

Comprehensive Annual Financial Report

For the Year Ended June 30, 2015

MULTNOMAH EDUCATION SERVICE DISTRICT

Multnomah County, Oregon

Multnomah Education Service District

Multnomah County, Oregon

Comprehensive Annual Financial Report

For the Year Ended June 30, 2015

Prepared by the Business Services Department

11611 NE Ainsworth Circle
Portland, OR 97220
www.mesd.k12.or.us

Non-Discrimination Notice

Multnomah Education Service District does not discriminate on the basis of race, color, national origin, sex, sexual orientation, religion, disability, or age in its programs and activities, and provides equal access to designated youth groups such as the Boy Scouts. The following persons have been designated to handle inquiries regarding discrimination:

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INTRODUCTORY SECTION

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December 7, 2015

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, 2015 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, 2015. 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.

Interim Superintendent/Chief Operating Officer *Jim Rose*

Board of Directors *Francisco Acosta, Jr. ♦ Stephen Marc Beaudoin ♦ Mary Botkin ♦ Siobhan Burke ♦ Michael Durrow ♦ Bernie Giusto ♦ Nels Johnson*

11611 NE Ainsworth Circle ♦ Portland, Oregon 97220 ♦ 503-255-1841 ♦ fax 503-257-1519 ♦ www.mesd.k12.or.us

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 six 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 2014-15, 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	7,503	Parkrose	6	4,032
Corbett	3	1,024	Portland	92	54,451
David Douglas	16	13,062	Reynolds	19	13,688
Gresham-Barlow	20	13,349	Riverdale	2	584

Source: MESD Accountability Report 2013-2014, Enrollment = ADMw

Within these districts are 168 schools with 107,693 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 MESD's Technology Department has agreed to work together with three other ESDs (Columbia Gorge ESD, Northwest Regional ESD, and Willamette ESD) to provide services regionally at a lower cost. The name of this cooperative relationship is the Cascade Technology Alliance. 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

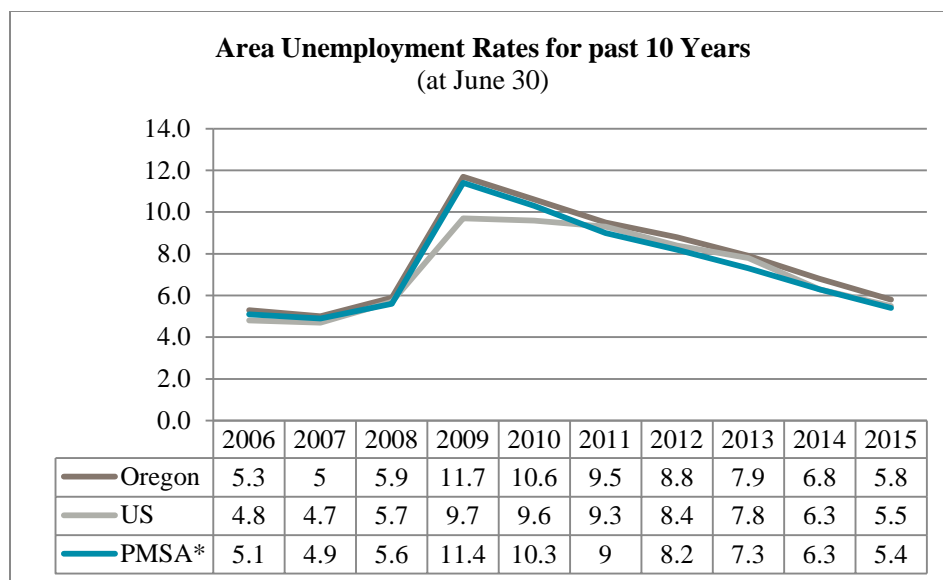
The District is primarily encompassed within Multnomah County. It is located in northwestern Oregon at the confluence of the Columbia and Willamette rivers, approximately 110 river miles and 80 highway miles from the Pacific Ocean. The County covers 465 square miles, and serves a population of 756,530 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 2014 and June 2015, area employment increased by 38,400 jobs, or 3.6 percent.

Nonfarm Payroll Employment (not seasonally adjusted)				
	June 2015	June 2014	Change	Percent
Trade, Trans., & Utilities	206,700	199,900	6,800	3.4%
Professional & Bus. Svc	174,000	163,900	10,100	6.2%
Educ. & Health Services	159,300	153,600	5,700	3.7%
Government	152,700	148,800	3,900	2.6%
Manufacturing	123,400	118,100	5,300	4.5%
Leisure & Hospitality	112,900	109,800	3,100	2.8%
Financial Activities	66,900	64,500	2,400	3.7%
Construction	57,200	56,600	600	1.1%
Other Services	37,600	38,400	-800	-2.1%
Information	24,600	23,400	1,200	5.1%
Mining and Logging	1,300	1,200	100	8.3%
Total Nonfarm Payroll	1,116,600	1,078,200	38,400	3.6%

Source: Oregon Employment Dept: WorkSource Oregon Portland Metro Labor Trends (August 2015)

During the past five years, the area's unemployment rate has made a gradual decrease. As of June 30, 2015 the Portland-Vancouver-Hillsboro MSA unemployment rate was at 5.4%, down from 6.3% a year ago, but still higher than the 4.9% in 2007. The unemployment rate for the area is slightly lower than the State of Oregon (5.8%) and the national average (5.5%). 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

I would like to express my 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. I further extend my 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,

Doana Anderson
MESD Administrator on Duty and Director of Business Services

Multnomah Education Service District**BOARD OF DIRECTORS****June 30, 2015**

<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, Vice-Chair	At Large	6/30/2017
Three	Erica Thatcher	Central Portland	6/30/2017*
Four	Francisco 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**

** On July 1, 2015 position three was vacated due to Board member moving out of District.
The following Director was appointed for the remainder of the term on September 15, 2015.*

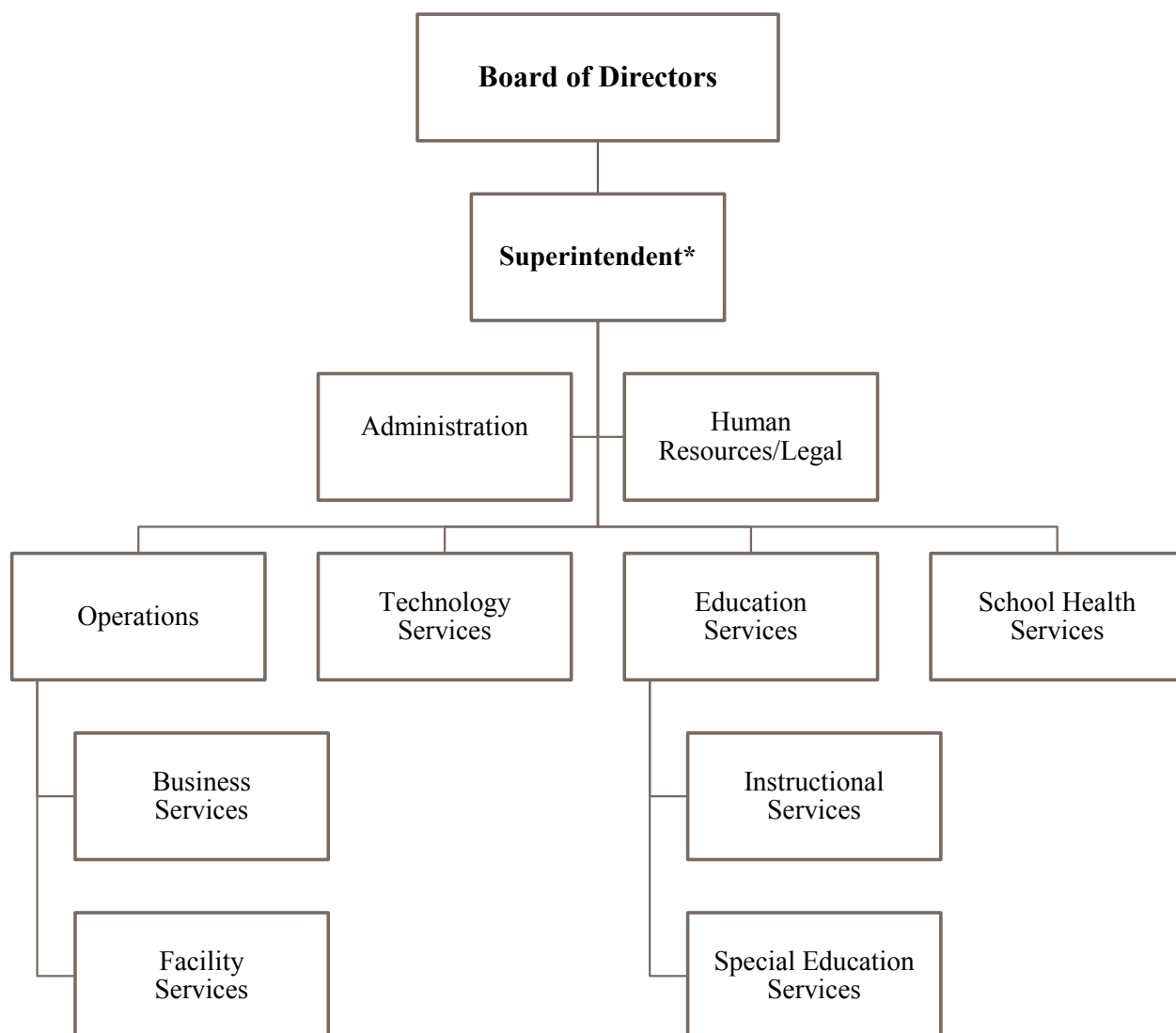
<u>Position</u>	<u>Board Member</u>	<u>Represented Zone</u>	<u>Term Ends</u>
Three	Mary Botkin	Central Portland	6/30/2017

***On May 19, 2015 the following Directors were elected for terms beginning July 1, 2015*

<u>Position</u>	<u>Board Member</u>	<u>Represented Zone</u>	<u>Term Ends</u>
Five	Michael Durrow	N/NE Portland	6/30/2019
Six	Stephen Beaudoin	At Large	6/30/2019
Seven	Siobhan Burke	SE/SW Portland	6/30/2019

ADMINISTRATION**June 30, 2015**

Jim Rose	Interim Superintendent
Jim Rose	Chief Operating Officer, and Director, Technology Services
Heyke Nickerson	Director, Human Resource Services/Legal Services
Laura Conroy	Public Information Officer
Don Hicks	Risk and Contract Management

Multnomah Education Service District**ORGANIZATIONAL STRUCTURE****JUNE 30, 2015**

*On June 16, 2015, Chief Operating Officer Jim Rose was appointed Interim Superintendent until a permanent Superintendent is hired in the upcoming fiscal year. On November 24, 2015, Director of Business Services Doana Anderson was appointed Administrator on Duty in the absence of Interim Superintendent Rose who requested Family Leave. The MESD Board of Directors is in the process of appointing an acting Interim Superintendent to fill the position until Mr. Rose returns. The search process to have a permanent Superintendent in place no later than July 1, 2016 continues as scheduled.

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FINANCIAL SECTION

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**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Multnomah Education Service District
Hillsboro, 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, 2015, 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 financial statement 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

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, 2015, 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.

EMPHASIS OF MATTERS

As discussed in Note I-J to the financial statements, the District adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, which resulted in the restatement of previously reported amounts for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

As discussed in Note III-E to the financial statements, changes in benefit terms of the Oregon Public Employees Retirement System resulting from the April 30, 2015 Oregon Supreme Court decision are not reflected in the December 31, 2012 actuarial valuation used to measure pension amounts as of and for the fiscal year ended June 30, 2015.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedules of District's Proportionate Share of the Net Pension Liability, District Contributions and 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

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Directors
Multnomah Education Service District

OTHER MATTERS (Continued)

Required Supplementary Information (Continued)

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.

Other Supplementary 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.

The Introductory and Statistical Sections, as listed in the Table of Contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Directors
Multnomah Education Service District

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS (Continued)

Other Information as Required by the Oregon Department of Education (Continued)

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 December 7, 2015, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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 December 7, 2015, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP

By 
Timothy R. Gillette, Partner

Lake Oswego, Oregon
December 7, 2015

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, 2015.

Financial Highlights

- In the government-wide statements, the liabilities and deferred inflows of the District exceeded its assets and deferred outflows at June 30, 2015 by \$16.2 million. Of this amount, \$7.8 million represents the District's investment in capital assets net of related debt, \$2.4 million is restricted, and the remainder is an unrestricted net deficit of -\$26.4 million.
- The District's beginning net position at June 30, 2015 has been restated to reflect the District's proportionate share of the Oregon Public Employees Retirement System net pension liability as of June 30, 2014. This change resulted in a \$32.7 million reduction of beginning net position.
- The District's ending net position increased by \$7.9 million, primarily due to the District's proportionate share of the Oregon Public Employees Retirement System pension income.
- The District's governmental funds report combined ending fund balance of \$11.2 million, a decrease of \$1.6 million. Approximately 38 percent of this total amount, \$4.2 million, is assigned to help support future program services provided to school districts and approximately 22 percent, \$2.5 million, is available for the District's operating needs. The remaining amount is either for prepaid items, 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. This section also includes schedules disclosing the District's PERS net pension liability and PERS contributions; and, the District's other post-employment healthcare benefits obligations (OPEB). This information begins on page 47 of this report.

Other Supplementary Information (OSI) includes combining statements for the general governmental funds, budgetary comparison schedules for the general and nonmajor governmental funds, and other financial schedules. Other supplementary information begins on page 57 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, liabilities and deferred inflows exceeded assets and deferred outflows by \$16.2 million at the close of the most recent fiscal year.

