses									
5300 - ESD Appropriation	-	-	-	-	-	-	12,131,957	-	12,131,957
Transfers Out									
5200 - Fund Transfer	-	-	-	-	-	-	4,095,977	-	4,095,977
Total ODE General Fund	\$ 11,708,236	\$ 7,623,307	\$ 3,360,172	\$ 487,791	\$ 270,035	\$ 548,730	\$ 16,227,934	\$ -	\$ 40,226,205

ODE Special Revenue Fund (Contracted Services Fund)

Instruction									
1111 - Primary, K-3	23,601	4,880	43,475	4,371	-	7,633	-	-	83,960
1121 - Middle/Junior High Programs	233,808	53,686	159,384	-	-	44,688	-	-	491,566
1220 - Restrictive Prpgns- Disabilitie	1,931,520	1,277,179	91,033	58,881	-	236,041	-	-	3,594,654
1260 - Early Intervention	-	(2,724)	5,471	(4,668)	-	115	-	-	(1,806)
1280 - Alternative Education	8,286	2,640	1,305	252	-	76	-	-	12,559
1293 - Migrant Education	96,956	52,568	32,492	20,052	-	4,815	-	-	206,883
1294 - Youth Correction	531,625	299,499	66,999	43,642	-	37,060	-	-	978,825
1299 - Other Designated Programs	568,977	375,213	90,706	17,104	-	96,806	-	-	1,148,806
Total Instruction	3,394,773	2,062,941	490,865	139,634	-	427,234	-	-	6,515,447
Support Services									
2110 - Attendance Services	125,175	76,938	239	187	-	14,318	-	-	216,857
2120 - Guidance Services	231,917	138,115	6,270	10,964	-	25,520	-	-	412,786
2130 - Health Services	1,631,196	1,090,975	78,545	58,746	-	285,510	-	-	3,144,972
2140 - Psychological Services	-	-	26,773	521	-	972	-	-	28,266
2150 - Speech Pathology & Audiology	1,192	717	31,767	3,463	-	2,873	-	-	40,012
2160 - Other Student Treatment	3,602	1,961	270	-	-	556	-	-	6,389
2190 - Director Student Services	676,555	385,683	16,358	6,812	-	88,935	-	-	1,174,343
2210 - Improvement of Instruction	5,984	1,700	18,694	552	-	1,977	-	-	28,907

Multnomah Education Service District
Oregon Department of Education
District Audit Summary - Expenditures & Other Uses (continued)
For the Year Ended June 30, 2014

ODE Fund Major Function/ODE Function	100 Salaries	200 Employee Benefits	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	700 Transfers	800 Other Uses Of Funds	Total
2230 - Assessment & Testing	2,729	1,673	8,773	2,946	-	392	-	-	16,513
2320 - Executive Administration	-	-	7,149	-	-	-	-	-	7,149
2410 - Office of the Principal	159,698	105,621	1,488	-	-	9,525	-	-	276,332
2490 - Other Administrative Support	361,429	273,791	28,209	872	-	65,013	-	-	729,314
2510 - Direction of Business	-	-	-	-	-	-	-	-	-
2520 - Fiscal Services	394	138	-	-	-	-	-	-	532
2540 - Plant Operations & Maintenance	27,854	14,989	95,798	-	-	3,895	-	-	142,536
2550 - Student Transportation	-	-	72,110	-	-	7,211	-	-	79,321
2640 - Staff Services	-	-	-	-	-	-	-	-	-
2660 - Technology Services	572,971	296,916	(142,564)	3,006	-	87,370	-	-	817,699
Total Support Services	3,800,696	2,389,217	249,879	88,069	-	594,067	-	-	7,121,928
Enterprise & Community Service									
3100 - Food Services	95,713	25,124	49,248	323,312	-	17,289	-	-	510,686
3300 - Community Services	258,774	138,251	4,333,472	5,750	-	60,231	-	-	4,796,478
Total Enterprise & Community Service	354,487	163,375	4,382,720	329,062	-	77,520	-	-	5,307,164
Other Uses									
5300 - ESD Appropriation	-	-	-	-	-	-	1,189,376	-	1,189,376
Transfers Out									
5200 - Fund Transfer	-	-	-	-	-	-	770,980	-	770,980
Total ODE Special Revenue Fund	7,549,956	4,615,533	5,123,464	556,765	-	1,098,821	1,960,356	-	20,904,895
Debt Service Fund									
Debt Service	-	-	-	-	-	-	-	-	-
5100 - Debt Service	-	-	-	-	-	-	-	-	-
Trust & Agency Funds									
Support Services	72,000	8,128	55,678	762	-	8,130	-	-	144,698
2520 - Fiscal Services	-	-	-	-	-	-	-	-	-

*This report includes transfers within the General fund.
Slight differences from other financial statements and schedules may occur due to rounding.

STATISTICAL SECTION

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**Multnomah Education Service District
Statistical Section
Table of Contents**

This part of the Multnomah ESD's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required and other supplementary information says about the ESD's overall financial health.

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Financial Trends	66
These schedules contain trend information to help the reader understand how the MESD's financial performance and well-being have changed over time	
Revenue Capacity	72
These schedules contain information to help the reader assess the MESD's most significant local revenue source, the property tax.	
Debt Capacity	76
These schedules present information to help the reader assess the affordability of the MESD's current levels of outstanding debt and the MESD's ability to issue additional debt in the future.	
Demographic and Economic Information	77
These schedules offer demographic and economic indicators to help the reader understand the environment within which the MESD's financial activities take place.	
Operating Information	80
These schedules contain services and infrastructure data to help the reader understand how the information in the MESD's financial report relates to the services it provides and the activities it performs.	

