



# Comprehensive Annual Financial Report

For the Year Ended June 30, 2017

**MULTNOMAH EDUCATION SERVICE DISTRICT**

Multnomah County, Oregon



# Multnomah Education Service District

Multnomah County, Oregon

## Comprehensive Annual Financial Report

---

For the Year Ended June 30, 2017

Prepared by the Business Services Department

11611 NE Ainsworth Circle  
Portland, OR 97220  
[www.mesd.k12.or.us](http://www.mesd.k12.or.us)

### Non-Discrimination Notice

Multnomah Education Service District prohibits discrimination and harassment on any basis protected by law, including but not limited to race, color, religion, sex, national or ethnic origin, sexual orientation, mental or physical disability or perceived disability, pregnancy, familial status, economic status, veterans' status, parental or marital status or age, or because of the perceived or actual race, color, religion, sex, sexual orientation, national or ethnic origin, mental or physical disability or perceived disability, pregnancy, familial status, economic status, veterans' status, parental or marital status or age of any other persons with whom the individual associates.

The following individuals have been designated to handle inquiries regarding discrimination:

Don Hicks  
Title IX Coordinator, Contracts & Risk Manager  
11611 NE Ainsworth Circle  
Portland, OR 97220  
503-257-1518  
email: dhicks@mesd.k12.or.us

Sean Woodard  
Director, Human Resources  
11611 NE Ainsworth Circle  
Portland, OR 97220  
503-257-1513  
email: swoodard@mesd.k12.or.us



## Table of Contents

### INTRODUCTORY SECTION

Letter of Transmittal .....	i
Board of Directors and Administration .....	viii
Organizational Structure .....	ix
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	x
ASBO Certificate of Excellence in Financial Reporting .....	xi

### FINANCIAL SECTION

Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position .....	13
Statement of Activities .....	14
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds .....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	16
Statement of Revenue, Expenditures, Other Financing Sources (Uses), and Changes in Fund	
Balance - Governmental Funds .....	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, Other Financing	
Sources (Uses), and Changes in Fund Balances to the Statement of Activities .....	18
Fiduciary Financial Statement	
Statement of Fiduciary Assets and Liabilities .....	19
Notes to the Basic Financial Statements .....	21
Required Supplementary Information	
Schedules of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balance –	
Budget and Actual	
Operating Fund .....	49
Resolution Services Fund .....	50
Contracted Services Fund .....	51
Schedules of Funding Progress & Employer Contributions – Other Post-Employment Benefits .....	52
Schedule of the District's Proportionate Share of the Net Pension Asset and Liability .....	53
Schedule of the District's Contributions .....	54
Notes to the Required Supplementary Information .....	55
Other Supplementary Information	
Schedule of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balance –	
Budget and Actual	
Debt Service Fund .....	59
Combining Balance Sheet - General Fund .....	60
Combining Statement of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in	
Fund Balance - General Fund .....	61
Schedules of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balance –	
Budget and Actual	
Risk Management Reserve Fund .....	62

## Table of Contents (continued)

Facilities and Equipment Reserve Fund .....	63
Statement of Changes in Assets and Liabilities – Agency Fund .....	64
<b>OTHER INFORMATION AS REQUIRED BY THE OREGON DEPARTMENT OF EDUCATION</b>	
Supplemental Information as Required by ODE.....	67
ODE District Audit Summary – Revenues and Other Resources .....	68
ODE District Audit Summary – Expenditures and Other Uses .....	70
<b>STATISTICAL SECTION</b>	
Financial Trend Information	
Statement of Net Position – Last Ten Years .....	78
Changes in Net Position - Last Ten Years .....	80
Statement of Revenues, Expenditures, Other Financing Sources (Uses), and Changes in Fund Balance - Governmental Funds - Last Ten Years.....	82
Fund Balances of Governmental Funds - Last Seven Years .....	84
Revenue Capacity Information	
Assessed Values of Taxable Property Within District Boundaries – Last Ten Years .....	85
Direct and Overlapping Property Tax Rates – Last Ten Years .....	86
Principal Property Tax Payers in Multnomah County – Taxing District: 304 Multnomah ESD – Current Year and Nine Years Prior .....	87
Property Tax Levies and Collections by County – Last Ten Years .....	88
Debt Capacity Information	
Ratios of Outstanding Debt - Last Ten Fiscal Years .....	89
Direct and Overlapping Debt .....	90
Demographic and Economic Information	
Demographic and Economic Statistics – Last Ten Years.....	91
Principal Employers - Current and Nine Years Prior .....	92
Operating Information	
Licensed, Classified and Administrative Employees – Last Ten Years .....	93
School District Participation in MESD Programs and Services – Last Ten Years.....	94
Schools, Sites, and Offices .....	95
<b>SINGLE AUDIT SECTION</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> .....	99
Independent Auditor’s 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 the Uniform Guidance.....	101
Schedule of Expenditures of Federal Awards .....	104
Schedule of Findings and Questioned Costs .....	107
<b>OTHER INFORMATION AS REQUIRED BY THE STATE OF OREGON</b>	
Independent Auditor’s Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Oregon State Regulations .....	113

## **INTRODUCTORY SECTION**

**mesd**



November 21, 2017

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, 2017 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, 2017. The independent auditor's report is located at the front of the financial section of this report.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require state and local governments that expend \$750,000 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. Talbot, Korvola & Warwick, LLP have also provided various required reports. These reports are located in the Single Audit Section of this report.

### ***Management's Discussion and Analysis***

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

**Superintendent** *Sam Breyer*

**Board of Directors** *Jessica Arzate ♦ Mary Botkin ♦ Kristin Cornuelle ♦ Siobhan Burke ♦ Michael Durrow ♦ Susie Jones ♦ Helen Ying*

11611 NE Ainsworth Circle ♦ Portland, Oregon 97220 ♦ 503-255-1841 ♦ fax 503-257-1519 ♦ [www.mesd.k12.or.us](http://www.mesd.k12.or.us)

**PROFILE OF THE DISTRICT**

*Mission Statement: We support all students to achieve excellence.*

***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 total state education revenues 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 2016-17, 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 serves the second-largest student population 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



District	Total Schools	Total Enrollment	District	Total Schools	Total Enrollment
Centennial SD 28J	10	6,703	Parkrose SD 3	6	3,306
Corbett SD 39	3	1,204	Portland SD 1J	92	46,989
David Douglas SD 40	16	10,646	Reynolds SD 7	19	11,427
Gresham-Barlow SD 10J	20	10,901	Riverdale SD 51J	2	541

Source: ODE Office of Finance and Administration, 2015-16 ADMr by County Lines, Enrollment = ADMr

Within these districts are 168 schools with 91,087 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 793,000 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 may 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 TSCC and the Board. 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

District management may realign appropriation within a major function; 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 791,000 residents. The cities of Portland and Gresham are the largest incorporated cities in the County.

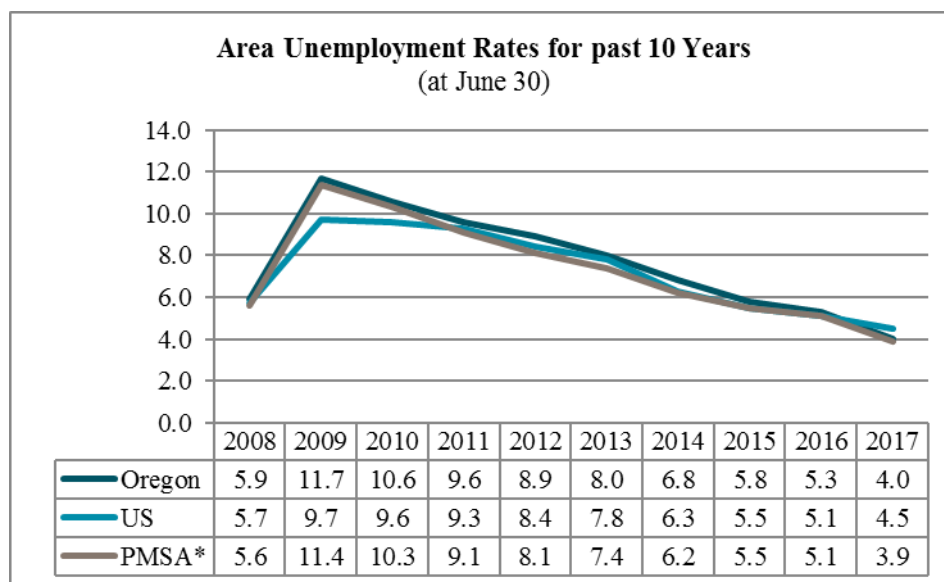
The Portland metropolitan area is the financial, trade, transportation and service center for Oregon, southwest Washington State and the Columbia River basin. Its manufacturing base includes electronics, machinery, transportation equipment, and fabricated metals. Between June 2016 and June 2017, area employment increased by 36,200 jobs, or 3.2 percent.