Multnomah Education Service District's Comparative Statement of Net Position

	June 30, 2015	June 30, 2014 as restated	Increase (Decrease)
Assets			
Current and other assets	\$ 22,406,343	\$ 19,206,452	\$ 3,199,891
Net pension asset	7,430,660	-	7,430,660
Net capital assets	8,795,898	9,214,678	(418,780)
Total assets	38,632,901	28,421,130	10,211,771
Deferred Outflows			
Pension contributions after measurement date	2,308,486	2,337,728	(29,242)
Liabilities			
Long-term liabilities outstanding	29,870,000	31,355,000	(1,485,000)
Net pension liability	-	16,728,945	(16,728,945)
Other liabilities	12,315,970	6,816,017	5,499,953
Total liabilities	42,185,970	54,899,962	(12,713,992)
Deferred Inflows			
Deferred pension differences	14,986,419	-	14,986,419
Net position:			
Net investment in capital assets	7,795,898	7,724,678	71,220
Restricted	2,359,871	1,984,374	375,497
Unrestricted	(26,386,771)	(33,850,156)	7,463,385
Total net position	\$ (16,231,002)	\$ (24,141,104)	\$ 7,910,102

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 \$26.4 million is unrestricted.

There was a significant decrease of \$10.2 million reported in total assets. The majority of the decrease is from the implementation of GASB 68 which eliminated \$18.3 million in prepaid pension cost, and added back \$7.4 million to represent the District's proportionate share of the Oregon Public Employees Retirement System (PERS) net pension asset.

Changes in net position. Governmental activities increased the MESD's net position by \$7.9 million for the fiscal year 2014-2015. Key elements of this increase are as follows:

Multnomah Education Service District's Comparative Statement of Activities

	June 30, 2015	June 30, 2014	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	\$ 9,503,702	\$ 9,683,179	\$ (179,477)
Operating grants & contributions	11,292,867	9,930,046	1,362,821
General revenues			
Property taxes	28,507,647	27,098,503	1,409,144
State School Fund	6,307,067	6,850,158	(543,091)
Federal stimulus	-	6,500	(6,500)
Earnings on investments	81,783	79,432	2,351
Miscellaneous revenues	3,345,660	2,774,348	571,312
Total revenues	59,038,726	56,422,166	2,616,560
Expenses			
Instruction	9,280,858	12,030,218	(2,749,360)
Support services	20,364,171	26,226,125	(5,861,954)
Enterprise and community services	6,121,464	5,241,283	880,181
Facilities repairs and maintenance	-	235,065	(235,065)
Apportionment of funds by the ESD	13,288,421	13,321,333	(32,912)
Unallocated depreciation	322,716	282,651	40,065
Interest on long-term debt	1,750,994	1,802,360	(51,366)
Total expenses	51,128,624	59,139,035	(8,010,411)
Change in Net Position	7,910,102	(2,716,869)	10,626,971
Net Position - Beginning as previously reported	8,558,030	11,274,899	(2,716,869)
Restatement for implementation of GASB 68	(32,699,134)	-	(32,699,134)
Net Position - Beginning as restated	(24,141,104)	11,274,899	(35,416,003)
Net Position - Ending	\$ (16,231,002)	\$ 8,558,030	\$ (24,789,032)

- Due to the nature of grants, fluctuations in operating grants and contributions revenue is common.
- The large fluctuation in expenditures (approximately \$8.0 million) is due to the recognition of the District's share of PERS pension income (\$6.9 million) and deferred contributions (\$2.3 million) that are recorded as a reduction to expenditures.
- The beginning net position for the 2014-15 fiscal year has been restated to reflect the District's proportionate share of the PERS net pension liability as of June 30, 2014. The change is as follows:

Ending net position June 30, 2014	\$ 8,558,030
Eliminate prepaid pension, net of amortization	(18,307,917)
Deferred outflows - PERS contributions after measurement date	2,337,728
PERS net pension liability June 30, 2014	<u>(16,728,945)</u>
Restated ending net position June 30, 2014	<u><u>\$ (24,141,104)</u></u>

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 2014-15 fiscal year, the fund balance decreased by \$1.5 million. This decrease is primarily a result of one-time payments related to settlement agreements, large technology purchases for Student Information Systems, and from lower than anticipated service revenues.

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 Operating Fund to be used to fund supporting operations. During the 2014-15 fiscal year, the fund balance increased by approximately \$334 thousand.

Contracted Services Fund. The Contracted Services Fund accounts for revenues from grants, state contracts, and revenues from local school districts for additional services beyond those purchased through the resolution services fund. During the 2014-15 fiscal year, the fund balance decreased by \$442 thousand, primarily a result of using \$334 thousand of fund balance for FLS related upgrades to Wheatley School.

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 \$174 thousand negative variance in fund balance from the budget despite lower than anticipated revenues and a large settlement payment during the fiscal year.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets includes buildings and improvements, site improvements, and vehicles and equipment. As of June 30, 2015 the District had invested \$8,795,898 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 \$31,355,000. The OSBA Limited Tax Pension Obligations, Series 2004 bonds had a remaining balance of \$30,355,000 at June 30, 2015. 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 \$1,000,000 at June 30, 2015. 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 -J 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 57% of its total revenues.

The District's PERS rates are calculated for a biennium. The fiscal year 2013-14 was the first year of the biennium and rates remained the same for 2014-15. PERS rates for the next biennium beginning in 2015-16 are 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%. However, due to the Moro decision, PERS rates are expected to increase significantly for the following biennium beginning in 2017-19. More information about the Moro decision can be found on page 39.

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

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Multnomah Education Service District
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 11,352,584
Property Taxes Receivable	1,991,612
Accounts Receivable	9,042,203
Prepaid Items	19,944
Net Pension Asset	7,430,660
Capital Assets, Net of Depreciation	8,795,898
Total Assets	38,632,901
Deferred Outflows of Resources	
Pension Contributions After Measurement Date	2,308,486
Total Deferred Outflows of Resources	2,308,486
Liabilities	
Accounts Payable	6,278,389
Accrued Payroll & Withholdings	3,255,290
Accrued Compensated Absences	141,446
Other Post-Employment Benefits	1,155,845
Non-Current Liabilities:	
Due Within One Year	1,485,000
Due in More Than One Year	29,870,000
Total Liabilities	42,185,970
Deferred Inflows of Resources	
Deferred Pension Differences	14,986,419
Total Deferred Inflows of Resources	14,986,419
Net Position	
Net Investment in Capital Assets	7,795,898
Restricted	2,359,871
Unrestricted	(26,386,771)
Total Net Position	\$ (16,231,002)

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, 2015

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular Programs	\$ 536,722	\$ 938,614	\$ 629,186	\$ 1,031,078
Special Programs	8,744,136	3,862,374	3,840,038	(1,041,724)
Support Services				
Student Services	10,074,084	2,993,489	916,206	(6,164,389)
Instructional Staff Services	284,995	49,474	85,285	(150,236)
General Administration	817,995	-	8,558	(809,437)
School Administration	1,194,661	165,879	371,134	(657,648)
Business Services	3,326,772	797,089	132,689	(2,396,994)
Central Activities	4,665,664	696,633	21,966	(3,947,065)
Enterprise and Community Services				
Food Services	525,699	-	153,962	(371,737)
Community Services	5,595,765	150	5,133,843	(461,772)
Facilities Repairs and Maintenance	43,168	-	-	(43,168)
Apportionment of Funds by the ESD	13,288,421	-	-	(13,288,421)
Unallocated Depreciation	279,548	-	-	(279,548)
Interest on Long-Term Debt	1,750,994	-	-	(1,750,994)
Total Governmental Activities	\$ 51,128,624	\$ 9,503,702	\$ 11,292,867	(30,332,055)

General Revenues

Property Taxes, Levied for General Purposes	28,507,647
State School Fund- General Support	6,307,067
Earnings on Investments	81,783
Miscellaneous Revenues	3,345,660

Total General Revenues **38,242,157**

Change in Net Position **7,910,102**

Net Position - Beginning as previously reported 8,558,030

Restatement for Implementation of GASB 68 (Note III.J) (32,699,134)

Net Position - Beginning as restated **(24,141,104)**

Net Position - Ending **\$ (16,231,002)**

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

Multnomah Education Service District
Balance Sheet
Governmental Funds
June 30, 2015

	General	Resolution Services	Contracted Services	Non-major Fund Debt Service	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 5,702,495	\$ 5,644,099	\$ -	\$ 5,990	\$ 11,352,584
Property Taxes Receivable	-	1,991,612	-	-	1,991,612
Accounts Receivable	143,814	475,289	8,423,100	-	9,042,203
Due from Other Funds	3,062,200	-	-	-	3,062,200
Prepaid Items	19,944	-	-	-	19,944
Total Assets	\$ 8,928,453	\$ 8,111,000	\$ 8,423,100	\$ 5,990	\$ 25,468,543
Liabilities					
Accounts Payable	\$ 688,058	\$ 4,606,983	\$ 983,348	\$ -	\$ 6,278,389
Due to Other Funds	-	-	3,062,200	-	3,062,200
Accrued Payroll & Withholdings	3,255,290	-	-	-	3,255,290
Total Liabilities	3,943,348	4,606,983	4,045,548	-	12,595,879
Deferred Inflows of Resources					
Unavailable Tax Revenue	-	1,708,677	-	-	1,708,677
Unavailable Contractual Revenue	-	-	12,085	-	12,085
Total Deferred Inflows of Resources	-	1,708,677	12,085	-	1,720,762
Fund Balances					
Nonspendable					
Prepaid Items	19,944	-	-	-	19,944
Restricted	-	1,795,340	538,597	5,990	2,339,927
Committed	2,076,354	-	-	-	2,076,354
Assigned	393,277	-	3,826,870	-	4,220,147
Unassigned	2,495,530	-	-	-	2,495,530
Total Fund Balances	4,985,105	1,795,340	4,365,467	5,990	11,151,902
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,928,453	\$ 8,111,000	\$ 8,423,100	\$ 5,990	\$ 25,468,543

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, 2015

Total Fund Balances - Governmental Funds	\$ 11,151,902
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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.	8,795,898
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Other assets and deferred outflows not available to pay for current period expenditures and therefore not reported in the governmental funds:

Net pension asset	7,430,660
Deferred outflow of pension contributions after measurement date	2,308,486

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.	12,085
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A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore is not reported as revenue in the governmental funds.	1,708,677
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Liabilities not payable in the current year and deferred inflows not realized in the current year are not reported as governmental fund liabilities.

These liabilities and deferred inflows consist of:

GO Bonds Payable	(1,000,000)
Limited Tax Pension Bonds Payable	(30,355,000)
Deferred inflow of pension investment income differences and differences in proportionate share	(14,986,419)
Other Post-employment Benefits	(1,155,845)
Accrued compensated absences	(141,446)

Net Position	<u><u>\$ (16,231,002)</u></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 Revenue, Expenditures, Other Financing Sources (Uses),
and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	General	Resolution Services	Contracted Services	Non-major Fund Debt Service	Total Governmental Funds
Revenues					
Property Taxes	\$ -	\$ 28,425,261	\$ -	\$ -	\$ 28,425,261
State School Fund	-	6,307,067	-	-	6,307,067
Local Sources	82,420	79,612	8,237,550	-	8,399,582
State Sources	-	-	8,824,079	-	8,824,079
Federal Sources	-	49,271	2,797,521	-	2,846,792
Investment Earnings	74,238	-	1,555	5,990	81,783
Sales of Goods & Services	24	-	8,676	-	8,700
Other Revenues	318,612	645,548	511,448	-	1,475,608
Services to Other Funds	601,807	-	-	2,468,885	3,070,692
Charges for Services	993,228	-	-	-	993,228
Total Revenues	2,070,329	35,506,759	20,380,829	2,474,875	60,432,792
Expenditures					
Instruction	58,518	5,248,314	7,329,442	-	12,636,274
Support Services	6,221,368	13,082,419	7,181,533	-	26,485,320
Enterprise and Community Svcs.	618,757	415	5,977,874	-	6,597,046
Debt Service	-	-	-	3,050,994	3,050,994
Total Expenditures	6,898,643	18,331,148	20,488,849	3,050,994	48,769,634
Excess of Revenues Over (Under) Expenditures	(4,828,314)	17,175,611	(108,020)	(576,119)	11,663,158
Other Financing Sources (Uses)					
Apportionment of Funds	-	(13,288,421)	-	-	(13,288,421)
Transfers In	3,887,233	-	-	546,588	4,433,821
Transfers Out	(546,588)	(3,553,233)	(334,000)	-	(4,433,821)
Total Other Financing Sources (Uses)	3,340,645	(16,841,654)	(334,000)	546,588	(13,288,421)
Net Change in Fund Balance	(1,487,669)	333,957	(442,020)	(29,531)	(1,625,263)
Beginning Fund Balances	6,472,774	1,461,383	4,807,487	35,521	12,777,165
Ending Fund Balances	\$ 4,985,105	\$ 1,795,340	\$ 4,365,467	\$ 5,990	\$ 11,151,902

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, Other Financing
Sources (Uses), and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2015

Total Net Changes in Fund Balances – Governmental Funds \$ (1,625,263)

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	144,537
Depreciation Expense	(410,545)
Loss on Disposal of Capital Assets	(152,772)

The repayment of debt principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position	1,300,000
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Changes in net pension arising from timing of contributions and assumed and actual investment earnings are not recognized in the governmental funds.

Change in pension contributions after the measurement date	(29,242)
Change in net pension liability (asset)	24,159,605
Difference in expected and actual investment returns and proportionate share	(14,986,419)

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	82,386
Intergovernmental Receivables	(482,974)

Other post-employment benefits expenses are reported in the Statement of Activities but they are not reported as expenditures in the governmental funds.	(102,748)
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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.