Multnomah Education Service District
Statement of Net Position
Last 10 Years

	2005	2006	2007	2008
Assets				
Cash and Cash Equivalents	\$ 26,440,485	\$ 26,590,257	\$ 29,707,115	\$ 29,010,637
Cash with County Treasurer	170,844	158,410	159,276	166,993
Property Tax Receivable	1,008,347	969,462	953,107	1,172,720
Accounts Receivable	6,482,316	10,146,720	6,466,338	4,332,536
Inventory	1,562,752	820,344	1,129,707	1,054,156
Prepaid Items	200,313	183,577	230,784	319,333
Prepaid Pension Cost, Net of Amortization	30,982,696	29,574,391	28,166,087	26,757,783
Bond Issuance Costs, Net of Amortization	174,673	168,851	159,484	151,889
Capital Assets, Net of Depreciation	11,077,221	10,809,387	10,505,582	10,825,967
Total Assets	78,099,647	79,421,399	77,477,480	73,792,014
Liabilities				
Accounts Payable	12,759,984	11,259,709	7,509,638	684,144
Accrued Payroll, Taxes and Withholdings	5,177,631	1,871,926	2,156,724	3,671,940
Deferred Revenue	-	97,193	79,280	-
Accrued Compensated Absences Payables	164,756	170,464	158,572	159,481
Other Post-Employment Benefits	-	-	-	-
Accrued Interest Payable	14,814	-	-	-
Long-term Debt:				
Due Within One Year	350,000	370,000	390,000	440,000
Due in More than One Year	37,985,000	37,615,000	37,225,000	36,785,000
Total Liabilities	56,452,185	51,384,292	47,519,214	41,740,565
Net position:				
Net investment in Capital Assets	5,882,221	5,964,387	6,030,582	6,740,967
Restricted	***	***	***	***
Unrestricted	15,765,241	22,072,720	25,855,076	20,865,036
TOTAL NET POSITION	\$ 21,647,462	\$ 28,037,107	\$ 31,885,658	\$ 27,606,003

*** Restrictions not presented these years

Multnomah Education Service District
Statement of Net Position (continued)
Last 10 Years

2009	2010	2011	2012	2013	2014
\$ 25,052,367	\$ 20,699,809	\$ 20,546,394	\$ 17,456,964	\$ 12,253,325	\$ 8,593,537
-	-	-	-	-	-
1,385,301	1,401,273	1,335,975	1,817,881	1,826,573	1,903,843
7,928,544	8,578,790	8,760,115	6,911,998	9,222,522	8,653,141
1,029,202	982,728	788,838	58,630	24,600	21,597
63,881	13,580	28,883	57,644	19,944	34,334
25,349,424	23,941,123	22,532,822	21,124,520	19,716,219	18,307,917
186,535	176,172	165,809	155,446	145,082	-
11,179,845	11,046,679	10,562,297	10,079,616	9,651,813	9,214,678
72,175,099	66,840,154	64,721,133	57,662,699	52,860,078	46,729,047
7,630,175	5,839,512	5,304,091	3,818,050	2,821,681	1,294,113
2,719,152	3,685,714	3,588,748	3,925,315	3,945,178	3,013,825
-	-	-	-	-	-
173,731	170,310	144,726	129,957	151,029	154,983
166,067	329,126	527,550	708,047	887,291	1,053,097
-	-	-	-	-	-
589,386	716,353	858,679	1,011,101	1,125,000	1,300,000
36,462,815	35,749,795	34,891,116	33,880,015	32,655,000	31,355,000
47,741,326	46,490,810	45,314,910	43,472,485	41,585,179	38,171,018
7,227,643	7,540,531	7,517,473	7,518,499	7,691,813	7,724,678
***	3,162,530	3,664,511	1,410,941	2,102,018	1,984,374
17,206,130	9,646,283	8,224,239	5,260,774	1,481,068	(1,151,022)
\$ 24,433,773	\$ 20,349,344	\$ 19,406,223	\$ 14,190,214	\$ 11,274,899	\$ 8,558,030

Multnomah Education Service District
Changes in Net Position
Last 10 Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 12,464,061	\$ 14,241,676	\$ 13,340,380	\$ 8,251,120
Operating Grants and Contributions	14,722,381	15,909,272	17,964,347	19,192,550
General Revenues:				
Property Taxes	19,874,295	20,915,840	21,683,597	22,940,470
State School Fund - General Support	15,032,933	9,288,345	8,862,678	10,692,471
Earnings on Investments	-	-	-	1,407,155
Federal Stimulus	-	-	-	-
Loss on disposition of Capital Assets	-	-	-	778
Miscellaneous	3,398,645	5,085,536	7,988,961	5,707,678
Total Revenues	<u>65,492,315</u>	<u>65,440,669</u>	<u>69,839,963</u>	<u>68,192,222</u>
 Expenses:				
Instruction	17,107,374	15,167,098	16,471,265	16,977,374
Support Services	34,279,738	34,862,274	38,722,555	37,284,143
Enterprise and Community Services	704,042	46,870	1,419,024	2,315,736
Facilities Repairs and Maintenance	-	-	-	-
Apportionment of Funds	8,090,257	7,256,141	9,340,305	9,492,872
Unallocated Depreciation	-	-	-	-
Interest on Long-Term Debt	2,128,576	1,718,641	1,965,638	1,956,306
Total Expenses	<u>62,309,987</u>	<u>59,051,024</u>	<u>67,918,787</u>	<u>68,026,431</u>
 CHANGE IN NET POSITION	3,182,328	6,389,645	1,921,176	165,791
NET POSITION, beginning of year	<u>18,465,134</u>	<u>21,647,462</u>	<u>29,964,482</u> *	<u>27,440,212</u> *
NET POSITION, end of year	<u><u>\$ 21,647,462</u></u>	<u><u>\$ 28,037,107</u></u>	<u><u>\$ 31,885,658</u></u>	<u><u>\$ 27,606,003</u></u>

* Restated

Multnomah Education Service District
Changes in Net Position (continued)
Last 10 Years

2009	2010	2011	2012	2013	2014
\$ 13,205,946	\$ 8,092,199	\$ 12,999,332	\$ 10,268,887	\$ 10,776,757	\$ 9,683,179
19,407,801	18,785,136	20,140,915	20,066,049	24,018,999	9,930,046
23,561,749	24,505,818	25,075,966	25,980,967	26,195,536	27,098,503
8,298,709	8,033,770	4,222,969	4,657,196	5,315,956	6,850,158
576,777	171,510	108,512	100,886	79,693	79,432
907,566	2,601,970	2,550,138	895,484	299,974	6,500
-	-	-	-	-	-
1,422,965	2,566,822	3,314,562	3,055,618	3,079,530	2,774,348
67,381,513	64,757,225	68,412,394	65,025,087	69,766,445	56,422,166
15,083,185	16,371,149	17,569,453	19,126,964	17,718,338	12,030,218
40,395,972	37,705,025	37,152,822	35,744,950	35,535,887	26,226,125
2,651,994	2,782,432	3,524,849	3,086,517	3,624,992	5,241,283
-	489,409	2,685	45,672	110,488	235,065
10,218,146	9,297,814	8,916,168	10,065,731	13,555,146	13,321,333
267,711	273,357	286,200	293,828	294,277	282,651
1,936,735	1,922,468	1,903,338	1,877,434	1,842,632	1,802,360
70,553,743	68,841,654	69,355,515	70,241,096	72,681,760	59,139,035
(3,172,230)	(4,084,429)	(943,121)	(5,216,009)	(2,915,315)	(2,716,869)
27,606,003	24,433,773	20,349,344	19,406,223	14,190,214	11,274,899
<u>\$ 24,433,773</u>	<u>\$ 20,349,344</u>	<u>\$ 19,406,223</u>	<u>\$ 14,190,214</u>	<u>\$ 11,274,899</u>	<u>\$ 8,558,030</u>