Portland-Vancouver-Hillsboror, OR-WA MSA  
Official Oregon Series  
Nonfarm Payroll Employment (not seasonally adjusted)

	June 2017	June 2016	Change	Percent
Private				
Mining and logging	1,400	1,300	100	7.7%
Construction	68,600	61,800	6,800	11.0%
Manufacturing	125,400	123,300	2,100	1.7%
Trade, transportation, and utilities	216,500	210,200	6,300	3.0%
Information	25,300	25,100	200	0.8%
Financial activities	69,100	67,900	1,200	1.8%
Professional and business services	180,300	177,000	3,300	1.9%
Education and health services	169,600	161,100	8,500	5.3%
Leisure and hospitality	126,500	121,100	5,400	4.5%
Other services	41,600	41,900	-300	-0.7%
Government	159,500	156,900	2,600	1.7%
Total Nonfarm Payroll	1,183,800	1,147,600	36,200	3.2%

Source: Oregon Employment Department (qualityinfo.org) as of August 25, 2017

During the past nine years, the area's unemployment rate has made a gradual decrease. As of June 30, 2017 the Portland-Vancouver-Hillsboro MSA unemployment rate was 3.9%, down from 5.1% a year ago. The unemployment rate for the area is about even with the State of Oregon (4.0%) and lower than the national average (4.5%). 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 (qualityinfo.org) as if August 25, 2017

***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.

**AWARDS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Multnomah Education Service District for its Comprehensive Financial Report for the year ended June 30, 2016. This was the second year that the District received this prestigious award. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

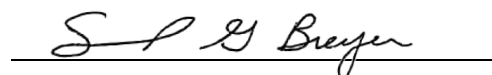
In addition, the Association of School Business Officials International (ASBO) awarded its Certificate of Excellence in Financial Reporting to Multnomah Education Service District for its Comprehensive Annual Financial Report for the year ended June 30, 2016. This was the second year that the District received this prestigious award.

Receiving this Award is recognition that the District has met the highest standards of excellence in school financial reporting as adopted by ASBO. The District believes that the current Comprehensive Annual Financial Report, which will be submitted to ASBO for review, will also conform to these standards.

**ACKNOWLEDGEMENTS**

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

Respectfully submitted,



Sam Breyer  
Superintendent



Doana Anderson  
Director of Business and Operations

**Multnomah Education Service District****BOARD OF DIRECTORS****June 30, 2017**

<u>Position</u>	<u>Board Member</u>	<u>Represented Zone</u>	<u>Term Ends</u>
One	Bernie Giusto	East Multnomah County	6/30/2017*
Two	Nels Johnson	At Large	6/30/2017*
Three	Mary Botkin, Vice-Chair	Central Portland	6/30/2017*
Four	Francisco Acosta, Jr.	Mid-Multnomah County	6/30/2017*
Five	Michael Durrow	N/NE Portland	6/30/2019
Six	Stephen Beaudoin, Chair	At Large	6/30/2019**
Seven	Siobhan Burke	SE/SW Portland	6/30/2019

*\*On May 16, 2017 the following Directors were elected for terms beginning July 1, 2017*

<u>Position</u>	<u>Board Member</u>	<u>Represented Zone</u>	<u>Term Ends</u>
One	Susie Jones	East Multnomah County	6/30/2021
Two	Helen Ying	At Large	6/30/2021
Three	Mary Botkin	Central Portland	6/30/2021
Four	Jessica Arzate	Mid-Multnomah County	6/30/2021

*\*\*On July 18, 2017 position six was vacated due to Board member moving out of District. The following Director was appointed for the remainder of the term beginning August 15, 2017.*

<u>Position</u>	<u>Board Member</u>	<u>Represented Zone</u>	<u>Term Ends</u>
Six	Kristin Cornuelle	At Large	6/30/2019

**ADMINISTRATION****June 30, 2017**

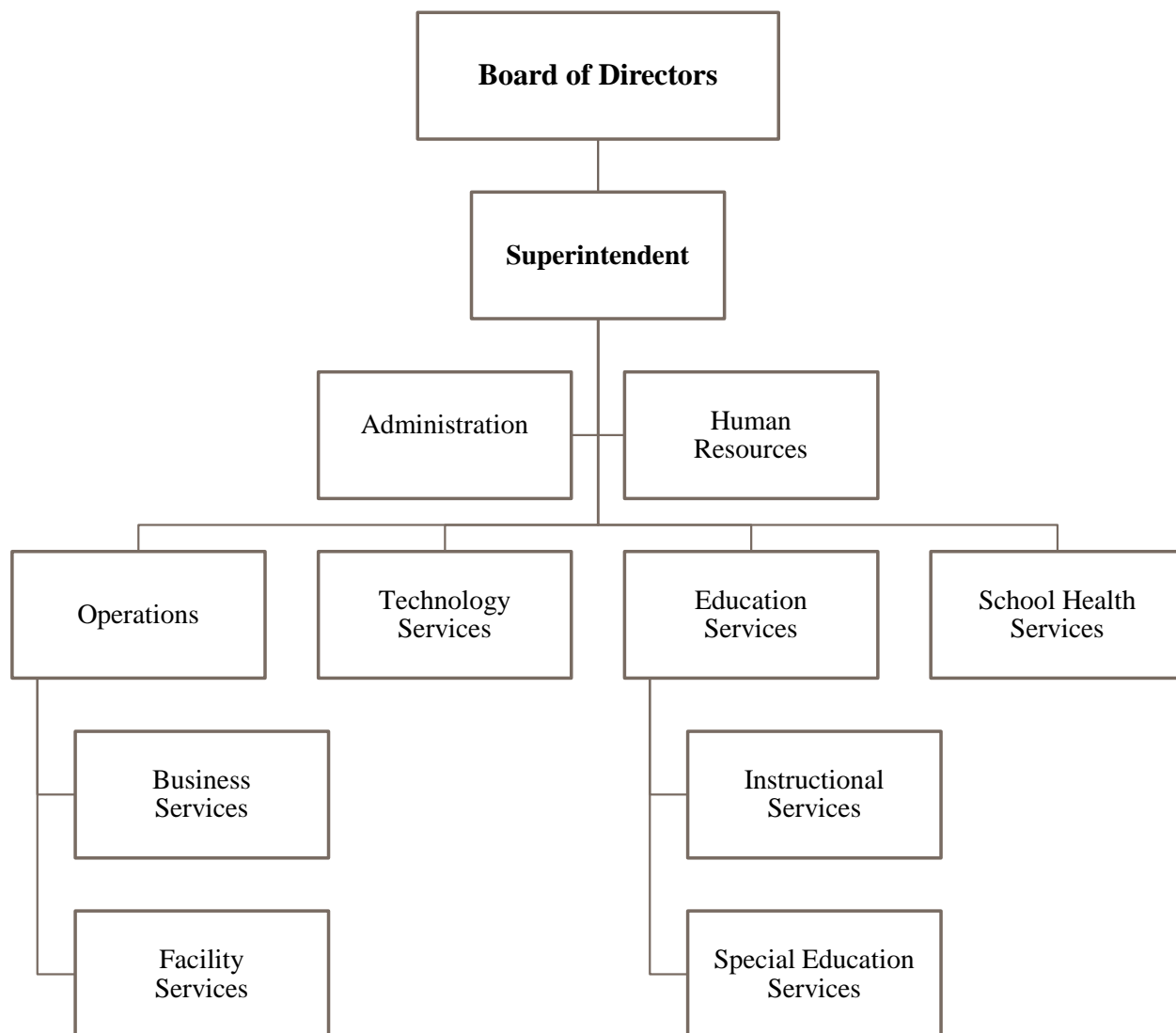
Sam Breyer	Superintendent
Vacant	Assistant Superintendent
Sean Woodard	Director, Human Resource Services
Laura Conroy	Public Information Officer
Don Hicks	Risk and Contract Management

*Sascha Perrins Interim Assistant Superintendent, effective September, 2017*

**Multnomah Education Service District**

**ORGANIZATIONAL STRUCTURE**

**JUNE 30, 2017**





Government Finance Officers Association


**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Multnomah Education Service District  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**



Executive Director/CEO



**The Certificate of Excellence in Financial Reporting  
is presented to**

**Multnomah Education Service District**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'.

**Anthony N. Dragona, Ed.D., RSBA**  
President

A handwritten signature in black ink, appearing to read 'John D. Musso'.