13,537

Change in Position of Governmental Activities	<u><u>\$ 7,910,102</u></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, 2015

Assets

Cash and Cash Equivalents	\$	205,406
Accounts Receivable		<u>12,275</u>
Total Assets	\$	<u><u>217,681</u></u>

Liabilities

Accounts Payable	\$	32,537
Held in Trust		<u>185,144</u>
Total Liabilities	\$	<u><u>217,681</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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- A. Description of the government-wide financial statements
- B. Reporting entity
- C. Basis of presentation - government-wide financial statements
- D. Basis of presentation - fund financial statements
- E. Measurement focus and basis of accounting
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 - 6. Deferred outflows/inflows of resources
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 - 8. Net position flow assumptions
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NOTE II - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Violations of legal and contractual provisions

NOTE III - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

- A. Cash deposits with financial institutions
- B. Investments
- C. Receivables
- D. Capital assets
- E. Pension obligations
- F. Other postemployment benefit (OPEB) obligations
- G. Risk management
- H. Lease obligations
- I. Commitments
- J. Long-Term liabilities
- K. Interfund receivables and payables
- L. Interfund transfers
- M. Property tax limitations
- N. Contingencies
- O. Subsequent event

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 (the Board). 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 (ORS) 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 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, 2015, 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 management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, 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, deferred outflows, liabilities, deferred inflows, 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.

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, 2015.

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).

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 outflows/inflows of resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separated financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has only one type of item which qualifies for reporting in this category. It is the *pension contributions after measurement date* reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position and 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 two types of items which qualify for reporting in deferred outflows of resources. The first type of item is the *deferred pension differences* reported in the government-wide statement of net position. The second type of item which qualifies for reporting in deferred outflows of resources arises only under a modified accrual basis of accounting. 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. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS.

8. *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.

9. *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.

10. *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 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 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**

In June 2012, the *GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions*. This statement provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific accounts impacting the District are detailed below.

Net pension asset/liability – Previous standards defined pension liabilities in terms of the Annually Required Contribution. Statement No. 68 defines the net pension asset/liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan's fiduciary net position.

Deferred inflows of resources and deferred outflows of resources – Statement No. 68 includes recognition of deferred inflows and outflows of resources associated with differences between expected and actual results. The difference between expected and actual experience with regard to changes in the District's proportionate share of net pension liability since the prior measurement date, economic or demographic factors in the measurement of the total pension liability and changes in assumptions about future economic or demographic factors or other inputs are to be recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees covered by the plan. The difference between projected and actual earnings on pension plan investments are to be recognized in pension expense using a systematic and rational method over a closed five-year period.

Statement No. 68 is effective for financial statement periods beginning after June 15, 2014, with the effects of accounting change to be applied retroactively by restating the financial statements. The District

adopted this new pronouncement in the current year and, accordingly, has restated amounts of effected balances within the financial statements as of June 30, 2014:

Statement of Net Position	Originally Reported	Restatement	As Restated
Assets:			
Prepaid pension costs	\$ 18,307,917	\$ (18,307,917)	\$ -
Deferred outflow of resources:			
Pension contributions after measurement date	\$ -	\$ 2,337,728	\$ 2,337,728
Liabilities:			
Net pension liability	\$ -	\$ (16,728,945)	\$ (16,728,945)
Total Net position	\$ 8,558,030	\$ (32,699,134)	\$ (24,141,104)

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 2014-2015.

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, 2015 was \$2,403,388 (carrying amount \$1,949,221). As required by ORS, 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.

Cash and cash equivalents at June 30, 2015, (recorded at fair value) consisted of:

Cash on Hand	\$ 3,241
Demand Deposits	1,949,221
Local Government Investment Pool	9,605,529
	<u>11,557,991</u>
less Fiduciary Fund	<u>(205,407)</u>
Total	<u>\$ 11,352,584</u>

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 ORS and the Oregon Investment Council (OIC) govern the State's investment policies. The State Treasurer is the investment officer for the OIC 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. ORS 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 Statement of Net Position and Balance Sheet. Below is the detail of receivables for the governmental funds:

Receivables	General	Resolution Services	Contracted Services	Total
Accounts	\$ 131,059	\$ 426,968	\$ 1,864,271	\$ 2,422,298
Match Receivable - Medicaid	-	-	185,000	185,000
Contracts	12,755	48,321	6,118,397	6,179,473
Grants	-	-	243,347	243,347
Loans Receivable	-	-	12,085	12,085
Total Receivables	<u>\$ 143,814</u>	<u>\$ 475,289</u>	<u>\$ 8,423,100</u>	<u>\$ 9,042,203</u>

D. Capital assets

The changes in capital assets for the year ended June 30, 2015 are as follows:

	Balance June 30, 2014	Additions	Transfers and Dispositions	Balance June 30, 2015
Non-depreciable capital assets				
Land	\$ 1,935,748	\$ -	\$ -	\$ 1,935,748
Depreciable capital assets				
Buildings & improvements	10,963,052	-	(311,654)	10,651,398
Site improvements	844,532	-	(39,492)	805,040
Equipment and furniture	1,179,757	134,587	(101,295)	1,213,049
Vehicles	305,624	9,950	-	315,574
	13,292,965	144,537	(452,441)	12,985,061
Less: accumulated depreciation				
Buildings & improvements	4,364,829	278,410	(184,991)	4,458,248
Site improvements	378,844	42,043	(13,383)	407,504
Equipment and furniture	970,055	83,449	(101,295)	952,209
Vehicles	300,307	6,643	-	306,950
	6,014,035	410,545	(299,669)	6,124,911
Total depreciable capital assets, net	7,278,930	(266,008)	(152,772)	6,860,150
Total capital assets, net	\$ 9,214,678	\$ (266,008)	\$ (152,772)	\$ 8,795,898

Depreciation expense for the year ended June 30, 2015 was allocated to the functions as follows:

Regular programs	\$ 280
Special programs	1,552
Student services	41,534
Instructional staff services	396
General administration	3,187
Business services	27,491
Central activities	55,306
Community services	1,251
Unallocated depreciation	279,548
	<u>\$ 410,545</u>

E. Pension obligations

The District contributes to the Oregon Public Employees Retirement System (PERS), established pursuant to ORS Chapters 238, Defined Benefit Pension Plan (PERS Tier I/Tier II) and 238A, Oregon Public Service Retirement Pension (OPSRP) Program (collectively the Plan). Both are administered by the Oregon Public Employees Retirement System (PERS) Board of Trustees with authority granted by the Oregon Legislature. PERS acts as a common investment and administrative agent for state government, political subdivisions, community colleges and school districts in the State of Oregon and provides retirement, death, and disability benefits to members; administers retiree health insurance programs; and oversees the state-sponsored deferred compensation program.

Copies of the PERS' Comprehensive Annual Financial Report and Actuarial Valuations may be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Plan Description

PERS Tier I/Tier II is a cost-sharing multiple employer defined benefit pension plan. 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 II. The plan is closed to new members hired on or after August 29, 2003.

OPSRP Pension Program 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). 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 Tier I/ Tier II.

	PERS Tier I/Tier II <i>(closed to new members)</i>		OPSRP Pension Program	
	General Services	Police & Fire	General Services	Police & Fire
Pension Benefits				
Retirement allowance	Payable monthly for life with multiple benefit options; including, survivorship and lump-sum refunds.		Life pension funded by employer contributions	
Basic benefit	A percentage multiplied by the number of years of service and the final average salary. PERS Tier I have other options available if greater benefit results.			
	1.67%	2.00%	1.50%	1.80%
Vested	Contribution in each of five calendar years before ceasing employment with a participating employer, or has reached:		Earliest of the following:	
	50 years of age	45 years of age	1) completes 600 hours of service in each of 5 calendar years 2) reaches normal retirement age 3) the pension program is terminated	
Minimum retirement age	55	50	65 or 58 with 30 years of service	60 or 53 with 25 years of service
Reduced benefits: Tier I	prior to age 58 with < 30 years of service	prior to age 55 with < 25 years of service		

	PERS Tier I/Tier II <i>(closed to new members)</i>		OPSRP Pension Program	
	General Services	Police & Fire	General Services	Police & Fire
	prior to age 60			

Reduced benefits: Tier II

Death Benefits

Beneficiary receives lump sum refund of member's account balance, plus lump-sum payment from employer funds equal to the account balance provided certain conditions are met.

Beneficiary receives 50% of the pension that would otherwise be paid to member.

Disability Benefits

Eligibility (non-job related cause)

10 or more years of creditable service

10 or more years of retirement credits

Eligibility (job related cause)

automatic

automatic

Amount

Basic pension benefit member would have been entitled to had they worked to ...

45% of member's salary determined as of the last full month of employment prior to disability.

58 years of age

55 years of age

Benefit Changes After Retirement

Under ORS 238.360 (PERS) and ORS 238A.210 (OPSRP) monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000. PERS Tier I/Tier II members may choose to continue participation in a variable equities investment account after retiring.

Contributions

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. 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 Tier I/Tier II and OPSRP are required to contribute 6% of their salary covered under the plan. The District is required by ORS 238.225 to contribute at an actuarially determined rate. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. In 2004, the District made a lump sum payment funded by a Limited Tax Pension Bond to establish a side account and contribution rates have been reduced. More information about the District's Limited Tax Pension Obligations, Series 2004, is on page 43 of this report. Contribution rates for the past three biennial periods are shown on the following table:

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 contributions to the plan for the years ending June 30, 2015, 2014, and 2013 were approximately \$2.3 million, \$2.3 million, and \$3.0 million, respectively, and were equal to the required contributions for each year.

The District pays the required member portion in accordance with bargaining agreements, which approximated \$1.0 million, \$1.0 million, and \$1.5 million for the years ended June 30, 2015, 2014 and 2013, respectively.

Pension Assets/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported an asset of \$7,430,660 for its proportionate share of the net pension asset/liability. The net pension asset/liability was measured as of June 30, 2014, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The District's proportion of the net pension asset/liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected long-term contributions of all participating employers, actuarially determined. At June 30, 2014, the District's proportion was 0.33%.

For the year ended June 30, 2015, the District recognized a reduction of pension expense of \$6,835,458 for the defined benefit portion of the pension plan as a result of the implementation of GASB 68. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Net difference between projected and actual earnings on investments	\$ -	\$ 14,338,163
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	648,256
Total (prior to contributions subsequent to measurement date)	-	14,986,419
Contributions subsequent to the measurement date	2,308,486	-
Total	<u>\$ 2,308,486</u>	<u>\$ 14,986,419</u>

\$2,308,486 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending June 30,	Deferred Inflow of Resources (prior to post-measurement date contributions)		
	Difference between projected and actual investment earnings	Changes in proportion and differences between employer contribution and proportionate share of contributions	Total
2016	\$ (3,584,541)	\$ (140,925)	\$ (3,725,466)
2017	(3,584,541)	(140,925)	(3,725,466)
2018	(3,584,541)	(140,925)	(3,725,466)
2019	(3,584,540)	(140,925)	(3,725,465)
2020	-	(84,556)	(84,556)
Total	<u>\$ (14,338,163)</u>	<u>\$ (648,256)</u>	<u>\$ (14,986,419)</u>

Actuarial Methods and Assumptions

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier I/Tier II UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation rate	2.75%
Investment rate of return	7.75%
Projected salary increases	3.75% overall payroll growth; salaries for individuals are assumed to grow at 3.75% plus assumed rates of merit/longevity increases based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown in the preceding table are based on the 2012 Experience Study, which reviewed experience for the four-year period ended on December 31, 2012.

Discount Rate

The discount rate used to measure the total pension liability of the Plan was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Assumed Asset Allocation

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0	25.0	20.0
Public Equity	32.5	42.5	37.5
Private Equity	16.0	24.0	20.0
Real Estate	9.5	15.5	12.5
Alternative Equity	0.0	10.0	10.0
Opportunity Portfolio	0.0	3.0	0.0
Total			100.0%

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The following table shows Milliman's assumptions for each of the asset classes in which the Plan was invested at the time based on the OIC long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target</u>	<u>Compound Annual Return (Geometric)</u>
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	1.25	6.07
Assumed Inflation - Mean		2.75

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability

would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability (asset)	\$ 15,735,453	\$ (7,430,660)	\$ (27,023,758)

Pension plan fiduciary net position.

Detailed information about the Plan's fiduciary net position is available in the separately issued PERS financial report.

Changes in Assumptions

A summary of key changes implemented since the December 2011 valuation can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/mercero_reports.aspx

Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled in the Moro decision, that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law were unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year's actuarial valuations. The impact of the Moro decision on the total pension liability and employer's net pension liability (asset) has not been fully determined. However, PERS' third-party actuaries have estimated the impact of the Moro decision under one possible methodology which is summarized below. Estimates have been rounded. The estimated change is as follows (MESD is calculated as 0.33% of PERS):

	PERS		MESD		
	Prior to Moro	After Moro (estimated)	Prior to Moro	After Moro (estimated)	Change in Net Pension (asset)/liability
Total Pension Liability	\$ 63,130,000,000	\$ 68,050,000,000	\$ 207,000,000	\$ 223,100,000	
Fiduciary Net Position	65,400,000,000	65,400,000,000	214,400,000	214,400,000	
Net Pension Liability(asset)	<u>\$ (2,270,000,000)</u>	<u>\$ 2,650,000,000</u>	<u>\$ (7,400,000)</u>	<u>\$ 8,700,000</u>	<u>\$ 16,100,000</u>

IAP Plan Description:**OPSRP Individual Account Program (OPSRP IAP)****Pension Benefits**

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

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

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

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 ORS 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, 2015, the District retirees paid 100 percent of their subsidized 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, 2014. 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

	June 30, 2015	June 30, 2014	June 30, 2013
Annual required contribution	\$ 120,991	\$ 277,454	\$ 268,072
Interest on net OPEB obligation	42,124	35,491	28,322
Adjustment to annual required contribution	(37,610)	(31,689)	(25,287)
Annual OPEB Cost (APC)	125,505	281,256	271,107
Contributions made	(22,757)	(115,450)	(91,863)
Increase in net OPEB obligation	102,748	165,806	179,244
Net OPEB obligation - beginning of year	1,053,097	887,291	708,047
Net OPEB obligation - end of year	\$ 1,155,845	\$ 1,053,097	\$ 887,291
Percentage of APC contributed	18%	41%	34%

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, 2014, the projected unit credit 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 7.0 percent initially, and then declining over the next fifteen 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 an open period of thirty years as a level percent of payroll.