Multnomah Education Service District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Last 10 Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues				
Property Taxes	\$ 19,935,475	\$ 20,942,497	\$ 21,737,147	\$ 22,879,494
State School Fund	15,036,281	9,288,344	8,865,992	10,695,867
Local Sources	11,750,330	14,976,739	13,192,511	10,066,970
State Sources	10,960,049	11,014,059	12,142,608	14,072,950
School Improvement Fund	-	-	-	-
Federal Sources	4,362,055	5,230,819	7,449,302	5,818,759
Investment Earnings	585,213	1,166,597	1,821,211	1,407,154
Sales of Goods & Services	2,089,159	2,393,970	786,743	3,436,068
SB1149 Proceeds	-	-	4,188,737	1,558,547
Other Revenues	2,236,246	7,301,614	2,301,973	2,033,310
Overhead Revenues	713,225	832,854	1,853,178	381,504
Total Revenues	<u>67,668,033</u>	<u>73,147,493</u>	<u>74,339,402</u>	<u>72,350,623</u>
Expenditures				
Instruction	16,321,874	16,328,176	16,899,030	16,882,596
Support Services	35,415,145	38,921,915	41,040,462	40,572,157
Enterprise & Community Services	674,541	778,322	1,415,832	2,294,594
Facilities Repairs and Maintenance	-	-	-	25,237
Other Uses	(10)	-	-	-
Debt Service	1,975,515	2,077,633	2,338,163	2,338,711
Contingencies	68,657	-	-	-
Total Expenditures	<u>54,455,722</u>	<u>58,106,046</u>	<u>61,693,487</u>	<u>62,113,295</u>
Excess of Revenues Over Expenditures	13,212,311	15,041,478	12,645,938	10,237,359
Other Financing Sources (Uses)				
Apportionment of Funds	(8,090,267)	(7,256,141)	(9,340,305)	(9,492,872)
Transfers In	808,000	1,358,648	-	1,370,000
Transfers Out	(808,000)	(1,359,285)	-	(1,371,500)
Capital Leases	-	-	-	-
Total Other Financing Sources (Uses)	<u>(8,090,267)</u>	<u>(7,256,778)</u>	<u>(9,340,305)</u>	<u>(9,494,372)</u>
Net Change in Fund Balances	5,122,044	7,784,700	3,305,633	742,987
Beginning Fund Balances	<u>11,848,804</u> *	<u>16,970,859</u> *	<u>24,755,559</u>	<u>30,129,223</u> *
Ending Fund Balances	<u><u>\$ 16,970,849</u></u>	<u><u>\$ 24,755,559</u></u>	<u><u>\$ 28,061,192</u></u>	<u><u>\$ 30,872,211</u></u>

* Restated

Debt service as a percentage of noncapital expenditures	3.64%	3.59%	3.80%	3.82%
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Multnomah Education Service District
Statement of Revenues, Expenditures, and Changes in Fund Balance (continued)
Governmental Funds
Last 10 Years

2009	2010	2011	2012	2013	2014
\$ 23,219,411	\$ 24,511,191	\$ 25,097,989	\$ 25,504,874	\$ 26,181,577	\$ 27,001,138
8,298,709	8,033,770	4,222,969	4,657,196	5,315,956	6,850,158
10,670,438	5,767,805	9,366,606	7,566,113	8,315,530	8,338,421
12,591,487	12,676,732	14,543,993	15,750,967	19,079,846	7,553,606
965,201	-	-	-	-	-
7,627,019	9,568,636	9,973,707	6,138,984	6,699,687	2,079,394
576,777	171,510	108,512	100,886	79,693	79,432
1,884,560	1,435,170	1,472,190	1,221,129	22,903	7,025
-	-	-	-	-	-
2,940,078	527,323	3,401,405	3,608,845	3,423,410	4,427,242
8,520,656	2,070,415	2,205,840	2,101,237	2,557,141	1,087,745
77,294,336	64,762,552	70,393,211	66,650,231	71,675,743	57,424,161
16,400,599	16,126,163	18,207,142	20,028,735	18,670,959	12,397,171
48,105,823	36,733,405	36,388,922	35,109,951	35,341,092	24,996,697
2,812,317	2,766,457	3,547,993	3,151,329	3,690,706	5,313,875
-	489,409	145,903	85,759	110,488	235,065
-	-	-	-	-	-
2,376,735	2,473,268	2,578,338	2,692,434	2,807,632	2,927,360
-	-	-	-	-	-
69,695,474	58,588,702	60,868,298	61,068,208	60,620,877	45,870,168
7,598,876	6,173,850	9,524,913	5,582,023	11,054,866	11,553,993
(10,218,146)	(9,297,814)	(8,916,168)	(10,065,731)	(13,555,146)	(13,321,333)
10,242,125	4,358,687	5,036,526	4,375,229	5,194,204	4,782,716
(10,242,125)	(4,358,687)	(5,036,526)	(4,375,229)	(5,194,204)	(4,782,716)
307,952	-	-	-	-	-
(9,910,194)	(9,297,814)	(8,916,168)	(10,065,731)	(13,555,146)	(13,321,333)
(2,311,317)	(3,123,964)	608,745	(4,483,708)	(2,500,280)	(1,767,340)
26,355,028 *	24,043,711	20,919,747	21,528,492	17,044,784	14,544,504
\$ 24,043,711	\$ 20,919,747	\$ 21,528,492	\$ 17,044,784	\$ 14,544,504	\$ 12,777,164