**John D. Musso, CAE, RSBA**  
Executive Director

THIS PAGE INTENTIONALLY LEFT BLANK



## **FINANCIAL SECTION**

**mesd**



**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

4800 Meadows Road  
Suite 200  
Lake Oswego, OR 97035

P 503.274.2849  
F 503.274.2853

[www.tkw.com](http://www.tkw.com)

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Multnomah Education Service District  
Portland, Oregon

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Multnomah Education Service District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

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

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

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



RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit [rsmus.com/about](http://rsmus.com/about) us for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.

## **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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **OTHER MATTERS**

#### ***Required Supplementary Information***

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

The accompanying budgetary comparison information for the Operating Fund, Resolution Services Fund, and Contracted Services Fund, as listed in the Table of Contents as Required Supplementary Information, although not a part of the basic financial statements, is presented for purposes of additional analysis and is required by the Governmental Accounting Standards Board, who considers it to be an essential part of basic financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 required budgetary comparison information for the Operating Fund, Resolution Services Fund, and Contracted Services Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

Board of Directors  
Multnomah Education Service District

### **OTHER MATTERS (Continued)**

#### ***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 and statements, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

#### ***Other Information as Required by the Oregon Department of Education***

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



## **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)***

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 Oregon Minimum Standards***

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated November 21, 2017, 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  
November 21, 2017

## 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, 2017.

### Financial Highlights

- In the government-wide statements, the liabilities and deferred inflows of the District exceeded its assets and deferred outflows at June 30, 2017 by \$23.4 million. Of this amount, \$8.3 million represents the District's investment in capital assets net of related debt, \$3.3 million is restricted, and the remainder is an unrestricted net deficit of \$35.0 million.
- The District's ending net position decreased by \$2.3 million, primarily due to changes in the Oregon Public Employees Retirement System net pension liability.
- The District's governmental funds report combined ending fund balance of \$9.3 million, a decrease of \$1.7 million. Approximately 14 percent of this total amount, \$1.3 million, is assigned to help support future program services provided to school districts and approximately 33 percent, \$3.1 million, is available for the District's operating needs. The remaining amount is either restricted by grants and resolution funding, or is committed for future facilities and technology 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 deferred outflows of resources and liabilities and deferred inflows of resources 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. The District also used this fund to account for resources for the Oregon Association of Education Service Districts (OAESD) as fiscal agent through September 2016.

The basic fiduciary fund financial statements are on pages 19 and 64 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 \$23 million at the close of the most recent fiscal year.

#### Multnomah Education Service District's Comparative Statement of Net Position

	June 30, 2017	June 30, 2016	Increase (Decrease)
<b>Assets</b>			
Current and other assets	\$ 17,954,432	\$ 16,980,109	\$ 974,323
Net capital assets	8,304,254	8,493,062	(188,808)
Total assets	26,258,686	25,473,171	785,515
<b>Deferred Outflows</b>			
Pension contributions after measurement date	489,713	801,756	(312,043)
Deferred pension differences	9,154,568	1,014,468	8,140,100
Total deferred outflows	9,644,281	1,816,224	7,828,057
<b>Liabilities</b>			
Current liabilities	8,262,639	6,001,982	2,260,657
Non-current liabilities:			
Other post-employment benefits	1,323,870	1,245,062	78,808
Net pension liability	19,559,260	7,488,811	12,070,449
Debt service due in more than one year	26,825,000	28,200,000	(1,375,000)
Total liabilities	55,970,769	42,935,855	13,034,914
<b>Deferred Inflows</b>			
Deferred pension differences	3,366,717	5,466,050	(2,099,333)
<b>Net position:</b>			
Net investment in capital assets	8,304,254	7,993,062	311,192
Restricted	3,281,560	3,426,471	(144,911)
Unrestricted	(35,020,333)	(32,532,043)	(2,488,290)
Total net position	\$ (23,434,519)	\$ (21,112,510)	\$ (2,322,009)

A significant portion of the MESD's net position reflects its net 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 \$35 million is unrestricted.

There were significant increases of \$7.8 million reported in deferred outflows and \$13 million reported in total liabilities. These increases are from the calculation of the pension liability for the District's proportionate share of the Oregon Public Employees Retirement System (PERS).

**Changes in net position.** Governmental activities decreased the MESD's net position by \$2.3 million for the fiscal year 2016-2017.

### Multnomah Education Service District's Comparative Statement of Activities

	June 30, 2017	June 30, 2016	Increase (Decrease)
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 9,181,813	\$ 8,894,336	\$ 287,477
Operating grants & contributions	10,837,110	11,174,844	(337,734)
General revenues			
Property taxes	30,967,342	29,800,797	1,166,545
State School Fund	8,028,445	8,594,610	(566,165)
Earnings on investments	140,582	82,524	58,058
Miscellaneous revenues	407,205	923,217	(516,012)
Total revenues	59,562,497	59,470,328	92,169
<b>Expenses</b>			
Instruction	15,463,643	14,303,404	1,160,239
Support services	27,070,464	28,690,506	(1,620,042)
Enterprise and community services	3,031,475	5,074,232	(2,042,757)
Apportionment of funds by the ESD	14,429,052	14,322,082	106,970
Unallocated depreciation	265,352	268,615	(3,263)
Interest on long-term debt	1,624,520	1,692,997	(68,477)
Total expenses	61,884,506	64,351,836	(2,467,330)
Change in Net Position	(2,322,009)	(4,881,508)	2,559,499
Net Position - Beginning	(21,112,510)	(16,231,002)	(4,881,508)
Net Position - Ending	<u>\$ (24,434,519)</u>	<u>\$ (21,112,510)</u>	<u>\$ (2,322,009)</u>

A large fluctuation in expenses, approximately \$3.7 million decrease, is due to the recognition of the District's share of PERS pension liability and other PERS changes in FY 2016-17.

The increase in Instruction net of the PERS changes is primarily from payroll expenses in special programs such as special education, hospital programs, and youth corrections to meet the specific needs of students referred to the District.

## 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 composed of the Operating Fund and two reserve funds. The Operating Fund is principally supported by transfers from the Resolution Services Fund. The reserve funds are supported by internal transfers or payroll allocations. During the 2016-17 fiscal year, the fund balance decreased by \$43 thousand, or less than 1%.

**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 2016-17 fiscal year, the fund balance decreased by \$88 thousand. These funds are carried over for component districts to use for future services.

**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 2016-17 fiscal year, the fund balance decreased by \$1.7 million. A significant portion of this decrease, \$960 thousand, is a result of actual net program costs above estimates for special programs. Factors contributing to higher net costs include less than projected revenue from student enrollment where classroom costs could not be reduced, the unanticipated need for high cost related services specific to individual students, and the use of staffing agencies for hard to fill positions. Other planned use of fund balance included a transfer of \$251 thousand to fund upgrades at Burlingame Creek School to support the expansion of the Arata Creek program, and a transfer of \$114 thousand for the purchase of 4 vans for the FLS program.

## 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 an approximately \$34 thousand positive variance in fund balance from the budget despite lower than anticipated revenues.

## 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, 2017 the District had invested \$8.3 million 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 has one bond issue, the OSBA Limited Tax Pension Obligations, Series 2004 bonds with a remaining balance of \$28,200,000 at June 30, 2017. 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.

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 61% of its total revenues.

The District's PERS rates are calculated for a biennium. The fiscal year 2015-16 was the first year of the biennium and rates remained the same for 2016-17. PERS rates for this biennium were significantly lower than previous years due to PERS reforms at the state level. However, due to the Moro decision and low investment returns, PERS rates increased for the next biennium beginning in 2017-19.