Changes Since Prior Valuation

Demographic assumptions were revised to match (as closely as possible) those developed in the 2012 experience study for PERS.

The percentage of employees currently enrolled and assumed to remain enrolled in retirement was decreased from 65% to 50% based on the District's participation history.

Retirement Health Insurance Account

As a member of PERS 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 PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. 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. 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, 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.

Oregon school districts are contractually required to contribute to RHIA at a rate assessed each year by PERS, and the District currently contributes 0.59% for PERS and 0.49% for OPSRP of annual covered payroll. The PERS 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, 2015 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 General Fund's 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. Total payments in 2014-15 were approximately \$362,000.

Future minimum rental commitments at June 30, 2015 are as follows:

For the Year Ending June 30,	<u>Facilities</u>
2016	\$ 385,252
2017	387,406
2018	308,719
2019	324,155
2020	340,363
2021-2023	<u>699,589</u>
Total minimum future lease payments	<u>\$ 2,445,484</u>

All leases are cancellable if funding is not available.

I. Commitments

The District entered into a service agreement 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 2016 through 2019. Total payments in fiscal year 2014-15 were \$80,653. 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 \$31,355,000.

Limited Tax Pension Bonds

In February 2004, the District 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 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 PERS. The debt service activity is reflected as "employee benefit" expense in all funds with wages and as revenue for services to other funds in 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 PERS.

The Limited Tax Pension Obligations, Series 2004 bonds had a remaining balance of \$30,355,000 at June 30, 2015. For the year ended June 30, 2015, the District's annual debt service for the limited tax pension bonds included \$810,000 of principal, and \$1,694,374 of interest. Total debt service payments for the years 2015, 2014 and 2013 were \$2.5 million, \$2.4 million, and \$2.3 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.

General Obligation Bonds

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, 2015 was \$3,050,994. The changes in long-term debt, for the year ended June 30, 2015 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, 2014	\$ 31,165,000	\$ 1,490,000	\$ 32,655,000
Payments	<u>(810,000)</u>	<u>(490,000)</u>	<u>(1,300,000)</u>
Balance at June 30, 2015	<u>\$ 30,355,000</u>	<u>\$ 1,000,000</u>	<u>\$ 31,355,000</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
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	2020	1,835,000	-	1,835,000	1,388,364
2020	2024	13,535,000	-	13,535,000	5,141,479
2025	2028	9,860,000	-	9,860,000	989,512
TOTAL		<u>\$ 30,355,000</u>	<u>\$ 1,000,000</u>	<u>\$ 31,355,000</u>	<u>\$ 13,855,222</u>

K. Interfund receivables and payables

The District has one interfund balance as of June 30, 2015:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Contracted Services	\$3,062,200

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, 2015 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	\$ 3,553,233	\$ -	\$ 334,000	\$ 3,887,233
Other Governmental Funds	-	546,588	-	546,588
Total	<u>\$ 3,553,233</u>	<u>\$ 546,588</u>	<u>\$ 334,000</u>	<u>\$ 4,433,821</u>

- The Resolution Services Fund transferred \$3,473,233 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 \$546,588 to other governmental funds to cover debt service principal and interest payments.
- The Contracted Services Fund transferred \$334,000 to the General Fund for start-up costs at the new Wheatley School.

M. Property tax limitations

The state of Oregon imposes a constitutional limit on property taxes for schools and non-school 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 continuing to work with SAMHSA for a resolution. 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

On August 19, 2014, LKD, LLC filed suit against the District alleging claims and damages in a lease dispute. On October 25, 2015, the parties signed a Settlement Agreement and Mutual Release whereby the District agreed to pay \$200,000 in FY 2015-16, and \$50,000 in FY 2016-17. The parties have resolved all differences.

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

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Multnomah Education Service District
Schedule of Revenues, Expenditures, Other Financing Sources (Uses),
and Changes in Fund Balance – Budget and Actual
Operating Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Local Sources	\$ 209,985	\$ 9,985	\$ 42,206	\$ 32,221
Investment Earnings	75,000	75,000	74,238	(762)
Sales of Goods & Services	-	-	24	24
Other Revenues	45,300	245,300	224,583	(20,717)
Charges for Services	1,833,382	1,574,988	993,228	(581,760)
Total Revenues	2,163,667	1,905,273	1,334,279	(570,994)
Expenditures				
Support Services	4,953,241	4,875,721	4,792,276	83,445
Enterprise and Community Svcs.	552,518	630,038	618,757	11,281
Contingencies	400,000	400,000	-	400,000
Total Expenditures	5,905,759	5,905,759	5,411,033	494,726
Excess of Revenues Over (Under) Expenditures	(3,742,092)	(4,000,486)	(4,076,754)	(76,268)
Other Financing Sources (Uses)				
Transfers In	3,636,697	3,636,697	3,538,941	(97,756)
Transfers Out	(661,630)	(661,630)	(661,588)	42
Total Other Financing Sources (Uses)	2,975,067	2,975,067	2,877,353	(97,714)
Net Change in Fund Balance	(767,025)	(1,025,419)	(1,199,401)	(173,982)
Beginning Fund Balances	3,799,496	4,108,152	4,108,152	-
Ending Fund Balances	\$ 3,032,471	\$ 3,082,733	\$ 2,908,751	\$ (173,982)

Multnomah Education Service District
Schedule of Revenues, Expenditures, Other Financing Sources (Uses),
and Changes in Fund Balance – Budget and Actual
Resolution Services Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 27,394,000	\$ 27,394,000	\$ 28,425,261	\$ 1,031,261
State School Fund	8,315,886	8,315,886	6,307,067	(2,008,819)
Local Sources	-	-	79,612	79,612
Federal Sources	-	-	49,271	49,271
Other Revenues	153,583	636,455	645,548	9,093
Total Revenues	35,863,469	36,346,341	35,506,759	(839,582)
Expenditures				
Instruction	5,986,817	6,050,697	5,248,314	802,383
Support Services	12,582,456	13,154,697	13,082,419	72,278
Enterprise and Community Svcs.	725	5,725	415	5,310
Contingencies	1,730,098	1,485,001	-	1,485,001
Total Expenditures	20,300,096	20,696,120	18,331,148	2,364,972
Excess of Revenues Over (Under) Expenditures	15,563,373	15,650,221	17,175,611	1,525,390
Other Financing Sources (Uses)				
Apportionment of Funds	(13,669,123)	(13,460,615)	(13,288,421)	172,194
Transfers Out	(3,650,989)	(3,650,989)	(3,553,233)	97,756
Total Other Financing Sources (Uses)	(17,320,112)	(17,111,604)	(16,841,654)	269,950
Net Change in Fund Balance	(1,756,739)	(1,461,383)	333,957	1,795,340
Beginning Fund Balances	1,756,739	1,461,383	1,461,383	-
Ending Fund Balances	\$ -	\$ -	\$ 1,795,340	\$ 1,795,340

Multnomah Education Service District
Schedule of Revenues, Expenditures, Other Financing Sources (Uses),
and Changes in Fund Balance – Budget and Actual
Contracted Services Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Local Sources	\$ 10,221,057	\$ 9,500,138	\$ 8,237,550	\$ (1,262,588)
State Sources	18,794,099	14,942,165	8,824,079	(6,118,086)
Federal Sources	3,030,319	3,139,914	2,797,521	(342,393)
Investment Earnings	-	-	1,555	1,555
Sales of Goods & Services	8,372	8,372	8,676	304
Other Revenues	985,238	985,238	511,448	(473,790)
Total Revenues	33,039,085	28,575,827	20,380,829	(8,194,998)
Expenditures				
Instruction	7,109,002	8,159,433	7,329,442	829,991
Support Services	8,903,950	9,099,137	7,181,533	1,917,604
Enterprise and Community Svcs.	16,488,629	11,993,011	5,977,874	6,015,137
Total Expenditures	32,501,581	29,251,581	20,488,849	8,762,732
Excess of Revenues Over (Under) Expenditures	537,504	(675,754)	(108,020)	567,734
Other Financing Sources (Uses)				
Transfers Out	(334,000)	(334,000)	(334,000)	-
Total Other Financing Sources (Uses)	(334,000)	(334,000)	(334,000)	-
Net Change in Fund Balance	203,504	(1,009,754)	(442,020)	567,734
Beginning Fund Balances	4,831,886	4,807,487	4,807,487	-
Ending Fund Balances	\$ 5,035,390	\$ 3,797,733	\$ 4,365,467	\$ 567,734

**Multnomah Education Service District
Other Post-Employment Benefits
June 30, 2015**

Schedule of Funding Progress

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%	26,792,147	8.3%
July 1, 2014	-	1,126,581	1,126,581	0.0%	17,575,292	6.4%

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.

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual OPEB Cost	Contribution Made	Percentage Contributed
2009	\$ 318,722	\$ 152,655	48 %
2010	330,397	167,338	51
2011	310,976	112,552	36
2012	322,662	142,165	44
2013	271,107	91,863	34
2014	281,256	115,450	41
2015	125,505	22,757	18

The above table presents trend information about the amounts contributed to the plan by the District in comparison to the Annual Required Contribution.

Requests for Information:

A copy of the District's most recent actuarial report of its Other Post Employment Benefit Plan is available by contacting: MESD Business Services, 11611 NE Ainsworth Circle, Portland, OR 97220.

Multnomah Education Service District
Schedule of the District's Proportionate Share of the Net Pension Liability
Oregon Public Employees Retirement System
For the Year Ended June 30, 2015*

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.3278%
District's proportionate share of the net pension liability (asset)	\$ (7,430,660)
District's covered-employee payroll	\$ 17,575,292
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(42.28%)
Plan fiduciary net position as a percentage of the total pension liability	103.59%

*10-year trend information will be presented as it becomes available.

**Multnomah Education Service District
Schedule of the District Contributions
Oregon Public Employees Retirement System
For the Year Ended June 30, 2015***

	<u>2015</u>
Contractually required contribution	\$ 2,308,486
Contribution in relation to the contractually required contribution	(2,308,486)
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 17,575,292
Contributions as a percentage of covered-employee payroll	13.13%

*10-year trend information will be presented as it becomes available.

Notes to Required Supplementary Information

NOTE I - SIGNIFICANT FACTORS AFFECTING PERS AS OF JUNE 30, 2015

A. Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and will not be included in the net pension liability (asset) proportionate shares provided to employers in June 2015.

B. Changes in Assumptions:

A summary of key changes implemented since the December 31, 2011 valuation are described in brief. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at: <http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

1. *Changes in Actuarial Methods and Allocation Procedures*

(a) Actuarial Cost Method

The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method. This change will allow PERS to use the same cost method for contribution rate calculations as required for financial reporting under GASB Statements 67 and 68.

(b) Tier 1/Tier 2 UAL Amortization

In combination with the change in cost method, the Board chose to re-amortize the outstanding Tier 1/Tier 2 UAL as of December 31, 2013 over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20 year period from the valuation in which they are first recognized.

(c) Contribution Rate Stabilization Method

The “grade-in range” over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70% to 60% or increases from 130% to 140%. Previously the ranges had been 80% to 70% and 120% to 130%. The modification to the grade-in range was made in combination with the change to actuarial cost method, as discussed at the July 2013 PERS Board public meeting.

(d) Allocation of Liability for Service Segments

For purposes of allocating Tier 1/Tier 2 member’s actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the

Full Formula methodology used by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier 1/Tier 2 population. For the December 31, 2010 and December 31, 2011 valuations, the Money Match was weighted 40 percent for General Service members and 10 percent for Police & Fire members. For the December 31, 2012 and December 31, 2013 valuations, this weighting has been adjusted to 30 percent for General Service members and 5 percent for Police & Fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

2. *Changes in Economic Assumptions*

(a) Investment Return and Interest Crediting

The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75%. Previously, the assumed investment return and interest crediting to regular account balances was 8.00% and the assumed interest crediting to variable account balances was 8.25%.

(b) OPSRP Administrative Expenses

Assumed administrative expenses for the OPSRP System were reduced from \$6.6 million per year to \$5.5 million per year.

(c) Healthcare Cost Inflation

The healthcare cost inflation for the maximum RHIPA subsidy was updated based on analysis performed by Milliman's healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2018 by the Patient Protection and Affordable Care Act

3. *Changes in Demographic Assumptions*

(a) Healthy Mortality

The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

(b) Disabled Mortality

The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables. Gender-specific adjustments were applied to align the assumption with recently observed system experience.

(c) Disability, Retirement from Active Status, and Termination

Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

4. *Changes in Salary Increase Assumptions*

(a) Merit Increases, Unused Sick Leave, and Vacation Pay

Assumed merit increases were lowered for School District members. Unused Sick Leave and Vacation Pay rates were adjusted.

(b) Retiree Healthcare Participation

The RHIA participation rate for healthy retirees was reduced from 48% to 45%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates.