3.45%

4.26%

4.25%

4.42%

4.64%

6.38%

Multnomah Education Service District
Assessed Values of Taxable Property within District Boundaries (thousands of dollars)
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Assessed Value (not including exempt property)					Add: Non- Profit Housing	Less: Urban Renewal Excess	Total Net Assessed Value	Total Direct Tax Rate	Taxes Imposed (Net Levy)
	Real Property	Personal Property	Manufactured Structures	Public Utility	Total Assessed Value					
2005	\$ 42,935,479	\$ 2,384,696	\$ 96,531	\$ 2,627,158	\$ 48,043,864	\$ 21,235	\$ 2,403,448	\$ 45,661,651	0.4576	\$ 20,550
2006	45,080,733	2,389,420	92,999	2,413,134	49,976,286	26,050	2,836,380	47,165,956	0.4576	21,461
2007	47,126,391	2,461,536	96,283	2,547,753	52,231,963	27,852	3,206,807	49,053,008	0.4576	22,181
2008	49,940,771	2,481,730	177,495	2,538,071	55,138,068	29,084	3,631,632	51,535,520	0.4576	23,334
2009	52,500,741	2,541,965	179,815	2,593,085	57,815,606	34,623	4,144,209	53,706,020	0.4576	24,340
2010	54,717,026	2,491,331	194,671	2,785,933	60,188,961	35,662	4,751,822	55,472,801	0.4576	25,157
2011	56,411,274	2,538,168	178,194	2,819,071	61,946,707	31,781	5,039,772	56,938,716	0.4576	25,799
2012	58,201,602	2,270,495	173,117	2,902,392	63,547,607	31,340	5,151,161	58,427,786	0.4576	26,334
2013	59,740,638	2,282,583	91,700	2,858,576	64,973,497	32,280	5,323,183	59,682,594	0.4576	26,794
2014	61,787,971	2,311,740	90,338	2,990,200	67,180,249	33,249	5,552,060	61,661,438	0.4576	27,716

Notes:

1. Property taxes are based on an assessed value which is defined as the lower of "maximum assessed value" or "real market value". Assessed values are limited to 3 percent annual increases.
2. The net levy is the actual imposed tax after adjustments and constitutional property tax limitations due to the passing of Measure 5 in 1990 and Measure 50 in 1997.

Sources:

Oregon Property Tax Statistics Supplement for the appropriate fiscal year. Values are the combined total for the taxing district, "Multnomah ESD", in Multnomah, Clackamas, and Washington counties.

Multnomah Education Service District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

District	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
MESD Direct Rate	0.4576	0.4576	0.4576	0.4576	0.4576	0.4576	0.4576	0.4576	0.4576	0.4576
<u>Overlapping Districts Permanent Rates Extended</u>										
Multnomah County	4.3434	4.3434	4.3434	4.3434	4.3434	4.3434	4.3434	4.3434	4.3434	4.3434
Regional Districts										
Multnomah Co. Library	1.1800	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Metro	0.0966	0.0966	0.0966	0.0966	0.0966	0.0966	0.0966	0.0966	0.0966	0.0966
Port of Portland	0.0701	0.0701	0.0701	0.0701	0.0701	0.0701	0.0701	0.0701	0.0701	0.0701
East Multnomah SWCD	0.1000	0.1000	0.1000	0.1000	0.1000	0.0877	0.0715	0.0326	0.0413	n/a
West Multnomah SWCD	0.0750	0.0750	0.0732	0.0469	0.0391	0.0369	0.0378	n/a	n/a	n/a
Average Rate	0.3043	0.0854	0.0850	0.0784	0.0765	0.0728	0.0690	0.0664	0.0693	0.0834
Cities										
Portland	4.5770	4.5770	4.5770	4.5770	4.5770	4.5770	4.5770	4.5770	4.5770	4.5770
Fairview	3.4902	3.4902	3.4902	3.4902	3.4902	3.4902	3.4902	3.4902	3.4902	3.4902
Gresham	3.6129	3.6129	3.6129	3.6129	3.6129	3.6129	3.6129	3.6129	3.6129	3.6129
Maywood Park	1.1482	1.7504	1.9500	1.5055	0.8468	0.4053	0.6502	0.4563	0.2448	0.0090
Troutdale	3.7652	3.7652	3.7652	3.7652	3.7652	3.7652	3.7652	3.7652	3.7652	3.7652
Wood Village	3.1262	3.1262	3.1262	3.1262	3.1262	3.1262	3.1262	3.1262	3.1262	3.1262
Average Rate	3.2866	3.3870	3.4203	3.3462	3.2364	3.1628	3.2036	3.1713	3.1361	3.0968
Education Districts										
Centennial SD No. 28J	4.7448	4.7448	4.7448	4.7448	4.7448	4.7448	4.7448	4.7448	4.7448	4.7448
Corbett SD No. 39	4.5941	4.5941	4.5941	4.5941	4.5941	4.5941	4.5941	4.5941	4.5941	4.5941
David Douglas SD No. 40	4.6394	4.6394	4.6394	4.6394	4.6394	4.6394	4.6394	4.6394	4.6394	4.6394
GreshamBarlow SD No.10J	4.5268	4.5268	4.5268	4.5268	4.5268	4.5268	4.5268	4.5268	4.5268	4.5268
Parkrose SD No. 3	4.8906	4.8906	4.8906	4.8906	4.8906	4.8906	4.8906	4.8906	4.8906	4.8906
Portland SD No. 1J	5.2781	5.2781	5.2781	5.2781	5.2781	5.2781	5.2781	5.2781	4.7743	5.2781
Reynolds SD No. 7	4.4626	4.4626	4.4626	4.4626	4.4626	4.4626	4.4626	4.4626	4.4626	4.4626
Riverdale SD No. 51J	3.8149	3.8149	3.8149	3.8149	3.8149	3.8149	3.8149	3.8149	3.8149	3.8149
Mt. Hood Comm. College	0.4917	0.4917	0.4917	0.4917	0.4917	0.4917	0.4917	0.4917	0.4917	0.4917
Portland Comm. College	0.2828	0.2828	0.2828	0.2828	0.2828	0.2828	0.2828	0.2828	0.2828	0.2828
Average Rate	3.7726	3.7726	3.7726	3.7726	3.7726	3.7726	3.7726	3.7726	3.7222	3.7726
Rural Fire Protection Services										
Multnomah RFPD No. 10	2.7500	2.7500	2.7500	2.7500	2.7500	2.7500	2.7500	2.8527	2.8527	2.8527
Riverdale RFPD No. 11J	1.2361	1.2361	1.2361	1.2361	1.2361	1.2361	1.2361	1.2361	1.2361	1.2361
Multnomah RFPD No. 14	1.2624	1.2624	1.2624	1.2624	1.2624	1.2624	1.2624	1.2624	1.2624	1.2624
Average Rate	1.7495	1.7495	1.7495	1.7495	1.7495	1.7495	1.7495	1.7837	1.7837	1.7837
Water Districts										
Alto Park	1.5985	1.5985	1.5985	1.5985	1.5985	1.5985	1.5985	1.5985	1.5985	1.5985
Burlington	3.4269	3.4269	3.4269	3.4269	3.4269	3.4269	3.4269	3.4269	3.4269	3.4269
Corbett	0.5781	0.5781	0.5781	0.5781	0.5781	0.5781	0.5781	0.5781	0.5781	0.5781
Lusted	0.2423	0.2423	0.2423	0.2423	0.2423	0.2423	0.2423	0.2423	0.2423	0.2423
Valley View	1.2033	1.2380	1.0408	1.0243	1.0558	1.0408	0.8478	0.4448	0.4778	0.4977
Average Rate	1.4098	1.4168	1.3773	1.3740	1.3803	1.3773	1.3387	1.2581	1.2647	1.2687
Total Direct and Average Overlapping Rate	15.3239	15.2122	15.2056	15.1217	15.0162	14.9360	14.9344	14.8532	14.7770	14.8061