<b>Net Employer Contribution PERS Rate</b>			
	PERS	OPSRP	OPSRP
PERS Rate	(Tier I/II)	General	Police & Fire
7-1-17 to 6-30-19	9.23%	3.90%	8.67%
7-1-15 to 6-30-17	5.55%	0.86%	4.97%
7-1-13 to 6-30-15	13.85%	11.85%	14.58%

### **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 addressed to:

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

## **Basic Financial Statements**



**Multnomah Education Service District**  
**Statement of Net Position**  
**June 30, 2017**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 4,439,028
Property Taxes Receivable	2,211,265
Accounts Receivable	11,303,077
Prepaid Items	1,062
Capital Assets, Net of Depreciation	8,304,254
<b>Total Assets</b>	<b>26,258,686</b>
<b>Deferred Outflows of Resources</b>	
Pension Contributions After Measurement Date	489,713
Deferred Pension Differences	9,154,568
<b>Total Deferred Outflows of Resources</b>	<b>9,644,281</b>
<b>Liabilities</b>	
Accounts Payable	3,576,346
Accrued Payroll & Withholdings	3,175,770
Accrued Compensated Absences	135,523
Debt Service Due Within One Year	1,375,000
Non-Current Liabilities:	
Other Post-Employment Benefits	1,323,870
Net Pension Liability	19,559,260
Debt Service Due in More Than One Year	26,825,000
<b>Total Liabilities</b>	<b>55,970,769</b>
<b>Deferred Inflows of Resources</b>	
Deferred Pension Differences	3,366,717
<b>Total Deferred Inflows of Resources</b>	<b>3,366,717</b>
<b>Net Position</b>	
Net Investment in Capital Assets	8,304,254
Restricted for	
Debt Service	81,272
Local Service Plan Services	3,086,043
Other Purposes	114,245
Unrestricted	(35,020,333)
<b>Total Net Position</b>	<b>\$ (23,434,519)</b>

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, 2017**

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	
Instruction				
Regular Programs	\$ 873,016	\$ 184,761	\$ 593,624	\$ (94,631)
Special Programs	14,590,627	2,836,374	5,737,658	(6,016,595)
Support Services				
Student Services	14,874,409	4,093,728	1,560,809	(9,219,872)
Instructional Staff Services	310,838	5,600	38,854	(266,384)
General Administration	615,177	-	5,000	(610,177)
School Administration	1,894,248	511,672	473,689	(908,887)
Business Services	3,717,923	496,039	128,864	(3,093,020)
Central Activities	5,657,869	511,389	19,794	(5,126,686)
Enterprise and Community Services				
Food Services	835,209	542,250	166,852	(126,107)
Community Services	2,196,266	-	2,111,966	(84,300)
Apportionment of Funds	14,429,052	-	-	(14,429,052)
Unallocated Depreciation*	265,352	-	-	(265,352)
Interest on Long-Term Debt	1,624,520	-	-	(1,624,520)
<b>Total Governmental Activities</b>	<b>\$ 61,884,506</b>	<b>\$ 9,181,813</b>	<b>\$ 10,837,110</b>	<b>(41,865,583)</b>
<b>General Revenues</b>				
Property Taxes, Levied for General Purposes				30,967,342
State School Fund- General Support				8,028,445
Earnings on Investments				140,582
Miscellaneous Revenues				407,205
<b>Total General Revenues</b>				<b>39,543,574</b>
<b>Change in Net Position</b>				<b>(2,322,009)</b>
<b>Net Position - Beginning</b>				<b>(21,112,510)</b>
<b>Net Position - Ending</b>				<b>\$ (23,434,519)</b>

\*Unallocated depreciation excludes direct depreciation expenses of the various programs.

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



**Multnomah Education Service District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<b>General</b>	<b>Resolution Services</b>	<b>Contracted Services</b>	<b>Non-major Fund Debt Service</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,742,739	\$ 2,615,017	\$ -	\$ 81,272	\$ 4,439,028
Property Taxes Receivable	-	2,211,265	-	-	2,211,265
Accounts Receivable	271,212	455,635	10,576,230	-	11,303,077
Due from Other Funds	6,028,451	-	-	-	6,028,451
Prepaid Items	1,062	-	-	-	1,062
<b>Total Assets</b>	<b>\$ 8,043,464</b>	<b>\$ 5,281,917</b>	<b>\$10,576,230</b>	<b>\$ 81,272</b>	<b>\$ 23,982,883</b>
<b>Liabilities</b>					
Accounts Payable	\$ 214,622	\$ 258,409	\$ 3,103,315	\$ -	\$ 3,576,346
Due to Other Funds	-	-	6,028,451	-	6,028,451
Accrued Payroll & Withholdings	3,175,770	-	-	-	3,175,770
<b>Total Liabilities</b>	<b>3,390,392</b>	<b>258,409</b>	<b>9,131,766</b>	<b>-</b>	<b>12,780,567</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Tax Revenue	-	1,937,465	-	-	1,937,465
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>1,937,465</b>	<b>-</b>	<b>-</b>	<b>1,937,465</b>
<b>Fund Balances</b>					
Nonspendable					
Prepaid Items	1,062	-	-	-	1,062
Total Nonspendable Funds	1,062	-	-	-	1,062
Restricted	-	3,086,043	114,245	81,272	3,281,560
Committed	1,575,471	-	-	-	1,575,471
Assigned	-	-	1,330,219	-	1,330,219
Unassigned	3,076,539	-	-	-	3,076,539
<b>Total Fund Balances</b>	<b>4,653,072</b>	<b>3,086,043</b>	<b>1,444,464</b>	<b>81,272</b>	<b>9,264,851</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 8,043,464</b>	<b>\$ 5,281,917</b>	<b>\$10,576,230</b>	<b>\$ 81,272</b>	<b>\$ 23,982,883</b>

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, 2017**

Total Fund Balances - Governmental Funds	\$	9,264,851
--	----	-----------

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.		8,304,254
--	--	-----------

Deferred outflows not available to pay for current period expenditures and therefore not reported in the governmental funds:

Deferred outflow of pension contributions after measurement date		489,713
Deferred pension differences		9,154,568

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.		1,937,465
---	--	-----------

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:

Limited Tax Pension Bonds Payable		(28,200,000)
Net pension liability		(19,559,260)
Deferred inflow of pension investment income differences and differences in proportionate share		(3,366,717)
Other Post-employment Benefits		(1,323,870)
Accrued compensated absences		(135,523)

Net Position		<u><u>\$ (23,434,519)</u></u>
--------------	--	-------------------------------

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, 2017**

	<b>General</b>	<b>Resolution Services</b>	<b>Contracted Services</b>	<b>Non-major Fund Debt Service</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Property Taxes	\$ -	\$ 30,858,755	\$ -	\$ -	\$ 30,858,755
State School Fund	-	8,028,445	-	-	8,028,445
Local Sources	65,016	48,782	7,937,201	-	8,050,999
State Sources	7,344	-	8,879,644	-	8,886,988
Federal Sources	-	86,523	2,004,465	-	2,090,988
Investment Earnings	126,850	-	-	13,732	140,582
Sales of Goods & Services	-	-	1,116	-	1,116
Other Revenues	287,696	655,039	460,646	-	1,403,381
Services to Other Funds	698,744	-	-	2,833,941	3,532,685
Charges for Services	897,565	-	-	-	897,565
<b>Total Revenues</b>	<b>2,083,215</b>	<b>39,677,544</b>	<b>19,283,072</b>	<b>2,847,673</b>	<b>63,891,504</b>
<b>Expenditures</b>					
Instruction	-	6,651,973	9,894,823	-	16,546,796
Support Services	5,842,046	14,533,850	7,773,585	-	28,149,481
Enterprise & Community Svcs.	220,861	132,113	2,863,513	-	3,216,487
Debt Service	-	-	-	3,294,520	3,294,520
Apportionment of Funds	-	14,429,052	-	-	14,429,052
<b>Total Expenditures</b>	<b>6,062,907</b>	<b>35,746,988</b>	<b>20,531,921</b>	<b>3,294,520</b>	<b>65,636,336</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(3,979,692)</b>	<b>3,930,556</b>	<b>(1,248,849)</b>	<b>(446,847)</b>	<b>(1,744,832)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	4,456,345	-	-	519,500	4,975,845
Transfers Out	(519,500)	(4,018,720)	(437,625)	-	(4,975,845)
<b>Total Other Financing Sources (Uses)</b>	<b>3,936,845</b>	<b>(4,018,720)</b>	<b>(437,625)</b>	<b>519,500</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(42,847)</b>	<b>(88,164)</b>	<b>(1,686,474)</b>	<b>72,653</b>	<b>(1,744,832)</b>
<b>Beginning Fund Balances</b>	<b>4,695,919</b>	<b>3,174,207</b>	<b>3,130,938</b>	<b>8,619</b>	<b>11,009,683</b>
<b>Ending Fund Balances</b>	<b>\$ 4,653,072</b>	<b>\$ 3,086,043</b>	<b>\$ 1,444,464</b>	<b>\$ 81,272</b>	<b>\$ 9,264,851</b>

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, 2017**

Total Net Changes in Fund Balances – Governmental Funds	\$ (1,744,832)
---	----------------

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	259,849
Depreciation Expense	(424,311)
Loss on Disposal of Capital Assets	(24,346)

The repayment of debt principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position	1,670,000
--	-----------

Changes in deferred inflows/outflows related to pension liability and pension liability are not recognized in the governmental funds.