Other Supplementary Information

mesd

Multnomah Education Service District
Schedule of Revenues, Expenditures, Other Financing Sources (Uses),
and Changes in Fund Balance – Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Investment Earnings	\$ -	\$ -	\$ 5,990	\$ 5,990
Services to Other Funds	2,504,374	2,504,374	2,468,885	(35,489)
Total Revenues	2,504,374	2,504,374	2,474,875	(29,499)
Expenditures				
Debt Service	3,051,004	3,051,004	3,050,994	10
Total Expenditures	3,051,004	3,051,004	3,050,994	10
Excess of Revenues Over (Under) Expenditures	(546,630)	(546,630)	(576,119)	(29,489)
Other Financing Sources (Uses)				
Transfers In	546,630	546,630	546,588	(42)
Total Other Financing Sources (Uses)	546,630	546,630	546,588	(42)
Net Change in Fund Balance	-	-	(29,531)	(29,531)
Beginning Fund Balances	-	35,521	35,521	-
Ending Fund Balances	\$ -	\$ 35,521	\$ 5,990	\$ (29,531)

Multnomah Education Service District
Combining Balance Sheet
General Fund
June 30, 2015

	Operating	Risk Management Reserve	Facilities & Equipment Reserve	Total
Assets				
Cash and Cash Equivalents	\$ 3,339,548	\$ 755,496	\$ 1,607,451	\$ 5,702,495
Accounts Receivable	143,814	-	-	143,814
Due from Other Funds	3,062,200	-	-	3,062,200
Prepaid Items	19,944	-	-	19,944
Total Assets	\$ 6,565,506	\$ 755,496	\$ 1,607,451	\$ 8,928,453
Liabilities				
Accounts Payable	\$ 401,465	\$ 87,350	\$ 199,243	\$ 688,058
Accrued Payroll & Withholdings	3,255,290	-	-	3,255,290
Total Liabilities	3,656,755	87,350	199,243	3,943,348
Fund Balances				
Nonspendable				
Prepaid Items	19,944	-	-	19,944
Committed	-	668,146	1,408,208	2,076,354
Assigned	393,277	-	-	393,277
Unassigned	2,495,530	-	-	2,495,530
Total Fund Balances	2,908,751	668,146	1,408,208	4,985,105
Total Liabilities and Fund Balances	\$ 6,565,506	\$ 755,496	\$ 1,607,451	\$ 8,928,453

Multnomah Education Service District
Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses),
and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2015

	Operating	Risk Management Reserve	Facilities & Equipment Reserve	Eliminations *	Total
Revenues					
Local Sources	\$ 42,206	\$ -	\$ 40,214	\$ -	\$ 82,420
Investment Earnings	74,238	-	-	-	74,238
Sales of Goods & Services	24	-	-	-	24
Other Revenues	224,583	94,029	-	-	318,612
Services to Other Funds	-	601,807	-	-	601,807
Charges for Services	993,228	-	-	-	993,228
Total Revenues	1,334,279	695,836	40,214	-	2,070,329
Expenditures					
Instruction	-	-	58,518	-	58,518
Support Services	4,792,276	741,039	688,053	-	6,221,368
Enterprise & Community Svcs.	618,757	-	-	-	618,757
Total Expenditures	5,411,033	741,039	746,571	-	6,898,643
Excess of Revenues Over (Under) Expenditures	(4,076,754)	(45,203)	(706,357)	-	(4,828,314)
Other Financing Sources (Uses)					
Transfers In	3,538,941	-	529,000	(180,708)	3,887,233
Transfers Out	(661,588)	(65,708)	-	180,708	(546,588)
Total Other Financing Sources (Uses)	2,877,353	(65,708)	529,000	-	3,340,645
Net Change in Fund Balance	(1,199,401)	(110,911)	(177,357)	-	(1,487,669)
Beginning Fund Balances	4,108,152	779,057	1,585,565	-	6,472,774
Ending Fund Balances	\$ 2,908,751	\$ 668,146	\$ 1,408,208	\$ -	\$ 4,985,105

* Intrafund transfers between Operating, Risk Management Reserve, and Facilities & Equipment Reserve funds have been excluded

Multnomah Education Service District
Schedule of Revenues, Expenditures, Other Financing Sources (Uses),
and Changes in Fund Balance – Budget and Actual
Risk Management Reserve Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Other Revenues	\$ -	\$ 91,857	\$ 94,029	\$ 2,172
Services to Other Funds	609,456	609,456	601,807	(7,649)
Total Revenues	609,456	701,313	695,836	(5,477)
Expenditures				
Support Services	669,456	761,313	741,039	20,274
Total Expenditures	669,456	761,313	741,039	20,274
Excess of Revenues Over (Under) Expenditures	(60,000)	(60,000)	(45,203)	14,797
Other Financing Sources (Uses)				
Transfers Out	(65,708)	(65,708)	(65,708)	-
Total Other Financing Sources (Uses)	(65,708)	(65,708)	(65,708)	-
Net Change in Fund Balance	(125,708)	(125,708)	(110,911)	14,797
Beginning Fund Balances	701,820	779,057	779,057	-
Ending Fund Balances	\$ 576,112	\$ 653,349	\$ 668,146	\$ 14,797

Multnomah Education Service District
Schedule of Revenues, Expenditures, Other Financing Sources (Uses),
and Changes in Fund Balance – Budget and Actual
Facilities and Equipment Reserve Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Local Sources	\$ -	\$ -	\$ 40,214	\$ 40,214
Total Revenues	-	-	40,214	40,214
Expenditures				
Instruction	-	58,518	58,518	-
Support Services	337,000	726,482	688,053	38,429
Facilities Acquisitions/Constr.	123,000	-	-	-
Total Expenditures	460,000	785,000	746,571	38,429
Excess of Revenues Over (Under) Expenditures	(460,000)	(785,000)	(706,357)	78,643
Other Financing Sources (Uses)				
Transfers In	529,000	529,000	529,000	-
Total Other Financing Sources (Uses)	529,000	529,000	529,000	-
Net Change in Fund Balance	69,000	(256,000)	(177,357)	78,643
Beginning Fund Balances	1,469,934	1,585,565	1,585,565	-
Ending Fund Balances	\$ 1,538,934	\$ 1,329,565	\$ 1,408,208	\$ 78,643

**Multnomah Education Service District
Schedule of Property Tax Transactions
Resolution Fund
For the Year Ended June 30, 2015**

Tax Year		Current Levy & Taxes Uncollected June 30, 2014	Discounts Allowed	Adjustments	Interest	Cash Collection by County Treasurer	Taxes Uncollected June 30, 2015
Multnomah County							
Current Year	2014-2015	\$ 28,582,154	\$ (733,091)	\$ (76,228)	\$ 12,896	\$ (27,113,115)	\$ 672,616
Prior Years	2013-2014	705,284	906	(40,930)	23,230	(300,165)	388,325
	2012-2013	387,461	153	(7,966)	23,248	(127,539)	275,357
	2011-2012	313,350	30	(6,598)	33,191	(128,315)	211,658
	2010-2011	157,200	3	(1,473)	20,177	(67,547)	108,360
	5+ yrs prior	132,024	(0)	(3,195)	7,862	(17,606)	119,085
Total Multnomah County		30,277,473	(731,999)	(136,390)	120,604	(27,754,287)	1,775,401
Clackamas County							
Current Year	2014-2015	532,312	(13,649)	(759)	233	(505,722)	12,415
Prior Years	2013-2014	12,572	4	(226)	535	(6,562)	6,323
	2012-2013	6,953	0	(33)	529	(2,986)	4,463
	2011-2012	4,963	1	(43)	692	(2,689)	2,924
	2010-2011	2,845	1	(40)	367	(1,224)	1,949
	5+ yrs prior	2,863	0	(132)	237	(659)	2,309
Total Clackamas County		562,508	(13,643)	(1,233)	2,593	(519,842)	30,383
Washington County							
Current Year	2014-2015	139,192	(3,682)	(136)	35	(133,062)	2,347
Prior Years	2013-2014	2,656	(5)	(36)	79	(1,477)	1,217
	2012-2013	1,301	(2)	(74)	59	(411)	873
	2011-2012	952	(1)	(129)	92	(384)	530
	2010-2011	663	(1)	(135)	44	(129)	442
	5+ yrs prior	559	0	(13)	35	(90)	491
Total Washington County		145,323	(3,691)	(523)	344	(135,553)	5,900
All Counties Combined							
General Tax							
Current Year	2014-2015	29,253,658	(750,422)	(77,123)	13,164	(27,751,899)	687,378
Prior Years	2013-2014	720,512	905	(41,192)	23,844	(308,204)	395,865
	2012-2013	395,715	151	(8,073)	23,836	(130,936)	280,693
	2011-2012	319,265	30	(6,770)	33,975	(131,388)	215,112
	2010-2011	160,708	3	(1,648)	20,588	(68,900)	110,751
	5+ yrs prior	135,446	-	(3,340)	8,134	(18,355)	121,885
Total All Counties Combined		\$ 30,985,305	\$ (749,333)	\$ (138,146)	\$ 123,541	\$ (28,409,682)	\$ 1,811,684
Reconciliation to financial statements							
Property tax collections for the year ended June 30, 2015						\$ 28,409,682	
Uncollected property taxes at June 30, 2015							\$ 1,811,684
Property taxes held with County at June 30, 2015							179,928
Total property tax receivable - Resolution Fund							1,991,612
Non-levied tax revenue received for the year ended June 30, 2015						17,927	
Uncollected property taxes susceptible to accrual at June 30, 2015						103,007	(282,935)
Property taxes susceptible to accrual at June 30, 2014; collected during the year ended June 30, 2015						(105,355)	
Total property taxes - Resolution Fund						<u>\$ 28,425,261</u>	
Total unavailable tax revenue - Resolution Fund							<u>\$ 1,708,677</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, 2014-2015

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	\$ 229,148
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, 2015

	100	200	300	700	
ODE Major Object MESD Resource/ODE Resource	General Fund	Special Revenue Funds	Debt Service Funds	Trust & Agency Funds	Total

1000 - Local Sources

Property Taxes

1110 - Ad Valorem Taxes	\$ 28,420,366	\$ -	\$ -	\$ -	\$ 28,420,366
1190 - Penalties & Interest on Taxes	4,895	-	-	-	4,895

Local Sources

1940 - Services to Local Ed Agencies	89,856	8,185,792	-	-	8,275,648
1990 - Miscellaneous	72,176	51,759	-	-	123,935

Investment Earnings

1500 - Earnings on Investments	74,238	1,555	5,990	356	82,139
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Sales of Goods & Services

1600 - Food Service	24	8,427	-	-	8,451
1940 - Services to Local Ed Agencies	-	249	-	-	249

Other Revenues

1800 - Community Service Activities	12,285	7,704	-	-	19,989
1920 - Private Contribution/Donations	6,934	82,586	-	2,877	92,396
1960 - Recover Prior Yrs Expenditures	34,209	(1,750)	-	-	32,459
1980 - Fees Charged to Grants	108,596	-	-	-	108,596
1990 - Miscellaneous	549,956	28,794	-	140,840	719,590

Services to Other Funds

1970 - Services Provided Other Funds	601,807	-	2,468,885	-	3,070,692
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Overhead Revenues

1980 - Fees Charged to Grants	993,228	-	-	-	993,228
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Total 1000 - Local Sources	30,968,569	8,365,115	2,474,874	144,073	41,952,632
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2000 - Intermediate Sources

Other Revenues

2199 - Other Intermediate Sources	-	15,430	-	-	15,430
2200 - Restricted Revenue	221,496	378,684	-	-	600,180

Total 2000 - Intermediate Sources	221,496	394,114	-	-	615,610
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3000 - State Sources

State School Fund

3101 - SSF- General Support	6,307,068	-	-	-	6,307,068
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Multnomah Education Service District
Oregon Department of Education
District Audit Summary - Revenues and Other Resources (continued)
For the Year Ended June 30, 2015

	100	200	300	700	
ODE Major Object	General	Special	Debt	Trust &	
MESD Resource/ODE Resource	Fund	Revenue Funds	Service Funds	Agency Funds	Total

State Sources

3102 - SSF - School Lunch Match	\$ (2,600)	\$ 2,600	\$ -	\$ -	\$ -
3299 - Other Restricted Grants Aid	-	8,821,479	-	-	8,821,479

Total 3000 - State Sources	<u>6,304,467</u>	<u>8,824,079</u>	<u>-</u>	<u>-</u>	<u>15,128,547</u>
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4000 - Federal Sources

Federal Sources

1990 - Miscellaneous	49,271	1,039,712	-	-	1,088,983
4300 - Fed Restricted Revenue	-	222,061	-	-	222,061
4500 - Federal Restrict Rev Thru State	-	763,828	-	-	763,828
4900 - Rev For/On Behalf of Districts	-	771,919	-	-	771,919

Total 4000 - Federal Sources	<u>49,271</u>	<u>2,797,521</u>	<u>-</u>	<u>-</u>	<u>2,846,792</u>
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5000 - Other Sources

Other Revenues

1910 - Rentals	33,285	-	-	-	33,285
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Transfers In

From Resolution Services	3,553,233	-	-	-	3,553,233
From Contract Services	334,000	-	-	-	334,000
From Operating	115,000	-	546,588	-	661,588
From Risk Mgmt Reserve	65,708	-	-	-	65,708

Fund Equity

5400 - Beginning Fund Balance	7,934,157	4,807,487	35,521	192,782	12,969,947
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Total 5000 - Other Sources	<u>12,035,382</u>	<u>4,807,487</u>	<u>582,109</u>	<u>192,782</u>	<u>17,617,761</u>
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Grand Total	<u>\$ 49,579,186</u>	<u>\$ 25,188,316</u>	<u>\$ 3,056,984</u>	<u>\$ 336,855</u>	<u>\$ 78,161,341</u>
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Notes:

1. The ODE General Fund includes the Resolution, Operating, Risk Management Reserve, and Facilities & Equipment Reserve Funds.
2. Transfers In includes transfers within the General Fund.
3. 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, 2015