*Permanent tax rates are the primary factor in determining tax burdens. Districts can opt to extend rates lower than their permanent rate. This schedule reports the actual tax rate extended for operations.

Source: Tax Supervising & Conservation Commission (TSCC) Annual Reports (tscmultco.com)

Multnomah Education Service District
Principal Property Taxpayers in Multnomah County
Taxing District: 304 Multnomah ESD
Current Year and Nine Years Prior

Ten Largest Taxpayers	Tax Year 2013-2014				Tax Year 2004-2005			
	Taxable Assessed		Percentage of Total Taxable		Taxable Assessed		Percentage of Total Taxable	
	Value	Rank	Assessed Value		Value	Rank	Assessed Value	
Port of Portland	\$ 521,288,480	1	0.85%					
Portland General Electric Co.	437,103,590	2	0.71		\$ 344,485,590	2	0.77%	
Comcast Corporation	407,073,600	3	0.66					
PacificCorp (PP&L)	316,652,000	4	0.51		235,221,992	3	0.53	
Weston Investment Co LLC	256,447,100	5	0.42					
Evraz Inc NA	218,521,390	6	0.35					
Alaska Airlines, Inc	181,860,000	7	0.29		117,000,000	10	0.26	
CenturyLink	175,656,700	8	0.28					
Boeing Company	171,247,570	9	0.28		163,456,514	5	0.37	
AT&T, Inc	170,058,000	10	0.28					
Qwest Wireless					551,453,392	1	1.24	
Wacker Siltronic Corp					169,330,176	4	0.38	
Northwest Natural Gas Co					146,038,600	6	0.33	
LC Portland LLC					134,660,374	7	0.30	
United Airlines					123,406,804	8	0.28	
LSI Logic Corp					118,161,368	9	0.26	
All Other Taxpayers	58,805,529,907		95.37		42,514,130,009		95.29	
Total Assessed Value	\$ 61,661,438,337				\$ 44,617,344,819			

Source: Multnomah County Department of Assessment and Taxation

Multnomah Education Service District
Property Tax Levies and Collections by County
Last Ten Years

Fiscal Year Ending June 30	Net Taxes Levied for the Fiscal Year	Balance Due at end of Fiscal Year of the Levy		Balance Due as of June 30, 2014	
		Amount	Percentage of Levy	Amount	Percentage Collected
Multnomah County					
2005	\$ 20,120,523	\$ 582,329	2.89%	\$ 1,642	99.99%
2006	21,025,449	588,764	2.80	2,130	99.99
2007	21,703,981	588,236	2.71	2,718	99.99
2008	22,859,897	670,534	2.93	3,746	99.98
2009	23,825,482	851,090	3.57	7,922	99.97
2010	24,606,025	775,848	3.15	103,477	99.58
2011	25,234,019	700,321	2.78	157,200	99.38
2012	25,824,749	801,853	3.10	313,350	98.79
2013	26,275,966	718,661	2.74	387,461	98.53
2014	27,116,896	705,284	2.60	705,284	97.40
Clackamas County					
2005	\$ 373,658	\$ 9,967	2.67%	\$ 42	99.99%
2006	394,275	9,516	2.41	60	99.98
2007	409,330	11,151	2.72	74	99.98
2008	425,219	14,634	3.44	131	99.97
2009	444,187	19,067	4.29	354	99.92
2010	457,997	17,009	3.71	2,012	99.56
2011	471,706	15,150	3.21	2,844	99.40
2012	483,368	15,804	3.27	4,963	98.97
2013	482,300	14,257	2.96	6,953	98.56
2014	500,200	12,572	2.51	12,572	97.49
Washington County					
2005	\$ 100,691	*	*	*	*
2006	104,856	*	*	*	*
2007	108,287	*	*	*	*
2008	112,437	\$ 2,732	2.43%	*	*
2009	116,251	3,553	3.06	\$ 32	99.97%
2010	120,106	3,348	2.79	468	99.61
2011	123,384	2,916	2.36	664	99.46
2012	126,167	3,137	2.49	952	99.25
2013	128,770	2,691	2.09	1,301	98.99
2014	133,931	2,656	1.98	2,656	98.02

* Information not provided at this time.

Source: Multnomah, Clackamas and Washington County's Departments of Assessment and Taxation

Multnomah Education Service District
Ratios of Outstanding Debt
Last Ten Fiscal Years

Fiscal Year Ending June 30	Governmental Activities Debt				Percentage of Personal Income	Personal Income All Counties (thousands)	Per Capita	Population All Counties
	2004 G.O. Refunding COP Bonds	OSBA Limited Tax Pension Obligations	Capital Lease	Total Outstanding Debt				
2005	\$ 4,560,000	\$ 33,140,000		\$ 37,700,000	0.07%	\$ 56,965,093	\$ 25	1,524,943
2006	4,520,000	33,140,000		37,660,000	0.06%	61,688,284	24	1,549,501
2007	4,475,000	33,140,000		37,615,000	0.06%	64,727,993	24	1,573,449
2008	4,085,000	33,140,000	\$ 307,952	37,532,952	0.06%	67,347,119	23	1,599,907
2009	3,685,000	33,100,000	270,389	37,055,389	0.06%	65,553,900	23	1,626,505
2010	3,275,000	32,960,000	231,179	36,466,179	0.05%	66,937,353	22	1,644,635
2011	2,855,000	32,705,000	189,796	35,749,796	0.05%	71,718,126	22	1,656,775
2012	2,415,000	32,330,000	146,117	34,891,117	0.05%	75,565,152	21	1,672,970
2013	1,960,000	31,820,000	-	33,780,000	*	*	20	1,693,600
2014	1,490,000	31,165,000	-	32,655,000	*	*	*	*

* Information not provided at this time.