Change in pension contributions after the measurement date	(312,043)
Change in net pension liability	(12,070,449)
Changes in assumptions	4,171,520
Changes in proportionate share	762,353
Net difference between projected and actual earnings on investments	5,433,914
Difference between expected and actual experience, and net differences between district contributions and district's proportionate share of system contributions.	(128,354)

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	101,243
----------------	---------

Other post-employment benefits expenses are reported in the Statement of Activities but they are not reported as expenditures in the governmental funds.	(78,808)
--	----------

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.	12,255
---	--------

Settlements payable are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities settlements payable are recognized as an expense when incurred.	50,000
---	--------

Change in Position of Governmental Activities	\$ (2,322,009)
---	----------------

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

**Multnomah Education Service District**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Fund**  
**June 30, 2017**

**Assets**

Cash and Cash Equivalents	\$ 32,532
Accounts Receivable	<u>441</u>
<b>Total Assets</b>	<u><u>\$ 32,973</u></u>

**Liabilities**

Due to Others	<u>\$ 32,973</u>
<b>Total Liabilities</b>	<u><u>\$ 32,973</u></u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

## **Notes to the Basic Financial Statements**

**mesd**



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

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 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
- F. Budgetary information
  - 1. Budget process
  - 2. Budgetary basis of accounting
  - 3. Excess of expenditures over appropriations
- G. Estimates
- H. Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance
  - 1. Cash and cash equivalents
  - 2. Investments
  - 3. Prepaid items
  - 4. Capital assets
  - 5. Long-term obligations
  - 6. Deferred outflows/inflows of resources
  - 7. Pensions
  - 8. Net position flow assumptions
  - 9. Fund balance flow assumptions
  - 10. Fund balance policies
- I. Revenues and expenditures/expenses
  - 1. Program revenues
  - 2. Property taxes
  - 3. Grants
  - 4. Compensated absences

**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 and cash equivalents
- 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. Fund balance classifications
- N. Property tax limitations
- O. Tax abatements
- P. Contingencies

**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 supported by grants and other reimbursements, mainly from the state and participating school districts.

In addition, the District maintains the following funds:

**Debt Service Fund** - This fund accounts for the payment and interest on the Limited Tax Pension Obligation bonds and the general obligation bond (fully paid in FY2016-17).

**Fiduciary Fund** - The MESD maintains one agency fund which reports resources held by the District in a custodial capacity for component districts. The District also used this fund to report resources for the Oregon Association of Education Service Districts (OAESD) as fiscal agent through September 2016. 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.

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 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, other post-employment benefits, 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, apportionment of funds (transit), 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, 2017, 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, 2017.

## 3. *Prepaid items*

Prepaid 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 reports 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 two type of items which qualify for reporting in this category. They are the *pension contributions after measurement date* and *deferred pension differences* reported in the Government-wide Statement of Net Position.

In addition to liabilities, the Statement of Net Position and the Balance Sheet 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 one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes 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 is 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 during the year. Accrued vacation may be used by the employee during the year earned and must be used by the employee during the following year or be forfeited. Eligible balances are paid upon separation from District service. The liability for such leave is reported as incurred in the government-wide statements as a current liability. 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.

## 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 2016-2017.

## NOTE III - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

### A. Cash deposits and cash equivalents

*Custodial credit risk – deposits.* Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance at June 30, 2017 was \$2,601,646 (carrying amount \$2,218,062). 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, 2017, (recorded at fair value) consisted of:

Cash on Hand	\$ 3,317
Demand Deposits	2,218,062
Local Government Investment Pool	2,250,181
	<u>4,471,560</u>
less Fiduciary Fund	(32,532)
Total	<u>\$ 4,439,028</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 considered as cash and cash equivalents and 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	\$ 194,859	\$ 399,192	\$ 274,912	\$ 868,963
Contracts	76,353	56,443	9,862,095	9,994,891
Grants	-	-	439,223	439,223
Total Receivables	<u>\$ 271,212</u>	<u>\$ 455,635</u>	<u>\$ 10,576,230</u>	<u>\$ 11,303,077</u>

**D. Capital assets**

The changes in capital assets for the year ended June 30, 2017 are as follows:

	Balance June 30, 2016	Additions	Transfers and Dispositions	Balance June 30, 2017
Non-depreciable capital assets				
Land	\$ 1,935,748	\$ -	\$ -	\$ 1,935,748
Depreciable capital assets				
Buildings & improvements	10,651,398	-	(61,721)	10,589,677
Site improvements	841,821	-	-	841,821
Equipment and furniture	1,238,451	145,751	(65,668)	1,318,534
Vehicles	315,574	114,098	(8,230)	421,442
	13,047,244	259,849	(135,619)	13,171,474
Less: accumulated depreciation				
Buildings & improvements	4,733,709	275,461	(37,375)	4,971,795
Site improvements	449,954	44,495	-	494,449
Equipment and furniture	997,326	90,955	(65,667)	1,022,614
Vehicles	308,941	13,400	(8,231)	314,110
	6,489,930	424,311	(111,273)	6,802,968
Total depreciable capital assets, net	6,557,314	(164,462)	(24,346)	6,368,506
Total capital assets, net	\$ 8,493,062	\$ (164,462)	\$ (24,346)	\$ 8,304,254

Depreciation expense for the year ended June 30, 2017 was allocated to the functions as follows:

Regular programs	\$ 280
Special programs	3,290
Student services	35,480
Instructional staff services	396
General administration	1,540
Business services	36,888
Central activities	81,085
Unallocated depreciation	265,352
	<u>\$ 424,311</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 Reports and Actuarial Valuations may be obtained at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

### 1. 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) and the Individual Account Program, which is reported as a separate pension plan in the PERS financial statements. The 2003 Oregon Legislature established OPSRP. Public employees hired on or after August 29, 2003, become part of OPSRP. Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) of OPSRP. PERS members retain their existing Plan accounts, but member contributions are now deposited into the member's IAP account, not into the member's Defined Benefit Plan account. Accounts are credited with earnings and losses net of administrative expenses. OPSRP is part of PERS and administered by the Board. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and such rules are to be considered part of the plan for IRS purposes.

	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 w/ 30 years	60 or 53 w/ 25 years
Reduced Benefits: Tier I	prior to age 58 with < 30 years of service	prior to age 55 with < 25 years of service		
Reduced Benefits: Tier II	prior to age 60			

PERS Tier I/Tier II (closed to new members)		OPSRP Pension Program		
General Services	Police & Fire	General Services	Police & Fire	
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/II members may choose to continue participation in a variable equities investment account after retiring.			

### ***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.

## 2. 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:

Net Employer Contribution PERS Rate			
PERS Rate	PERS (Tier I/II)	OPSRP General	OPSRP Police & Fire
7-1-15 to 6-30-17	5.55%	0.86%	4.97%
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%

The District's contributions to the plan for the years ending June 30, 2017, 2016, and 2015 were approximately \$0.6 million, \$0.6 million, and \$2.3 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 \$1.2 million, \$1.1 million, and \$1.0 million for the years ended June 30, 2017, 2016 and 2015, respectively.

## 3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$19,559,260 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected long-term contributions of all participating employers, actuarially determined. At June 30, 2016, the District's proportion was 0.13028804%.

For the year ended June 30, 2017, the District recognized net pension expense of \$2,143,059. At June 30, 2017, 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
Differences between expected and actual experience	\$ 647,106	\$ -
Changes of assumptions	4,171,520	-
Net difference between projected and actual earnings on investments	3,864,089	-
Changes in proportionate share	-	2,626,541
Differences between employer contributions and proportionate share of system contributions	471,853	740,176
Total (prior to post-MD contributions)	9,154,568	3,366,717
Contributions subsequent to the MD	489,713	-
Total Deferred Outflow/(Inflow) of Resources	<u>\$ 9,644,281</u>	<u>\$ 3,366,717</u>
Net Deferred Outflow/(Inflow) of Resources		\$ 6,277,564

\$489,713 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending June 30,	Deferred Outflows/(Inflows) of Resources (prior to post-measurement date contributions)					
	Difference between expected and actual experience	Changes in assumptions	Difference between projected and actual investment earnings	Changes in proportionate share	Differences between employer contribution and proportionate share of contributions	Total
2018	\$ 169,678	\$ 970,121	\$ 422,816	\$ (772,029)	\$ 138,780 \$ (227,848)	\$ 701,518
2019	169,678	970,121	422,816	(772,029)	138,780 (227,848)	701,518
2020	169,678	970,121	1,847,464	(772,029)	138,779 (171,479)	2,182,534
2021	114,672	970,121	1,170,993	(309,908)	55,514 (86,923)	1,914,469
2022	23,400	291,036	-	(546)	- (26,078)	287,812
Total	<u>\$ 647,106</u>	<u>\$ 4,171,520</u>	<u>\$ 3,864,089</u>	<u>\$ (2,626,541)</u>	<u>\$ 471,853 \$ (740,176)</u>	<u>\$ 5,787,851</u>

#### 4. Actuarial Methods and Assumptions

Valuation Date	December 31, 2014 rolled forward to June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate (CPI)	2.50% (reduced from 2.75%)
Long-term expected rate of return	7.50% (reduced from 7.75%)
Discount rate	7.50% (reduced from 7.75%)
Projected salary increases	3.50% (reduced from 3.75%)
Cost of living adjustments	Blend of 2.00% COLA and graded COLA (1.25%/0.15%); blend based on service.
Mortality	<p><i>Healthy retirees and beneficiaries:</i> RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><i>Disabled retirees:</i> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality 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 2014 Experience Study, which reviewed experience for the four-year period ended on December 31, 2014.