ODE Fund	100	200	300	400	500	600	700	Total
Major Function/ODE Function	Salaries	Employee Benefits	Purchased Services	Supplies & Materials	Capital Outlay	Other Objects	Transfers	

ODE General Fund (Resolution Services, Operating, Risk Management and Facilities & Equipment Reserve Funds)

Instruction	\$	(1,939)	\$	2,169	\$	3,909	\$	-	\$	-	\$	4,138
1111 - Primary, K-3												
1121 - Middle/Junior High Programs	182,934	-	24,692	8,607	-	-	-	-	-	-	-	216,234
1220 - Restrictive Prgms- Disabilitie	2,288,622	1,824,418	39,461	118,319	6,900	1,463	-	-	-	-	-	4,279,183
1280 - Alternative Education	-	-	7,666	256	-	1,031	-	-	-	-	-	8,953
1292 - Teen Parent Program	240,885	176,637	46,854	68,243	-	6,700	-	-	-	-	-	539,319
1294 - Youth Correction	155,067	90,275	2,460	11,202	-	-	-	-	-	-	-	259,004
Total Instruction	2,865,568	2,091,330	123,302	210,537	6,900	9,195	-	-	-	-	-	5,306,831

Support Services

2110 - Attendance Services	130,077	89,214	94,615	155	-	-	-	-	-	-	-	314,061
2130 - Health Services	3,399,328	2,039,555	278,247	67,433	-	986	-	-	-	-	-	5,785,550
2140 - Psychological Services	76,893	41,907	714	3,387	-	-	-	-	-	-	-	122,901
2150 - Speech Pathology & Audiology	382,662	236,043	212,050	11,574	-	-	-	-	-	-	-	842,328
2160 - Other Student Treatment	226,693	135,680	171,417	4,645	-	-	-	-	-	-	-	538,435
2190 - Director Student Services	893,607	546,801	181,601	45,792	-	2,810	-	-	-	-	-	1,670,611
2210 - Improvement of Instruction	143,408	65,086	35,114	2,765	-	186	-	-	-	-	-	246,559
2310 - Board of Education	-	-	238,270	1,439	-	24,968	-	-	-	-	-	264,677
2320 - Executive Administration	461,762	229,819	18,567	4,806	-	4,405	-	-	-	-	-	719,358
2410 - Office of the Principal	239,930	137,085	3,965	933	-	-	-	-	-	-	-	381,912
2490 - Other Administrative Support	-	-	6	161	-	-	-	-	-	-	-	167
2510 - Direction of Business	225,272	117,979	9,517	2,260	-	640	-	-	-	-	-	355,667
2520 - Fiscal Services	296,320	201,001	69,373	1,503	-	641	-	-	-	-	-	568,838
2540 - Plant Operations & Maintenance	286,062	193,555	969,422	41,404	-	17,796	-	-	-	-	-	1,508,238
2570 - Internal Services	131,594	81,330	18,304	9,223	-	590,461	-	-	-	-	-	830,912
2610 - Central Support	-	-	3,473	450	-	-	-	-	-	-	-	3,922
2630 - Information Services	81,689	33,891	9,092	11,422	-	340	-	-	-	-	-	136,435
2640 - Staff Services	346,159	319,150	224,347	17,842	-	4,525	-	-	-	-	-	912,023
2660 - Technology Services	1,631,941	981,106	1,115,666	163,484	122,005	7,018	-	-	-	-	-	4,021,220
2690 - Other Support Systems	49,778	27,625	1,022	738	-	812	-	-	-	-	-	79,975
Total Support Services	9,003,175	5,476,826	3,654,781	391,413	122,005	655,588	-	-	-	-	-	19,303,787

**Multnomah Education Service District
Oregon Department of Education
District Audit Summary - Expenditures & Other Uses (continued)
For the Year Ended June 30, 2015**

ODE Fund	100	200	300	400	500	600	700	Total
Major Function/ODE Function	Salaries	Employee Benefits	Purchased Services	Supplies & Materials	Capital Outlay	Other Objects	Transfers	
Enterprise & Community Service								
3100 - Food Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 415	\$ -	\$ 415
3300 - Community Services	393,609	222,083	1,608	1,457	-	-	-	618,757
Total Enterprise & Community Service	393,609	222,083	1,608	1,457	-	415	-	619,172
Other Uses								
5300 - ESD Appropriation	-	-	-	-	-	-	13,288,421	13,288,421
Transfers Out								
5200 - Fund Transfer	-	-	-	-	-	-	4,280,529	4,280,529
Total ODE General Fund	\$ 12,262,353	\$ 7,790,239	\$ 3,779,690	\$ 603,407	\$ 128,904	\$ 665,197	\$ 17,568,950	\$ 42,798,740

ODE Special Revenue Fund (Contracted Services Fund)									
Instruction									
1111 - Primary, K-3	\$ 41,837	\$ 7,406	\$ 57,386	\$ 398	\$ -	(13)	\$ -	\$ -	\$ 107,015
1121 - Middle/Junior High Programs	31,525	47,653	154,002	-	-	-	-	-	233,179
1220 - Restrictive Prgrms- Disabilitie	2,697,541	1,525,792	130,054	231,017	-	113,014	-	-	4,697,417
1260 - Treatment & Habilitation	28,332	25,251	211	4,242	-	5,794	-	-	63,830
1280 - Alternative Education	283,251	178,089	14,187	41,377	-	7,630	-	-	524,534
1292 - Teen Parent Program	14,306	9,602	21,948	45,386	-	1,232	-	-	92,474
1293 - Migrant Education	58,665	23,242	24,363	5,335	-	4,539	-	-	116,143
1294 - Youth Correction	605,128	298,635	33,454	288,599	-	62,631	-	-	1,288,447
1299 - Other Designated Programs	106,105	60,537	21,100	2,750	-	15,911	-	-	206,403
Total Instruction	3,866,689	2,176,205	456,705	619,105	-	210,738	-	-	7,329,442
Support Services									
2110 - Attendance Services	127,163	83,646	1,631	102	-	5,942	-	-	218,483
2120 - Guidance Services	282,464	160,458	5,031	2,718	-	21,169	-	-	471,841
2130 - Health Services	1,311,652	854,671	154,067	49,347	-	237,528	-	-	2,607,265
2140 - Psychological Services	18,764	12,241	13,580	-	-	1,550	-	-	46,135
2150 - Speech Pathology & Audiology	30,161	15,497	15,261	2,666	-	2,361	-	-	65,947
2160 - Other Student Treatment	14,224	9,427	8,439	251	-	151	-	-	32,492
2190 - Director Student Services	757,964	443,558	36,393	62,940	-	66,222	-	-	1,367,077
2210 - Improvement of Instruction	55,181	10,669	12,793	5,230	-	2,936	-	-	86,809

**Multnomah Education Service District
Oregon Department of Education
District Audit Summary - Expenditures & Other Uses (continued)
For the Year Ended June 30, 2015**

ODE Fund	100	200	300	400	500	600	700	Total
Major Function/ODE Function	Salaries	Employee Benefits	Purchased Services	Supplies & Materials	Capital Outlay	Other Objects	Transfers	
2230 - Assessment & Testing	\$ 11,205	\$ 2,987	\$ 1,009	\$ 578	\$ -	\$ 1,353	\$ -	\$ 17,132
2240 - Instructional Staff Dvlpmnt	13,487	7,585	15,307	1,833	-	2,137	-	40,349
2320 - Executive Administration	-	-	2,851	-	-	-	-	2,851
2410 - Office of the Principal	342,348	217,071	15,410	832	-	22,338	-	597,999
2490 - Other Administrative Support	300,944	212,247	16,764	150	-	853	-	530,959
2540 - Plant Operations & Maintenance	47,355	30,508	244,087	-	-	17,119	-	339,070
2550 - Student Transportation	-	-	68,058	-	9,950	112	-	78,119
2640 - Staff Services	5,989	2,634	1,108	20	-	-	-	9,751
2660 - Technology Services	428,264	207,510	(41,238)	8,387	-	66,331	-	669,255
Total Support Services	3,747,164	2,270,711	570,552	135,054	9,950	448,102	-	7,181,533
Enterprise & Community Service								
3100 - Food Services	43,334	11,459	128,343	351,249	-	965	-	535,351
3300 - Community Services	99,093	56,781	4,915,703	16,708	-	354,237	-	5,442,523
Total Enterprise & Community Service	142,427	68,241	5,044,046	367,957	-	355,202	-	5,977,874
Transfers Out								
5200 - Fund Transfer	-	-	-	-	-	-	334,000	334,000
Total ODE Special Revenue Fund	\$ 7,756,281	\$ 4,515,156	\$ 6,071,303	\$ 1,122,116	\$ 9,950	\$ 1,014,043	\$ 334,000	\$ 20,822,849
Debt Service Fund								
Debt Service								
5100 - Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,050,994	\$ -	\$ 3,050,994
Trust & Agency Funds								
Support Services								
2520 - Fiscal Services	\$ 72,000	\$ 8,214	\$ 62,616	\$ 841	\$ -	\$ 8,040	\$ -	\$ 151,711

Notes:

1. This report includes transfers within the General fund.
2. 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.

<u>Contents</u>	<u>Page</u>
Financial Trends	76
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	83
These schedules contain information to help the reader assess the MESD's most significant local revenue source, the property tax.	
Debt Capacity	87
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	88
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	91
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

	2006	2007	2008	2009
Assets				
Cash and Cash Equivalents	\$ 26,590,257	\$ 29,707,115	\$ 29,010,637	\$ 25,052,367
Cash with County Treasurer	158,410	159,276	166,993	-
Property Tax Receivable	969,462	953,107	1,172,720	1,385,301
Accounts Receivable	10,146,720	6,466,338	4,332,536	7,928,544
Inventory	820,344	1,129,707	1,054,156	1,029,202
Prepaid Items	183,577	230,784	319,333	63,881
Prepaid Pension Cost, Net of Amortization	29,574,391	28,166,087	26,757,783	25,349,424
Bond Issuance Costs, Net of Amortization	168,851	159,484	151,889	186,535
Net Pension Asset	-	-	-	-
Capital Assets, Net of Depreciation	10,809,387	10,505,582	10,825,967	11,179,845
Total Assets	79,421,399	77,477,480	73,792,014	72,175,099
Deferred Outflows of Resources				
Contributions after Measurement Date	-	-	-	-
Total Deferred Outflows of Resources	-	-	-	-
Liabilities				
Accounts Payable	11,259,709	7,509,638	684,144	7,630,175
Accrued Payroll, Taxes and Withholdings	1,871,926	2,156,724	3,671,940	2,719,152
Deferred Revenue	97,193	79,280	-	-
Accrued Compensated Absences Payables	170,464	158,572	159,481	173,731
Net Pension Liability	-	-	-	-
Other Post-Employment Benefits	-	-	-	166,067
Non-Current Liabilities:				
Due Within One Year	370,000	390,000	440,000	589,386
Due in More than One Year	37,615,000	37,225,000	36,785,000	36,462,815
Total Liabilities	51,384,292	47,519,214	41,740,565	47,741,326
Deferred Inflows of Resources				
Deferred Pension Differences	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Net position:				
Net Investment in Capital Assets	5,964,387	6,030,582	6,740,967	7,227,643
Restricted	***	***	***	***
Unrestricted	22,072,720	25,855,076	20,865,036	17,206,130
TOTAL NET POSITION	\$ 28,037,107	\$ 31,885,658	\$ 27,606,003	\$ 24,433,773

*** Restrictions not presented these years

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

2011	2012	2013	2014 as restated	2015
\$ 20,546,394	\$ 17,456,964	\$ 12,253,325	\$ 8,593,537	\$ 11,352,584
-	-	-	-	-
1,335,975	1,817,881	1,826,573	1,903,843	1,991,612
8,760,115	6,911,998	9,222,522	8,653,141	9,042,203
788,838	58,630	24,600	21,597	-
28,883	57,644	19,944	34,334	19,944
22,532,822	21,124,520	19,716,219	-	-
165,809	155,446	145,082	-	-
-	-	-	-	7,430,660
10,562,297	10,079,616	9,651,813	9,214,678	8,795,898
64,721,133	57,662,699	52,860,078	28,421,130	38,632,901
-	-	-	2,337,728	2,308,486
-	-	-	2,337,728	2,308,486
5,304,091	3,818,050	2,821,681	1,294,112	6,278,389
3,588,748	3,925,315	3,945,178	3,013,825	3,255,290
-	-	-	-	-
144,726	129,957	151,029	154,983	141,446
-	-	-	16,728,945	-
527,550	708,047	887,291	1,053,097	1,155,845
858,679	1,011,101	1,125,000	1,300,000	1,485,000
34,891,116	33,880,015	32,655,000	31,355,000	29,870,000
45,314,910	43,472,485	41,585,179	54,899,962	42,185,970
-	-	-	-	14,986,419
-	-	-	-	14,986,419
7,517,473	7,518,499	7,691,813	7,724,678	7,795,898
3,664,511	1,410,941	2,102,018	1,984,374	2,359,871
8,224,239	5,260,774	1,481,068	(33,850,156)	(26,386,771)
\$ 19,406,223	\$ 14,190,214	\$ 11,274,899	\$ (24,141,104)	\$ (16,231,002)