Notes:

- 1) Details regarding the District's outstanding debt can be found in the notes to the basic financial statements
- 2) See the Demographics and Economic Statistics schedule for population and income data for Multnomah, Clackamas, and Washington counties.

Multnomah Education Service District
Direct and Overlapping Debt
As of June 30, 2013

Overlapping District Name	Outstanding Net Property Tax Backed Debt ¹	Percent Overlapping ²	Net Overlapping Debt ²
City of Beaverton	\$ -	1.68%	\$ -
City of Fairview	-	100.00	-
City of Gresham	30,048,998	100.00	3,004,899,800
City of Happy Valley	3,965,000	1.24	49,174
City of Lake Oswego	28,741,913	5.54	1,592,848
City of Milwaukee	-	0.90	-
City of Portland	130,695,000	99.67	130,266,320
City of Troutdale	11,775,000	100.00	1,177,500,000
Clackamas Community College	24,370,000	0.00	804
Clackamas County	103,805,000	3.54	3,674,697
Clackamas Cty RFPD 1	910,000	0.53	4,829
Clackamas Cty SD 7J (Lake Oswego)	99,037,049	0.01	13,370
Lusted Water District	825,000	100.00	82,500,000
Metro	222,955,000	51.10	113,935,802
Mt Hood Community College	25,100,000	88.29	22,161,643
Multnomah County	183,565,000	99.50	182,651,764
Multnomah Cty Drainage District 1	95,000	100.00	9,500,000
Multnomah Cty SD 10J (Gresham-Barlow)	86,599,811	100.00	8,659,981,100
Multnomah Cty SD 1J (Portland)	537,147,447	100.00	53,714,744,700
Multnomah Cty SD 28J (Centennial)	28,866,858	100.00	2,886,685,800
Multnomah Cty SD 3 (Parkrose)	60,265,000	100.00	6,026,500,000
Multnomah Cty SD 39 (Corbett)	1,590,000	100.00	159,000,000
Multnomah Cty SD 40 (David Douglas)	101,757,481	100.00	10,175,748,100
Multnomah Cty SD 51J (Riverdale)	25,228,313	100.00	2,522,831,300
Multnomah Cty SD 7 (Reynolds)	110,028,567	100.00	11,002,856,700
North Clackamas Parks & Rec District	-	0.19	-
Pleasant Home Water District	1,790,000	94.14	1,685,119
Port of Portland	-	47.37	-
Portland Community College	167,875,000	48.24	80,983,068
Rockwood Water PUD	-	100.00	-
Tualatin Hills Park & Rec District	96,683,112	1.24	1,197,227
Tualatin Valley Fire & Rescue District	42,600,000	1.94	824,310
Washington County	20,235,000	0.63	127,217
Subtotal, overlapping debt	\$ 2,146,554,549		99,961,915,692
Direct District net property taxed back debt			-
Total direct and overlapping debt			<u>\$ 99,961,915,692</u>

¹ "Net Property Tax Backed Debt" is Gross Property Tax Backed Debt less Self-supporting Unlimited Tax GO and less Self-Supporting Full Faith & Credit debt.

² Percent Overlapping and Net Overlapping Debt is calculated by the Oregon State Treasury, Debt Management Division.

**Multnomah Education Service District
Demographic and Economic Statistics
Last Ten Years**

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands)</u>	<u>Per Capita Income</u>	<u>Unemployment Rate (June)</u>
<u>Multnomah County</u>				
2005	674,862	\$ 24,663,070	\$ 36,545	6.2%
2006	683,767	26,630,031	38,946	5.2
2007	697,799	27,727,852	39,736	5.0
2008	712,989	28,920,239	40,562	5.6
2009	727,721	28,409,201	39,039	11.3
2010	736,785	29,057,768	39,439	10.0
2011	741,925	31,058,010	41,861	9.0
2012	748,445	32,715,802	43,712	8.0
2013	756,530	*	*	7.2
2014	*	*	*	6.0
<u>Clackamas County</u>				
2005	359,308	\$ 14,592,828	\$ 40,614	5.7%
2006	363,508	15,864,584	43,643	4.9
2007	366,808	16,642,865	45,372	4.6
2008	371,103	17,252,736	46,490	5.3
2009	374,085	16,548,795	44,238	11.0
2010	376,780	16,537,672	43,892	10.2
2011	378,480	17,583,715	46,459	9.3
2012	381,680	18,535,004	48,562	8.2
2013	386,080	*	*	7.1
2014	*	*	*	6.0
<u>Washington County</u>				
2005	490,773	\$ 17,709,195	\$ 36,084	5.3%
2006	502,226	19,193,669	38,217	4.5
2007	508,842	20,357,276	40,007	4.4
2008	515,815	21,174,144	41,050	5.0
2009	524,699	20,595,904	39,253	10.2
2010	531,070	21,341,913	40,187	9.1
2011	536,370	23,076,401	43,023	8.2
2012	542,845	24,314,346	44,791	7.3
2013	550,990	*	*	6.5
2014	*	*	*	5.6

* Data unavailable at time of print.

Sources:

2005-2009 population: U.S. Bureau of Economic Analysis report CA1-3 (last updated May 30, 2014) www.bea.gov

2010-2013 population: Portland State College, Population and Research Center 2013 Annual Population Report - Table 4

Income: U.S. Bureau of Economic Analysis report CA1-3 (last updated May 30, 2014) www.bea.gov

Unemployment rates: Oregon Employment Department, WorSource Oregon Labor Force Data (qualityinfo.org) as of Aug 2014

**Multnomah Education Service District
Principal Employers
Portland Metro Area
Current Year and Nine Years Prior**

Top Ten Principal Employers	2014			2005		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Intel Corporation	17,500	1	1.6%	14,363	1	1.4%
U.S. Federal Government	17,500	2	1.6			
Providence Health System	15,239	3	1.4	13,753	2	1.3
Oregon Health and Science University	14,616	4	1.4	11,400	3	1.1
State of Oregon	14,200	5	1.3			
Legacy Health System	10,436	6	1.0	7,907	4	0.8
Fred Meyer Stores	10,237	7	1.0	5,300	9	0.5
Kaiser Permanente	9,896	8	0.9	7,433	5	0.7
City of Portland	8,558	9	0.8	5,355	8	0.5
Nike, Inc.	8,000	10	0.7	5,742	7	0.6
Portland Public Schools				6,700	6	0.7
Safeway, Inc				5,282	10	0.5
All other employers	947,718		88.3	953,161		93.0
Total Employment - PMSA*	1,073,900			1,024,414		

* The Portland-Vancouver-Hillsboro MSA includes all of Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark and Skamania counties in Washington State.