Effective with the December 31, 2014 actuarial valuation, issued in November 2015, assumptions were changed, which were expected to have a significant impact on future contribution rates. These changes include the lowering of assumed investment returns to 7.50%, the assumed inflation was lowered to 2.50%, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and updated assumptions for merit increases, unused sick leave, and vacation pay.

The “assumed rate” – the rate of investment returns (including inflation) that the PERS Fund’s regular account is expected to earn over the long term – is reviewed by the PERS Board every two years when considering all the actuarial methods and assumptions that are used to assess the system’s financial position. At its September 25, 2015 meeting, the PERS Board lowered the assumed rate from 7.75% to 7.50% effective January 1, 2016. At its July 28, 2017 meeting, the PERS Board again lowered the assumed rate to 7.20% effective on January 1, 2018. These decisions are based on data from the investment forecasts and review of the guiding principles presented by the actuaries. The Oregon Investment Council also supported a decrease in the assumed rate due to the collapse in bond yields and persistent downward pressures on interest rates.

#### *5. Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. 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.

#### *6. 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 2015 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, originally presented in the PERS’ separately issued financial report, 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. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.



Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00 %	4.10 %	4.00 %	4.68 %
Short-Term Bonds	8.00	3.65	3.61	2.74
Bank/Leveraged Loans	3.00	5.69	5.42	7.82
High Yield Bonds	1.00	6.67	6.20	10.28
Large/Mid Cap US Equities	15.75	7.96	6.70	17.07
Small Cap US Equities	1.31	8.93	6.99	21.35
Micro Cap US Equities	1.31	9.37	7.01	23.72
Developed Foreign Equities	13.13	8.34	6.73	19.40
Emerging Market Equities	4.12	10.56	7.25	28.45
Non-US Small Cap Equities	1.88	9.01	7.22	20.55
Private Equity	17.50	11.60	7.97	30.00
Real Estate (Property)	10.00	6.48	5.84	12.00
Real Estate (REITS)	2.50	8.74	6.69	22.02
Hedge Fund of Funds – Diversified	2.50	4.94	4.64	8.09
Hedge Fund – Event-driven	0.63	7.07	6.72	8.90
Timber	1.88	6.60	5.85	13.00
Farmland	1.88	7.11	6.37	13.00
Infrastructure	3.75	8.31	7.13	16.50
Commodities	1.88	6.07	4.58	18.40
Assumed Inflation - Mean			2.50 %	1.85 %
* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 3, 2015 OIC meeting.				

7. *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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability (asset)	\$ 31,581,683	\$ 19,559,260	\$ 9,510,618

8. *Pension plan fiduciary net position.*

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



**F. Other postemployment benefit (OPEB) obligations***1. 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.

*2. Funding Policy*

The required contributions to the plan include the employer’s pay-as-you-go amount, an amount paid directly by retirees to the Oregon Employment Benefits Board (OEBB), and an additional amount calculated to prefund future benefits as determined by the actuary.

*3. Funding Progress*

The table below shows the funding progress as of the most recent actuarial valuation date:

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, 2016	-	\$2,245,489	\$2,245,489	0.0%	\$21,174,389	10.6%

*4. 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, 2016. 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.

	June 30, 2017	June 30, 2016	June 30, 2015
Annual required contribution	\$ 269,982	\$ 125,225	\$ 120,991
Interest on net OPEB obligation	43,577	46,234	42,124
Adjustment to annual required contribution	(65,392)	(41,280)	(37,610)
Annual OPEB Cost (APC)	248,167	130,179	125,505
Contributions made	(169,359)	(40,962)	(22,757)
Increase in net OPEB obligation	78,808	89,217	102,748
Net OPEB obligation - beginning of year	1,245,062	1,155,845	1,053,097
Net OPEB obligation - end of year	\$ 1,323,870	\$ 1,245,062	\$ 1,155,845
Percentage of APC contributed	68%	31%	18%

### 5. *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, 2016, the entry age normal, level percent of salary actuarial cost method was used. The actuarial assumptions included a 3.5 percent interest rate for discounting future liabilities and an annual healthcare cost trend rate of 6.5 percent initially, and then declining over the next fifteen years until 5.0 percent is reached. The projected annual rate of wage inflation is 3.0 percent compounded annually and the UAAL is being amortized over an open period of thirty years as a level percent of payroll.

### 6. *Projection of Plan's Anticipated Cash Flow*

There is an implicit rate subsidy with respect to retired employees because the medical premium rates charged for coverage typically are less than they would be if the retirees were in a separately rated plan. Actual medical premium rates are determined by blending both active and retiree experience. The difference is the implicit rate subsidy, and total projected subsidy are as follows:

Fiscal Year End June 30	Projected Subsidy
2017	\$ 169,359
2018	178,806
2019	185,811
2020	190,844
2021	165,533
2022	182,305
2023	208,134
2024	198,862
2025	209,412
2026	210,845

These projections are based on the census data, SRHB provisions, and actuarial assumptions described above. For purposes of GASB 45 accounting, this implicit rate subsidy is considered to be the District's "contribution".

### *7. Changes Since Prior Valuation*

- The actuarial cost method was changed from Projected Unit Credit to Entry Age Normal, to conform with the method required under GASB Statement 75.
- The interest rate for discounting future liabilities was lowered to match the municipal bond rates, to conform with the rates required under GASB Statement 75.
- The salary scale and general inflation assumptions were lowered to better reflect anticipated experience.
- Premium increase rates were modified slightly to reflect anticipated experience
- The percentage of future retirees covering a spouse on the plan was decreased to reflect anticipated experience.
- Demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for Oregon PERS.

### ***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 0.53% for PERS and 0.45% 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, 2017 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 entered into an operating lease for a Milo Autism Robot in our Assistive Technology Program beginning in June 2016 and ending in May 2018. The agreement is for a two-year term, \$5,000 annually, with an opt-out clause requiring written notification to cancel within 60 days.

The District leases building space at various locations. Total payments in 2016-17 were \$409,087.

The District has entered into a 10-year building lease with Parkrose School District for a portion of Knott Creek School beginning in July 2017 and ending in June 2027. The school will house additional classrooms and space for Special Education programs as a result of increased enrollment.

Future minimum rental commitments at June 30, 2017 are as follows:

For the Year Ending June 30,	Facilities	Equipment	Total
2018	\$ 604,797	\$ 5,000	\$ 609,797
2019	550,993	-	550,993
2020	576,234	-	576,234
2021	602,645	-	602,645
2022	421,963	-	421,963
2023-2027	1,611,137	-	1,611,137
Total minimum future lease payments	<u>\$ 4,367,769</u>	<u>\$ 5,000</u>	<u>\$ 4,372,769</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 (approximately \$94,200 annually) for the fiscal years ending 2016 through 2019. Total payments in fiscal year 2016-17 including charges for color images were \$113,132. The agreement is non-cancellable and is subject to renewal on an annual basis after the 60-month term is over.

The District is negotiating an additional service agreement with Pacific Office Automation beginning August 2017 and ending July 2022 for one additional color copier at the new Knott Creek School location. The service terms are the same as the current agreement. Future minimum commitment equals \$133 per month (approximately \$1,600 annually) for the fiscal years ending 2018 through 2022.

## **J. Long-Term liabilities**

At the end of the current fiscal year, the District made a final payment for its general obligation bond. The District had one remaining bond issue with a total debt outstanding of \$28,200,000.

### *1. 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 \$28,200,000 at June 30, 2017. For the year ended June 30, 2017, the District's annual debt service for the limited tax pension bonds included \$1,170,000 of principal, and \$1,605,021 of interest. Total debt service payments for the years 2017, 2016 and 2015 were \$2.8 million, \$2.6 million, and \$2.5 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.