Multnomah Education Service District
Changes in Net Position
Last 10 Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 14,241,676	\$ 13,340,380	\$ 8,251,120	\$ 13,205,946
Operating Grants and Contributions	15,909,272	17,964,347	19,192,550	19,407,801
General Revenues:				
Property Taxes	20,915,840	21,683,597	22,940,470	23,561,749
State School Fund - General Support	9,288,345	8,862,678	10,692,471	8,298,709
Earnings on Investments	-	-	1,407,155	576,777
Federal Stimulus	-	-	-	907,566
Loss on disposition of Capital Assets	-	-	778	-
Miscellaneous	5,085,536	7,988,961	5,707,678	1,422,965
Total Revenues	<u>65,440,669</u>	<u>69,839,963</u>	<u>68,192,222</u>	<u>67,381,513</u>
 Expenses:				
Instruction	15,167,098	16,471,265	16,977,374	15,083,185
Support Services	34,862,274	38,722,555	37,284,143	40,395,972
Enterprise and Community Services	46,870	1,419,024	2,315,736	2,651,994
Facilities Repairs and Maintenance	-	-	-	-
Apportionment of Funds	7,256,141	9,340,305	9,492,872	10,218,146
Unallocated Depreciation	-	-	-	267,711
Interest on Long-Term Debt	1,718,641	1,965,638	1,956,306	1,936,735
Total Expenses	<u>59,051,024</u>	<u>67,918,787</u>	<u>68,026,431</u>	<u>70,553,743</u>
 CHANGE IN NET POSITION	6,389,645	1,921,176	165,791	(3,172,230)
NET POSITION , beginning of year	<u>21,647,462</u>	<u>29,964,482</u>	<u>27,440,212</u> *	<u>27,606,003</u>
NET POSITION , end of year	<u>\$ 28,037,107</u>	<u>\$ 31,885,658</u>	<u>\$ 27,606,003</u>	<u>\$ 24,433,773</u>

* Restated

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

2010	2011	2012	2013	2014	2015
\$ 8,092,199	\$ 12,999,332	\$ 10,268,887	\$ 10,776,757	\$ 9,683,179	\$ 9,503,702
18,785,136	20,140,915	20,066,049	24,018,999	9,930,046	11,292,867
24,505,818	25,075,966	25,980,967	26,195,536	27,098,503	28,507,647
8,033,770	4,222,969	4,657,196	5,315,956	6,850,158	6,307,067
171,510	108,512	100,886	79,693	79,432	81,783
2,601,970	2,550,138	895,484	299,974	6,500	-
-	-	-	-	-	-
2,566,822	3,314,562	3,055,618	3,079,530	2,774,348	3,345,660
64,757,225	68,412,394	65,025,087	69,766,445	56,422,166	59,038,726
16,371,149	17,569,453	19,126,964	17,718,338	12,030,218	9,280,858
37,705,025	37,152,822	35,744,950	35,535,887	26,226,125	20,364,171
2,782,432	3,524,849	3,086,517	3,624,992	5,241,283	6,121,464
489,409	2,685	45,672	110,488	235,065	-
9,297,814	8,916,168	10,065,731	13,555,146	13,321,333	13,288,421
273,357	286,200	293,828	294,277	282,651	322,716
1,922,468	1,903,338	1,877,434	1,842,632	1,802,360	1,750,994
68,841,654	69,355,515	70,241,096	72,681,760	59,139,035	51,128,624
(4,084,429)	(943,121)	(5,216,009)	(2,915,315)	(2,716,869)	7,910,102
24,433,773	20,349,344	19,406,223	14,190,214	11,274,899	(24,141,104) *
<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>	<u>\$ (16,231,002)</u>

Multnomah Education Service District
Statement of Revenues, Expenditures, Other Financing Sources (Uses),
and Changes in Fund Balance
Governmental Funds
Last 10 Years

	2006	2007	2008	2009
Revenues				
Property Taxes	\$ 20,942,497	\$ 21,737,147	\$ 22,879,494	\$ 23,219,411
State School Fund	9,288,344	8,865,992	10,695,867	8,298,709
Local Sources	14,976,739	13,192,511	10,066,970	10,670,438
State Sources	11,014,059	12,142,608	14,072,950	12,591,487
School Improvement Fund	-	-	-	965,201
Federal Sources	5,230,819	7,449,302	5,818,759	7,627,019
Investment Earnings	1,166,597	1,821,211	1,407,154	576,777
Sales of Goods & Services	2,393,970	786,743	3,436,068	1,884,560
SB1149 Proceeds	-	4,188,737	1,558,547	-
Other Revenues	7,301,614	2,301,973	2,033,310	2,940,078
Overhead Revenues	832,854	1,853,178	381,504	8,520,656
Total Revenues	73,147,493	74,339,402	72,350,623	77,294,336
Expenditures				
Instruction	16,328,176	16,899,030	16,882,596	16,400,599
Support Services	38,921,915	41,040,462	40,572,157	48,105,823
Enterprise & Community Services	778,322	1,415,832	2,294,594	2,812,317
Facilities Repairs and Maintenance	-	-	25,237	-
Debt Service	2,077,633	2,338,163	2,338,711	2,376,735
Total Expenditures	58,106,046	61,693,487	62,113,295	69,695,474
Excess of Revenues Over Expenditures	15,041,478	12,645,938	10,237,359	7,598,876
Other Financing Sources (Uses)				
Apportionment of Funds	(7,256,141)	(9,340,305)	(9,492,872)	(10,218,146)
Transfers In	1,358,648	-	1,370,000	10,242,125
Transfers Out	(1,359,285)	-	(1,371,500)	(10,242,125)
Capital Leases	-	-	-	307,952
Total Other Financing Sources (Uses)	(7,256,778)	(9,340,305)	(9,494,372)	(9,910,194)
Net Change in Fund Balances	7,784,700	3,305,633	742,987	(2,311,317)
Beginning Fund Balances	16,970,859 *	24,755,559	30,129,223 *	26,355,028
Ending Fund Balances	\$ 24,755,559	\$ 28,061,192	\$ 30,872,211	\$ 24,043,711
<i>* Restated</i>				
Debt service as a percentage of noncapital expenditures	3.59%	3.80%	3.82%	3.45%

Multnomah Education Service District
Statement of Revenues, Expenditures, Other Financing Sources (Uses),
and Changes in Fund Balance (continued)
Governmental Funds
Last 10 Years

2010	2011	2012	2013	2014	2015
\$ 24,511,191	\$ 25,097,989	\$ 25,504,874	\$ 26,181,577	\$ 27,001,138	\$ 28,425,261
8,033,770	4,222,969	4,657,196	5,315,956	6,850,158	6,307,067
5,767,805	9,366,606	7,566,113	8,315,530	8,338,421	8,399,582
12,676,732	14,543,993	15,750,967	19,079,846	7,553,606	8,824,079
-	-	-	-	-	-
9,568,636	9,973,707	6,138,984	6,699,687	2,079,394	2,846,792
171,510	108,512	100,886	79,693	79,432	81,783
1,435,170	1,472,190	1,221,129	22,903	7,025	8,700
-	-	-	-	-	-
527,323	3,401,405	3,608,845	3,423,410	4,427,242	4,546,300
2,070,415	2,205,840	2,101,237	2,557,141	1,087,745	993,228
64,762,552	70,393,211	66,650,231	71,675,743	57,424,161	60,432,792
16,126,163	18,207,142	20,028,735	18,670,959	12,397,171	12,636,274
36,733,405	36,388,922	35,109,951	35,341,092	24,996,696	26,485,320
2,766,457	3,547,993	3,151,329	3,690,706	5,313,875	6,597,046
489,409	145,903	85,759	110,488	235,065	-
2,473,268	2,578,338	2,692,434	2,807,632	2,927,360	3,050,994
58,588,702	60,868,298	61,068,208	60,620,877	45,870,167	48,769,634
6,173,850	9,524,913	5,582,023	11,054,866	11,553,994	11,663,158
(9,297,814)	(8,916,168)	(10,065,731)	(13,555,146)	(13,321,333)	(13,288,421)
4,358,687	5,036,526	4,375,229	5,194,204	4,782,716	4,433,821
(4,358,687)	(5,036,526)	(4,375,229)	(5,194,204)	(4,782,716)	(4,433,821)
-	-	-	-	-	-
(9,297,814)	(8,916,168)	(10,065,731)	(13,555,146)	(13,321,333)	(13,288,421)
(3,123,964)	608,745	(4,483,708)	(2,500,280)	(1,767,339)	(1,625,263)
24,043,711	20,919,747	21,528,492	17,044,784	14,544,504	12,777,165
\$ 20,919,747	\$ 21,528,492	\$ 17,044,784	\$ 14,544,504	\$ 12,777,165	\$ 11,151,902
4.26%	4.25%	4.42%	4.64%	6.38%	6.27%

Multnomah Education Service District
Fund Balances of Governmental Funds
Last 5 Years¹

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund					
Nonspendable	\$ 817,721	\$ 116,274	\$ 44,544	\$ 45,981	\$ 19,944
Committed	573,936	613,018	777,333	2,364,622	2,076,354
Assigned	-	260,487	877,867	767,025	393,277
Unassigned	5,690,736	3,403,712	3,127,231	3,295,146	2,495,530
Total general fund	<u>\$ 7,082,393</u>	<u>\$ 4,393,491</u>	<u>\$ 4,826,975</u>	<u>\$ 6,472,774</u>	<u>\$ 4,985,105</u>
Special Revenue Funds					
Restricted	\$ 8,221,211	\$ 1,294,656	\$ 2,057,454	\$ 1,892,922	\$ 2,333,937
Assigned	4,507,910	9,424,922	5,860,121	4,365,998	3,826,870
Unassigned	511,225	-	-	-	-
Total special revenue funds	<u>\$ 13,240,346</u>	<u>\$ 10,719,578</u>	<u>\$ 7,917,575</u>	<u>\$ 6,258,920</u>	<u>\$ 6,160,807</u>
All other governmental funds					
Restricted	\$ 3,028	\$ 11	\$ 20	\$ 35,521	\$ 5,990
Assigned	1,202,725	1,931,704	1,799,934 *	-	-
Total all other governmental funds	<u>\$ 1,205,753</u>	<u>\$ 1,931,715</u>	<u>\$ 1,799,954</u>	<u>\$ 35,521</u>	<u>\$ 5,990</u>

*In FY 2013-14 the Facilities & Acquisition Fund was moved into the General Fund as Facilities and Equipment Reserve.

¹ 10 years will be presented as information becomes available.

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)									
	Real Property	Personal Property	Manufactured Structures	Public Utility	Total Assessed Value	Add: Non- Profit Housing	Less: Urban Renewal Excess	Total Net Assessed Value	Total Direct Tax Rate	Taxes Imposed (Net Levy)
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
2015	64,489,837	2,399,479	94,908	3,294,513	70,278,737	31,707	5,690,908	64,619,536	0.4576	29,229

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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
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	1.1800	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	0.1000	0.0877	0.0715	0.0326	0.0413
West Multnomah SWCD	0.0750	0.0750	0.0750	0.0732	0.0469	0.0391	0.0369	0.0378	n/a	n/a
Average Rate	0.3043	0.3043	0.0854	0.0850	0.0784	0.0765	0.0728	0.0690	0.0664	0.0693
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	1.3284	1.1482	1.7504	1.9500	1.5055	0.8468	0.4053	0.6502	0.4563	0.2448
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	3.3167	3.2866	3.3870	3.4203	3.3462	3.2364	3.1628	3.2036	3.1713	3.1361
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	5.2781	4.7743
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	3.7726	3.7222
Rural Fire Protection Services										
Multnomah RFPD No. 10	2.8527	2.7500	2.7500	2.7500	2.7500	2.7500	2.7500	2.7500	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	1.7837	1.7495	1.7495	1.7495	1.7495	1.7495	1.7495	1.7495	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	1.1339	1.2033	1.2380	1.0408	1.0243	1.0558	1.0408	0.8478	0.4448	0.4778
Average Rate	1.3959	1.4098	1.4168	1.3773	1.3740	1.3803	1.3773	1.3387	1.2581	1.2647
Total Direct and Average Overlapping Rate	15.3742	15.3239	15.2122	15.2056	15.1217	15.0162	14.9360	14.9344	14.8532	14.7770

*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 2014-2015			Tax Year 2005-2006		
	Taxable Assessed	Rank	Percentage of Total Taxable	Taxable Assessed	Rank	Percentage of Total Taxable
	Value		Assessed Value	Value		Assessed Value
Port of Portland	\$ 504,047,060	1	0.78%	\$ 261,992,480	3	0.56%
Comcast Corporation	455,403,700	2	0.70			
Portland General Electric Co.	436,899,540	3	0.68	361,215,280	1	0.77
PacificCorp (PP&L)	329,198,320	4	0.51	240,647,000	4	0.51
Weston Investment Co LLC	255,154,280	5	0.39			
Alaska Airlines, Inc	254,799,600	6	0.39			
Evraz Inc NA	219,672,950	7	0.34			
Boeing Employees (Company)	213,690,320	8	0.33	157,468,910	6	0.33
AT&T, Inc	187,225,000	9	0.29			
CenturyLink	176,188,600	10	0.27			
Qwest Wireless				327,665,400	2	0.70
Siltronic Corp				178,237,850	5	0.38
Northwest Natural Gas Co				156,079,080	7	0.33
Oregon Steel Mills Inc				154,010,820	8	0.33
LC Portland LLC				139,251,690	9	0.30
United Airlines Inc				132,866,700	10	0.28
All Other Taxpayers	61,587,256,384		95.31	45,030,470,040		95.53
Total Assessed Value	<u>\$ 64,619,535,754</u>			<u>\$ 47,139,905,250</u>		