Sources:

Top Largest Employers: Portland Business Journal (portlandbizjournal.com) July 18, 2014 and 2005 Book of Lists

Total Employment: Oregon Employment Department, WorkSource Oregon (qualityinfo.org)

Multnomah Education Service District
Licensed, Classified and Administrative Employees
Last Ten Fiscal Years

<u>Fiscal Year Ending</u>	<u>Licensed</u>	<u>Classified</u>	<u>Administration</u>	<u>Total</u>
2005	291	394	45	730
2006	288	371	46	705
2007	296	378	49	723
2008	331	348	49	728
2009	277	356	50	683
2010	281	341	48	670
2011	289	313	45	647
2012	288	292	44	624
2013	316	299	35	650
2014	150	242	31	423

Note: Number reflects total headcount of permanent full-time and part-time employees.

Source: Multnomah ESD Human Resources Department

Multnomah Education Service District
School District Participation in MESD Programs and Services
Last Ten Fiscal Years

<u>Fiscal Year Ending</u>	<u>Special Education Services</u>	<u>Instructional Services</u>	<u>Health & Social Services</u>	<u>Technology & Other Support Services</u>	<u>Total</u>
2005	\$ 23,708,875	\$ 15,634,597	\$ 9,450,314	\$ 10,893,591	\$ 59,687,377
2006	22,899,919	16,680,305	10,680,387	9,804,769	60,065,380
2007	25,003,833	18,538,848	11,885,582	10,313,749	65,742,012
2008	23,813,868	18,407,083	13,244,344	9,246,210	64,711,505
2009	26,356,512	19,949,756	13,986,022	12,651,890	72,944,180
2010	24,115,053	17,241,767	13,246,418	3,531,239	58,134,477
2011	24,273,554	16,569,950	12,791,521	4,731,591	58,366,616
2012	25,092,644	9,531,676	11,230,808	16,924,301	62,779,429
2013	29,465,549	9,741,643	11,704,076	17,431,713	68,342,981
2014*	12,669,290	8,537,013	9,009,457	20,063,312	50,279,072

* The loss of the Early Childhood Program in July 2013 resulted in a significant drop of expenditures; especially in Special Education Services. Other shifts in program responsibilities from one department to another are also reflected for the fiscal year ending June 30, 2014.

Multnomah Education Service District
Schools, Sites, and Offices

Building Name	Square Footage	Owned or Leased	Programs/Services Offered
<u>District Owned/Leased Sites:</u>			
Ainsworth Building 11611 NE Ainsworth Circle, Portland, OR 97220	60,000	Owned	Houses central administration, department and program offices; technology services; facilities services.
Alpha School 876 NE 8th St, Gresham, OR 97030	18,000	Owned	Houses an alternative high school program and an alternative middle school program.
Arata Creek School Edgefield Regional Children's Campus 2408 SW Halsey St, Troutdale, OR 97060	14,000	Owned	Houses four classrooms for students with social/emotional disabilities; one classroom for students with developmental disabilities.
Helensview School 8678 NE Sumner St, Portland, OR 97220	40,000	Leased	Houses programs for students who are pregnant and/or parenting; who have left traditional education or are at risk for dropping out; for students on probation, parole or returning from juvenile or adult correctional facilities.
Wheatley School (<i>formerly Thompson School</i>) 14030 NE Sacramento St, Portland, OR 97230	40,000	Leased	Provides post-secondary education for students with significant disabilities.
<u>Additional Classroom Sites:</u>			
Donald E. Long Program 1401 NE 68th Ave, Portland, OR 97213			Provides educational and social skills for students awaiting trials and hearings.
Wynne Watts School 830 NE 162nd Ave, Portland, OR 97230			Provides educational programs for students with mental health and behavioral challenges.
Ocean Dunes High School 4859 S Jetty Road, Florence, OR 97439			Provides educational services to young men who are incarcerated.
Three Lakes High School 4400 Lochner Road SE, Albany, OR 97322			Provides educational services to young women who are incarcerated.
Yamhill County Juvenile Detention 535 E Fifth St, McMinnville, OR 97128			Provides educational services to youth who are incarcerated.

Source: Multnomah ESD Facilities and Communications Departments

SINGLE AUDIT SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Multnomah Education Service District
Portland, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Multnomah Education Service District, Portland, Oregon (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency (2014-001).

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (Continued)**

INDEPENDENT AUDITOR'S REPORT (Continued)

COMPLIANCE AND OTHER MATTERS

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

RESPONSE TO FINDINGS

The District's response to the finding identified in our audit is described in the Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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

Talbot, Korvola & Warwick LLP

Lake Oswego, Oregon
October 21, 2014



**Talbot, Korvola
& Warwick, LLP**

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB
CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Multnomah Education Service District
Portland, Oregon

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the Multnomah Education Service District, Portland, Oregon (the District's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the Summary of Independent Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Continued)**

INDEPENDENT AUDITOR'S REPORT (Continued)

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Continued)**

INDEPENDENT AUDITOR'S REPORT (Continued)

**REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
OMB CIRCULAR A-133**

We have audited the financial statements of the District as of and for the year ended June 30, 2014, and have issued our report thereon dated October 21, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other 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. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Talbot, Kowala & Warwick LLP

Lake Oswego, Oregon
October 21, 2014

Multnomah Education Service District
Schedule of Expenditures and Federal Awards
For the Year Ended June 30, 2014