### *2. General Obligation Bonds*

The second issue was the 2004 Refunding of 1997 full faith credit obligations. This was a general obligation bond issue and funds were 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 (now Burlingame Creek) School and Arata Creek School. For the year ended June 30, 2017, the District's debt service payment was \$500,000 of principal and \$19,500 of interest.

Total principal and interest paid on the two bonds during the year ended June 30, 2017 was \$3,294,520. The changes in long-term debt, for the year ended June 30, 2017 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, 2016	\$ 29,370,000	\$ 500,000	\$ 29,870,000
Payments	<u>(1,170,000)</u>	<u>(500,000)</u>	<u>(1,670,000)</u>
Balance at June 30, 2017	<u>\$ 28,200,000</u>	<u>\$ -</u>	<u>\$ 28,200,000</u>

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

Beginning July 1,	Ending June 30,	OSBA Pension Bond	Interest
2017	2018	\$ 1,375,000	\$ 1,545,082
2018	2019	1,595,000	1,473,266
2019	2020	1,835,000	1,388,364
2020	2021	2,095,000	1,289,770
2021	2022	2,375,000	1,176,158
2022	2027	16,990,000	3,558,097
2027	2028	1,935,000	106,967
TOTAL		<u>\$ 28,200,000</u>	<u>\$ 10,537,704</u>

#### K. Interfund receivables and payables

The District has one interfund balance as of June 30, 2017:

*Due to/from other funds:*

Receivable Fund	Payable Fund	Amount
General Fund	Contracted Services	\$6,028,451

The balance is principally due to the timing of reimbursable expenditures for grants and contracts.

#### L. Interfund transfers

Interfund transfers are used to fund operations in the various accounts. The composition of interfund transfers as of June 30, 2017 is as follows:

Transfers In	Transfers Out			Total
	Resolution Services	General Fund	Contracted Services	
General Fund	\$ 4,018,720	\$ -	\$ 437,625	\$ 4,456,345
Other Governmental Funds	-	519,500	-	519,500
Total	<u>\$ 4,018,720</u>	<u>\$ 519,500</u>	<u>\$ 437,625</u>	<u>\$ 4,975,845</u>

- The Resolution Services Fund transferred \$3,888,720 to the General Fund in order to fund the District's indirect and support service functions.
- The Resolution Services Fund transferred \$130,000 to the General Fund to fund capital expenditures.
- The General Fund transferred \$519,500 to other governmental funds to cover debt service principal and interest payments.
- The Contracted Services Fund transferred \$251,346 to the General Fund for building improvements and unanticipated maintenance & repairs.
- The Contracted Services Fund transferred \$72,181 to the General Fund to support a School Wellness Coordinator and \$114,098 to purchase vans for Special Education programs.

#### M. Fund balance classifications

##### 1. General Fund

*Operating Fund* revenues are classified as Unassigned by default, unless it is clear that revenues should be assigned, or committed. In the case that there is a budgeted deficit for the following year, the portion of fund balance budgeted to be used is considered Assigned in the current year's statement.

The *Risk Management Fund* is designated by Board Resolution to hold a reserve to help offset future PERS costs and to fund risk management activities. All remaining fund balance is considered Committed.

The *Facilities and Equipment Reserve Fund* is designated by Board Resolution to hold a reserve for facility & technology equipment maintenance, improvements, and acquisitions. Individual expenditures do not require specific Board approval, but the funds are "earmarked" for a purpose. Thus, the remaining balance is considered Committed.

##### 2. Resolution Services Fund

The Resolution Fund is used to account for 90% of the dollars received from the State School Fund Grant and local property taxes and is required to be allocated to the component districts to purchases services approved by board resolution on the Local Service Plan or taken as transit. Thus, all balances are considered Restricted.

##### 3. Contracted Services Fund

Per definition of a special revenue fund, all revenues are considered assigned unless restricted by an external source (grantors, legislation) or committed by the Board. This fund uses a combination of assigned and restricted funds. Restricted balances are the remaining amounts of grants, donations, or



other revenues restricted for specific purposes. The remaining balance of the fund is considered Assigned by District management to support student and program services and innovation.

#### *4. Debt Service Fund*

The Debt Service Fund is used to account for the District's long-term debt and the funds are restricted to only be used for debt service payments. Thus, the remaining balance is considered Restricted.

### **N. 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 was 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.

### **O. Tax abatements**

#### *Multnomah County, Oregon, Tax Abatements*

District property taxes were reduced by approximately \$593,000 under agreements entered into by Multnomah County.

### **P. 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.



## **Required Supplementary Information**

**mesd**

**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, 2017**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance to Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Local Sources	\$ 38,834	\$ 38,834	\$ 37,124	\$ (1,710)
Investment Earnings	50,000	100,000	126,850	26,850
Other Revenues	219,170	233,166	236,618	3,452
Charges for Services	1,159,291	1,078,385	897,565	(180,820)
<b>Total Revenues</b>	<b>1,467,295</b>	<b>1,450,385</b>	<b>1,298,157</b>	<b>(152,228)</b>
<b>Expenditures</b>				
Support Services	4,535,531	4,764,386	4,565,894	198,492
Enterprise & Community Svcs.	403,410	315,839	220,861	94,978
Contingencies	25,000	20,960	-	20,960
<b>Total Expenditures</b>	<b>4,963,941</b>	<b>5,101,185</b>	<b>4,786,755</b>	<b>314,430</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(3,496,646)</b>	<b>(3,650,800)</b>	<b>(3,488,598)</b>	<b>162,202</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	4,056,146	4,202,819	4,074,999	(127,820)
Transfers Out	(559,500)	(559,500)	(559,500)	-
<b>Total Other Financing Sources (Uses)</b>	<b>3,496,646</b>	<b>3,643,319</b>	<b>3,515,499</b>	<b>(127,820)</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(7,481)</b>	<b>26,901</b>	<b>34,382</b>
<b>Beginning Fund Balances</b>	<b>3,043,219</b>	<b>3,050,700</b>	<b>3,050,700</b>	<b>-</b>
<b>Ending Fund Balances</b>	<b>\$ 3,043,219</b>	<b>\$ 3,043,219</b>	<b>\$ 3,077,601</b>	<b>\$ 34,382</b>

Reconciliation to financial statements - General Fund Ending Fund Balance:

Operating Fund	\$ 3,077,601
Risk Management Reserve Fund	555,069
Facilities and Equipment Reserve Fund	1,020,402
<b>Total General Fund Ending Fund Balance</b>	<b>\$ 4,653,072</b>

See the notes to the required supplementary information.

**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, 2017**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance to Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property Taxes	\$ 31,125,000	\$ 30,897,000	\$ 30,858,755	\$ (38,245)
State School Fund	7,474,687	8,028,444	8,028,445	1
Local Sources	16,500	16,500	48,782	32,282
Federal Sources	181,819	181,819	86,523	(95,296)
Other Revenues	448,192	418,538	655,039	236,501
<b>Total Revenues</b>	<b>39,246,198</b>	<b>39,542,301</b>	<b>39,677,544</b>	<b>135,243</b>
<b>Expenditures</b>				
Instruction	6,200,735	7,215,857	6,651,973	563,884
Support Services	14,972,243	14,724,042	14,533,850	190,192
Enterprise & Community Svcs.	101,438	132,438	132,113	325
Apportionment of Funds	12,000,000	14,654,695	14,429,052	225,643
Contingencies	3,486,140	1,966,932	-	1,966,932
<b>Total Expenditures</b>	<b>36,760,556</b>	<b>38,693,964</b>	<b>35,746,988</b>	<b>2,946,976</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>2,485,642</b>	<b>848,337</b>	<b>3,930,556</b>	<b>3,082,219</b>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(3,989,969)	(4,022,544)	(4,018,720)	3,824
<b>Total Other Financing Sources (Uses)</b>	<b>(3,989,969)</b>	<b>(4,022,544)</b>	<b>(4,018,720)</b>	<b>3,824</b>
<b>Net Change in Fund Balance</b>	<b>(1,504,327)</b>	<b>(3,174,207)</b>	<b>(88,164)</b>	<b>3,086,043</b>
<b>Beginning Fund Balances</b>	<b>1,504,327</b>	<b>3,174,207</b>	<b>3,174,207</b>	<b>-</b>
<b>Ending Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,086,043</b>	<b>\$ 3,086,043</b>