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, 2015	
		Amount	Percentage of Levy	Amount	Percentage Collected
Multnomah County					
2006	\$ 21,025,449	\$ 588,764	2.80%	\$ 1,795	99.99%
2007	21,703,981	588,236	2.71	2,303	99.99
2008	22,859,897	670,534	2.93	3,066	99.99
2009	23,825,482	851,090	3.57	4,645	99.98
2010	24,606,025	775,848	3.15	96,717	99.61
2011	25,234,019	700,321	2.78	108,360	99.57
2012	25,824,749	801,853	3.10	211,658	99.18
2013	26,275,966	718,661	2.74	275,357	98.95
2014	27,116,896	705,284	2.60	388,325	98.57
2015	28,582,154	672,616	2.35	672,616	97.65
Clackamas County					
2006	\$ 394,275	\$ 9,516	2.41%	\$ 47	99.99%
2007	409,330	11,151	2.72	60	99.99
2008	425,219	14,634	3.44	97	99.98
2009	444,187	19,067	4.29	160	99.96
2010	457,997	17,009	3.71	1,750	99.62
2011	471,706	15,150	3.21	1,949	99.59
2012	483,368	15,804	3.27	2,924	99.40
2013	482,300	14,257	2.96	4,463	99.07
2014	500,200	12,572	2.51	6,323	98.74
2015	532,312	12,415	2.33	12,415	97.67
Washington County					
2006	\$ 104,856	*	*	*	*
2007	108,287	*	*	*	*
2008	112,437	\$ 2,732	2.43%	*	*
2009	116,251	3,553	3.06	*	*
2010	120,106	3,348	2.79	\$ 431	99.64%
2011	123,384	2,916	2.36	443	99.64
2012	126,167	3,137	2.49	530	99.58
2013	128,770	2,691	2.09	873	99.32
2014	133,931	2,656	1.98	1,217	99.09
2015	139,192	2,347	1.69	2,347	98.31

* 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	2004 G.O. Refunding COP Bonds	Limited Tax Pension Obligations	Capital Lease	Total Outstanding Debt	Percentage of Personal Income	Personal Income All Counties (thousands)	Per Capita	Population All Counties
2006	\$ 4,520,000	\$ 33,140,000		\$ 37,660,000	0.06%	\$ 61,539,385	\$ 24	1,549,501
2007	4,475,000	33,140,000		37,615,000	0.06	64,572,205	24	1,573,449
2008	4,085,000	33,140,000	\$ 307,952	37,532,952	0.06	67,197,034	23	1,599,907
2009	3,685,000	33,100,000	270,389	37,055,389	0.06	65,443,034	23	1,626,505
2010	3,275,000	32,960,000	231,179	36,466,179	0.05	66,785,941	22	1,645,509
2011	2,855,000	32,705,000	189,796	35,749,796	0.05	71,399,839	21	1,667,397
2012	2,415,000	32,330,000	146,117	34,891,117	0.05	75,778,014	21	1,690,103
2013	1,960,000	31,820,000	-	33,780,000	0.04	77,416,667	20	1,709,394
2014	1,490,000	31,165,000	-	32,655,000	*	*	19	1,717,765
2015	1,000,000	30,355,000	-	31,355,000	*	*	*	*

* 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, 2015

Overlapping District Name	Outstanding Net Property Tax Backed Debt ¹	Percent Overlapping ²	Net Overlapping Debt ²
City of Beaverton	\$ 786,938	1.73 %	\$ 13,607
City of Gresham	27,689,545	100.00	27,689,545
City of Happy Valley	3,750,000	1.24	46,361
City of Lake Oswego	13,115,000	5.35	701,692
City of Milwaukee	4,490,000	0.86	38,713
City of Portland	126,830,000	99.68	126,429,471
City of Troutdale	10,470,000	100.00	10,470,000
Clackamas Community College	66,116,012	0.00	2,116
Clackamas County	98,780,000	3.43	3,388,055
Clackamas Cty SD 7J (Lake Oswego)	101,024,917	0.01	12,224
Lusted Water District	795,000	100.00	795,000
Metro	193,205,000	51.03	98,599,467
Mt Hood Community College	24,445,000	88.39	21,607,229
Multnomah County	171,825,000	99.54	171,027,217
Multnomah Cty Drainage District 1	80,000	100.00	80,000
Multnomah Cty RFPD 10	4,085,000	100.00	4,085,000
Multnomah Cty SD 10J (Gresham-Barlow)	80,738,445	100.00	80,738,445
Multnomah Cty SD 1J (Portland)	757,114,062	100.00	757,114,062
Multnomah Cty SD 28J (Centennial)	26,836,858	100.00	26,836,858
Multnomah Cty SD 3 (Parkrose)	58,965,000	100.00	58,965,000
Multnomah Cty SD 39 (Corbett)	1,565,000	100.00	1,565,000
Multnomah Cty SD 40 (David Douglas)	97,152,481	100.00	97,152,481
Multnomah Cty SD 51J (Riverdale)	23,837,474	100.00	23,837,474
Multnomah Cty SD 7 (Reynolds)	101,835,776	100.00	101,835,776
Pleasant Home Water District	1,720,000	94.13	1,619,062
Portland Community College	160,095,000	48.18	77,140,815
Tualatin Hills Park & Rec District	90,832,785	1.25	1,137,408
Tualatin Valley Fire & Rescue District	55,020,000	2.04	1,120,262
Washington County	19,890,000	0.63	126,003
Subtotal, overlapping debt	\$ 2,323,090,293		1,694,174,343
Direct District net property taxed back debt			-
Total direct and overlapping debt			<u>\$ 1,694,174,343</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>				
2006	683,767	\$ 26,571,989	\$ 38,861	5.2 %
2007	697,799	27,667,921	39,650	5.0
2008	712,989	28,861,753	40,480	5.5
2009	727,721	28,418,592	39,051	11.4
2010	737,269	28,997,281	39,331	9.8
2011	748,148	30,913,713	41,320	8.5
2012	758,932	32,644,222	43,013	7.7
2013	766,135	33,376,029	43,564	7.0
2014	765,775	*	*	6.1
2015	*	*	*	5.1
<u>Clackamas County</u>				
2006	363,508	\$ 15,826,302	\$ 43,538	4.9 %
2007	366,808	16,602,949	45,263	4.6
2008	371,103	17,214,084	46,386	5.3
2009	374,085	16,515,734	44,150	11.1
2010	376,905	16,500,499	43,779	10.2
2011	379,780	17,512,678	46,113	9.0
2012	383,628	18,813,208	49,040	8.1
2013	388,263	19,200,727	49,453	7.2
2014	391,525	*	*	6.3
2015	*	*	*	5.4
<u>Washington County</u>				
2006	502,226	\$ 19,141,094	\$ 38,113	4.5 %
2007	508,842	20,301,335	39,897	4.4
2008	515,815	21,121,197	40,947	5.0
2009	524,699	20,508,708	39,087	10.3
2010	531,335	21,288,161	40,065	9.0
2011	539,469	22,973,448	42,585	7.9
2012	547,543	24,320,584	44,418	7.2
2013	554,996	24,839,911	44,757	6.5
2014	560,465	*	*	5.8
2015	*	*	*	5.0

* Data unavailable at time of print.

Sources:

2006-2013 population: U.S. Bureau of Economic Analysis report CA1-3 (last updated November 20, 2014) www.bea.gov

2014 population: Portland State University, Population and Research Center 2014 Annual Population Report - Table 4

Income: U.S. Bureau of Economic Analysis report CA1-3 (last updated November 20, 2014) www.bea.gov

Unemployment rates: Oregon Employment Department, WorkSource Oregon Labor Force Data (qualityinfo.org) as of Aug 2015

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

Top Ten Principal Employers	2015			2006		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Intel Corporation	18,600	1	1.7%	16,740	1	1.6%
Providence Health System	16,139	2	1.4	14,639	2	1.4
Oregon Health and Science University	14,963	3	1.3	11,500	3	1.1
Kaiser Permanente	11,898	4	1.1	8,221	5	0.8
Fred Meyer Stores	10,813	5	1.0	8,500	4	0.8
Legacy Health System	8,700	6	0.8	8,196	6	0.8
Nike, Inc.	8,500	7	0.8	7,648	8	0.7
Portland Public Schools	6,135	8	0.5			
Multnomah County	5,995	9	0.5			
City of Portland	5,481	10	0.5	7,996	7	0.8
State of Oregon				7,180	9	0.7
Beaverton School District				5,000	10	0.5
 All other employers	 1,009,376		 90.4	 964,015		 91.0
 Total Employment - PMSA*	 <u>1,116,600</u>			 <u>1,059,635</u>		

* 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>
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
2015	136	214	32	382

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

Fiscal Year Ending	Special Education Services	Instructional Services	Health & Social Services	Technology & Other Support Services	Total
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
2015	12,314,351	9,401,352	8,908,260	21,484,463	52,108,426

Source: Multnomah ESD Financial Records

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

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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2015.

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.

**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*.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Talbot, Korvola & Warwick LLP

Lake Oswego, Oregon
December 7, 2015



**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, 2015. 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, 2015.

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, 2015, and have issued our report thereon dated December 7, 2015, 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, Kowola & Warwick LLP

Lake Oswego, Oregon
December 7, 2015

Multnomah Education Service District
Schedule of Expenditures and Federal Awards
For the Year Ended June 30, 2015

FEDERAL GRANTOR	Federal CFDA	Grantor or Pass-Thru				Fiscal Year
Federal Program/Cluster and Program Title	Number	Number	Grant Period	Grant Award	Expenditures	
US DEPARTMENT OF AGRICULTURE						
Passed through Oregon Department of Education						
Child Nutrition Cluster						
National School Breakfast Program	10.553	NA	07/01/14 - 06/30/15	\$ -	\$ 46,869	
National School Lunch Program	10.555	NA	07/01/14 - 06/30/15	-	104,804	
			Cluster Total		151,673	
US DEPARTMENT OF AGRICULTURE TOTAL				-	151,673	
US DEPARTMENT OF EDUCATION						
TRIO Cluster (I)						
TRIO - Talent Search	84.044	P044A120052	09/01/12 - 08/31/17	1,150,000	222,061	
			Cluster Total	1,150,000	222,061	
Passed through Oregon Department of Education						
Migrant Education - State Grant Program	84.011	29961	07/01/13 - 09/30/14	237,026	35,616	
		29980	07/01/13 - 09/30/14	21,029	26	
		31060.S	04/15/14 - 09/30/14	84,658	70,012	
		33583	07/01/14 - 09/30/15	22,568	2,079	
		33602	07/01/14 - 09/30/15	249,540	222,616	
		35107	04/15/15 - 09/30/15	79,178	18,759	
			Program Total	693,999	349,108	
Migrant Education - Coordination Program	84.144	31060.C	04/15/14 - 09/30/14	2,494	1,392	
			Program Total	2,494	1,392	
Title I Program for Neglected and Delinquent Children	84.013	33876	07/01/14 - 06/30/15	588	588	
		33877	07/01/14 - 06/30/15	26,015	26,015	
		34221	07/01/14 - 06/30/15	29,937	29,937	
			Program Total	56,540	56,540	
Special Education Cluster (IDEA)						
Special Education - Grants to States (IDEA, Part B)	84.027	29827	10/01/13 - 09/30/14	2,546	2,546	
		31863	07/01/14 - 06/30/15	4,734	4,734	
		32167,32169	08/01/14 - 06/30/15	2,145	1,064	
		32168	08/01/14 - 06/30/15	1,065	1,065	
		33618	07/01/14 - 06/30/15	20,826	20,826	
		33619	07/01/14 - 06/30/15	6,248	6,248	
		33625	07/01/14 - 06/30/15	2,041	-	
		33626	07/01/14 - 06/30/15	22,674	22,674	
		33753	10/01/14 - 09/30/15	2,652	-	
		34247	07/01/14 - 06/30/15	21,664	21,664	
		34679	07/01/14 - 06/30/15	719	719	
		9613	07/01/13 - 06/30/15	5,434	2,717	
			Cluster Total	92,748	84,257	

**Multnomah Education Service District
Schedule of Expenditures and Federal Awards
For the Year Ended June 30, 2015 (continued)**

FEDERAL GRANTOR	Federal	Grantor or				Fiscal Year
Federal Program/Cluster and Program Title	CFDA	Pass-Thru	Grant Period	Grant Award	Expenditures	
	Number	Number				
Special Education - State Personnel Development	84.323	29553	08/01/13 - 06/30/15	\$ 3,000	\$ 64	
		31701	06/10/14 - 07/30/14	31,510	31,510	
		32716	08/11/14 - 06/20/15	21,103	21,103	
		32741	09/01/14 - 06/20/15	8,000	2,972	
		33193	09/01/14 - 10/01/14	992	992	
		35000-35003	01/01/15 - 01/30/15	815	815	
			Program Total	<u>65,420</u>	<u>57,456</u>	
<i>Passed through ODE via Linn Benton Community College</i>						
Career and Technical Education						
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	LBCC	04/01/15 - 06/30/15	5,573	5,573	
			Program Total	<u>5,573</u>	<u>5,573</u>	
<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	57,830	
			Program Total	<u>120,000</u>	<u>57,830</u>	
US DEPARTMENT OF EDUCATION TOTAL				<u>2,186,774</u>	<u>834,217</u>	
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	771,919	
US DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>3,250,000</u>	<u>771,919</u>	
FEDERAL FINANCIAL ASSISTANCE GRAND TOTAL				<u>\$ 5,436,774</u>	<u>\$ 1,757,809</u>	

(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, 2015

SECTION 1 – SUMMARY OF INDEPENDENT AUDITOR'S 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)?	No
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:

CFDA NUMBER(S)

NAME OF FEDERAL PROGRAM OR CLUSTER

84.044

TRIO Cluster

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, 2015

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

Dollar threshold used to distinguish between type A and B programs:	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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SECTION II- FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

MULTNOMAH EDUCATION SERVICE DISTRICT

Portland, Oregon

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2014-001:

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.

Corrective Action: The Business Office has discussed the importance of adequate support of all journal entries with appropriate staff. Documentation is required for all manual journal entries prior to approval.

**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, 2015, and have issued our report thereon dated December 7, 2015.

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).
- Public charter school requirements.

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*.

**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.

Our report on internal control over financial reporting and on compliance and other matters based on an 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, Korwala & Warwick LLP

Lake Oswego, Oregon
December 7, 2015