FEDERAL GRANTOR	Federal CFDA	Grantor or Pass-Thru	Grant Period	Grant Award	Fiscal Year Expenditures
Federal Program/Cluster and Program Title	Number	Number			
US DEPARTMENT OF AGRICULTURE					
<i>Passed through Oregon Department of Education</i>					
Child Nutrition Cluster					
National School Breakfast Program	10.553	NA	07/01/13 - 06/30/14	\$ -	\$ -
National School Lunch Program	10.555	NA	07/01/13 - 06/30/14	-	177,202
Cluster Total					177,202
US DEPARTMENT OF AGRICULTURE TOTAL				-	177,202
US DEPARTMENT OF EDUCATION					
TRIO Cluster					
TRIO - Talent Search	84.044	P044A120052	09/01/12 - 08/31/17	1,150,000	222,428
Cluster Total				1,150,000	222,428
<i>Passed through Oregon Department of Education</i>					
Migrant Education - State Grant Program (I)	84.011	25381	07/01/12 - 09/30/13	236,258	26,519
		27286	04/15/13 - 09/30/13	63,214	61,754
		29961	07/01/13 - 09/30/14	237,026	201,410
		29980	07/01/13 - 09/30/14	21,030	21,003
		31060.S	04/15/14 - 09/30/14	84,658	14,647
			Subtotal	642,186	325,334
Migrant Education - Coordination Program	84.144	31060.C	04/15/14 - 09/30/14	2,494	1,102
			Program Total	644,680	326,435
Title I Program for Neglected and Delinquent Children	84.013	29640	07/01/13 - 06/30/14	41,064	41,064
		30066	07/01/13 - 06/30/14	1,814	1,814
		30067	07/01/13 - 06/30/14	39,069	39,069
			Program Total	81,946	81,946
Special Education Cluster (IDEA)					
Special Education - Grants to States (IDEA, Part B)	84.027	26523	10/01/12 - 09/30/13	2,652	2,652
		27666	07/01/13 - 06/30/14	4,497	4,497
		27941,27943	08/01/13 - 06/30/14	1,708	1,708
		27942	08/01/13 - 06/30/14	1,055	1,055
		29670	07/01/13 - 06/30/14	12,991	12,991
		29827	10/01/13 - 09/30/14	2,652	-
		30058	07/01/13 - 06/30/14	18,165	18,165
		30079	07/01/13 - 06/30/14	22,238	22,238
		9613	07/01/13 - 06/30/15	5,434	2,717
			Cluster Total	71,393	66,024
Special Education - State Personnel Development	84.323	29517	08/01/13 - 06/30/14	2,194	2,194
		29553	08/01/13 - 06/30/14	3,000	2,836
			Program Total	5,194	5,030

**Multnomah Education Service District
Schedule of Expenditures and Federal Awards
For the Year Ended June 30, 2014 (continued)**

FEDERAL GRANTOR	Federal CFDA	Grantor or Pass-Thru	Grant Period	Grant Award	Fiscal Year Expenditures
Federal Program/Cluster and Program Title	Number	Number			
Improving Teacher Quality Grants	84.367	27257	03/04/13 - 01/10/14	\$ 6,424	\$ 78
Teacher Incentive Cluster					
ALDER Data Quality - ARRA	84.384	29586	07/01/13 - 06/30/14	6,500	6,500
			Cluster Total	6,500	6,500
<i>Passed through ODE via University of Oregon</i>					
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities					
Project STAY OUT: Strategies Teaching Adolescent Young Offenders with Disabilities to Use Transition Skills	84.326	C01603	07/01/13 - 06/30/16	120,000	22,169
			Program Total	120,000	22,169
US DEPARTMENT OF EDUCATION TOTAL				2,086,137	730,611
US DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Substance Abuse and Mental Health Services Projects of Regional and National Significance (I)	93.243	SM060214	09/30/10 - 09/29/15	3,250,000	632,277
US DEPARTMENT OF HEALTH AND HUMAN SERVICES				3,250,000	632,277
FEDERAL FINANCIAL ASSISTANCE GRAND TOTAL				\$ 5,336,137	\$ 1,540,089

(I) Indicates a major program

Note: This schedule is presented on the modified accrual basis of accounting.

MULTNOMAH EDUCATION SERVICE DISTRICT
Portland, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

SECTION 1 – SUMMARY OF INDEPENDENT AUDITORS RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	None reported

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of <i>Circular A-133</i> ?	No

Identification of major programs:

<u>CFDA NUMBER(S)</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
84.011, 84.144	Migrant Education
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance

MULTNOMAH EDUCATION SERVICE DISTRICT
Portland, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS (Continued)

Dollar threshold used to distinguish between type A and B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

SECTION II- FINANCIAL STATEMENT FINDINGS

Finding 2014-001:

Criteria:	The District should have a system of internal controls over manual journal entries such that misstatements of the financial statements would be prevented, or detected and corrected by management or employees in the normal course of their duties.
Condition:	The District's review of one manual journal entry was insufficient for the purposes of preventing or detecting an error in the preparation of the journal entry, causing a misstatement.
Context:	Due to inquiry from the auditor, the client recognized a journal entry which had been improperly prepared. The journal entry had been reviewed and approved in accordance with the District's system of internal controls, but had not been evaluated with proper support to identify an incorrect posting of the journal entry.
Effect:	Failure to properly review and approve manual journal entries creates an opportunity for misstatement in the financial statements.
Cause:	The District does not consistently attach supporting documents to all journal entries. Without supporting documentation the District's review and approval of manual journal entries is not sufficient to prevent or detect a misstatement.
Recommendation:	We recommend that the District develop appropriate procedures for providing adequate support of all journal entries such that the review process is more efficient and effective.
Views of responsible official:	The District understands and concurs with the finding.

MULTNOMAH EDUCATION SERVICE DISTRICT
Portland, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2014

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

MULTNOMAH EDUCATION SERVICE DISTRICT
Portland, Oregon

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2014

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None reported.

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**OTHER INFORMATION AS REQUIRED BY THE
STATE OF OREGON**

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Multnomah Education Service District
Portland, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Multnomah Education Service District, Portland, Oregon (the District) as of and for the year ended June 30, 2014, and have issued our report thereon dated October 21, 2014.

COMPLIANCE

As part of obtaining reasonable assurance about whether the 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing, nothing came to our attention that caused us to believe the 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:

Governing bodies may adopt a supplemental budget at a regular meeting providing that the supplemental budget is published not less than five days prior to the meeting. The District's Supplemental Budget Resolution 14-027 was published only four days prior to the meeting at which it was adopted.

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS (Continued)**

Page 2

OAR 162-10-0230 INTERNAL CONTROL

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Deficiencies in internal control, if any, were communicated separately.

Our report on internal control over financial reporting and on compliance and other matters based on our audit of financial statements in accordance with *Government Auditing Standards* is presented elsewhere in this report as listed in the Table of Contents.

RESTRICTIONS ON USE

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

Talbot, Kowola & Warwick LLP

Lake Oswego, Oregon
October 21, 2014