**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, 2017**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance to Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Local Sources	\$ 7,935,348	\$ 9,569,807	\$ 7,937,201	\$ (1,632,606)
State Sources	10,865,044	9,828,585	8,879,644	(948,941)
Federal Sources	2,042,377	1,442,771	2,004,465	561,694
Sales of Goods & Services	8,372	8,134	1,116	(7,018)
Other Revenues	394,883	500,396	460,646	(39,750)
<b>Total Revenues</b>	<b>21,246,024</b>	<b>21,349,693</b>	<b>19,283,072</b>	<b>(2,066,621)</b>
<b>Expenditures</b>				
Instruction	9,065,807	10,038,096	9,894,823	143,273
Support Services	6,771,364	8,190,093	7,773,585	416,508
Enterprise & Community Svcs.	5,487,659	2,863,513	2,863,513	-
Contingencies	1,071,197	815,754	-	815,754
<b>Total Expenditures</b>	<b>22,396,027</b>	<b>21,907,456</b>	<b>20,531,921</b>	<b>1,375,535</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,150,003)</b>	<b>(557,763)</b>	<b>(1,248,849)</b>	<b>(691,086)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(196,177)	(551,375)	(437,625)	113,750
<b>Total Other Financing Sources (Uses)</b>	<b>(196,177)</b>	<b>(551,375)</b>	<b>(437,625)</b>	<b>113,750</b>
<b>Net Change in Fund Balance</b>	<b>(1,346,180)</b>	<b>(1,109,138)</b>	<b>(1,686,474)</b>	<b>(577,336)</b>
<b>Beginning Fund Balances</b>	<b>3,367,980</b>	<b>3,130,938</b>	<b>3,130,938</b>	<b>-</b>
<b>Ending Fund Balances</b>	<b>\$ 2,021,800</b>	<b>\$ 2,021,800</b>	<b>\$ 1,444,464</b>	<b>\$ (577,336)</b>

**Multnomah Education Service District  
Other Post-Employment Benefits  
June 30, 2017**

**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%
July 1, 2016	-	2,245,489	2,245,489	0.0%	21,174,389	10.6%

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
2016	130,179	40,962	31
2017	248,167	169,359	68

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 Asset and Liability**  
**Oregon Public Employees Retirement System**  
**For the Year Ended June 30, 2017\***

	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
District's proportion of the net pension liability (asset)	0.13028804%	0.13043388%	0.32781628%
District's proportionate share of the net pension liability (asset)	\$ 19,559,260	\$ 7,488,811	\$ (7,430,660)
District's covered-employee payroll	\$ 19,403,174	\$ 17,575,292	\$ 18,069,074
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	100.80%	42.61%	(41.12%)
Plan fiduciary net position as a percentage of the total pension liability	80.53%	91.88%	103.59%

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

**Multnomah Education Service District  
Schedule of the District's Contributions  
Oregon Public Employees Retirement System  
For the Year Ended June 30, 2017\***

	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 613,059	\$ 609,653	\$ 2,308,486
Contribution in relation to the contractually required contribution	(613,059)	(609,653)	(2,308,486)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 21,174,389	\$ 19,403,174	\$ 17,575,292
Contributions as a percentage of covered-employee payroll	2.90%	3.14%	13.13%

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



**Multnomah Education Service District  
Notes to the Required Supplementary Information  
Year Ended June 30, 2017**

**NOTE I – GENERAL FUND BUDGETARY SCHEDULE**

The District budgets the Operating Fund, which is considered the main portion of the General Fund. For GAAP purposes the General Fund is considered as a consolidation of the Operating Fund and the Risk Management Reserve and the Facilities and Equipment Reserve Funds. Combining Schedules for these funds are show on pages 60 and 61.

**NOTE II - SIGNIFICANT FACTORS AFFECTING PERS AS OF JUNE 30, 2017**

**Changes in Plan Provisions Subsequent to Measurement Date**

Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

During a July 28, 2017 meeting, the PERS Board lowered the assumed investment rate of return from 7.5% to 7.2%, effective on January 1, 2018. This rate will be used for the determination of contribution rates beginning July 1, 2019. The Board revises the assumed rate based on the long-term projection of investment returns that can be expected from the asset allocations of the Oregon Investment Council and related capital market expectations. An estimate of the resulting change is not readily available at this time.

THIS PAGE INTENTIONALLY LEFT BLANK

## **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, 2017**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance to Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Investment Earnings	\$ 5,000	\$ 7,371	\$ 13,732	\$ 6,361
Services to Other Funds	2,775,022	2,775,022	2,833,941	58,919
<b>Total Revenues</b>	2,780,022	2,782,393	2,847,673	65,280
<b>Expenditures</b>				
Debt Service	3,294,522	3,294,522	3,294,520	2
<b>Total Expenditures</b>	3,294,522	3,294,522	3,294,520	2
<b>Excess of Revenues Over (Under) Expenditures</b>	(514,500)	(512,129)	(446,847)	65,282
<b>Other Financing Sources (Uses)</b>				
Transfers In	519,500	519,500	519,500	-
<b>Total Other Financing Sources (Uses)</b>	519,500	519,500	519,500	-
<b>Net Change in Fund Balance</b>	5,000	7,371	72,653	65,282
<b>Beginning Fund Balances</b>	10,990	8,619	8,619	-
<b>Ending Fund Balances</b>	\$ 15,990	\$ 15,990	\$ 81,272	\$ 65,282

**Multnomah Education Service District**  
**Combining Balance Sheet**  
**General Fund**  
**June 30, 2017**

	<b>Operating</b>	<b>Risk Management Reserve</b>	<b>Facilities &amp; Equipment Reserve</b>	<b>Total</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 128,923	\$ 555,069	\$ 1,058,747	\$ 1,742,739
Accounts Receivable	271,212	-	-	271,212
Due from Other Funds	6,028,451	-	-	6,028,451
Prepaid Items	1,062	-	-	1,062
<b>Total Assets</b>	<b>\$ 6,429,648</b>	<b>\$ 555,069</b>	<b>\$ 1,058,747</b>	<b>\$ 8,043,464</b>
<b>Liabilities</b>				
Accounts Payable	\$ 176,277	\$ -	\$ 38,345	\$ 214,622
Accrued Payroll & Withholdings	3,175,770	-	-	3,175,770
<b>Total Liabilities</b>	<b>3,352,047</b>	<b>-</b>	<b>38,345</b>	<b>3,390,392</b>
<b>Fund Balances</b>				
Nonspendable				
Prepaid Items	1,062	-	-	1,062
Total Nonspendable Funds	1,062	-	-	1,062
Committed	-	555,069	1,020,402	1,575,471
Unassigned	3,076,539	-	-	3,076,539
<b>Total Fund Balances</b>	<b>3,077,601</b>	<b>555,069</b>	<b>1,020,402</b>	<b>4,653,072</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,429,648</b>	<b>\$ 555,069</b>	<b>\$ 1,058,747</b>	<b>\$ 8,043,464</b>

**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, 2017**

	<b>Operating</b>	<b>Risk Management Reserve</b>	<b>Facilities &amp; Equipment Reserve</b>	<b>Eliminations *</b>	<b>Total</b>
<b>Revenues</b>					
Local Sources	\$ 37,124	\$ -	\$ 27,892	\$ -	\$ 65,016
State Sources	-	-	7,344	-	7,344
Investment Earnings	126,850	-	-	-	126,850
Other Revenues	236,618	49,954	1,124	-	287,696
Services to Other Funds	-	698,744	-	-	698,744
Charges for Services	897,565	-	-	-	897,565
<b>Total Revenues</b>	<b>1,298,157</b>	<b>748,698</b>	<b>36,360</b>	<b>-</b>	<b>2,083,215</b>
<b>Expenditures</b>					
Support Services	4,565,894	683,564	592,588	-	5,842,046
Enterprise & Community Svcs.	220,861	-	-	-	220,861
<b>Total Expenditures</b>	<b>4,786,755</b>	<b>683,564</b>	<b>592,588</b>	<b>-</b>	<b>6,062,907</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(3,488,598)</b>	<b>65,134</b>	<b>(556,228)</b>	<b>-</b>	<b>(3,979,692)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	4,074,999	-	421,346	(40,000)	4,456,345
Transfers Out	(559,500)	-	-	40,000	(519,500)
<b>Total Other Financing Sources (Uses)</b>	<b>3,515,499</b>	<b>-</b>	<b>421,346</b>	<b>-</b>	<b>3,936,845</b>
<b>Net Change in Fund Balance</b>	<b>26,901</b>	<b>65,134</b>	<b>(134,882)</b>	<b>-</b>	<b>(42,847)</b>
<b>Beginning Fund Balances</b>	<b>3,050,700</b>	<b>489,935</b>	<b>1,155,284</b>	<b>-</b>	<b>4,695,919</b>
<b>Ending Fund Balances</b>	<b>\$ 3,077,601</b>	<b>\$ 555,069</b>	<b>\$ 1,020,402</b>	<b>\$ -</b>	<b>\$ 4,653,072</b>

\* 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, 2017**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance to Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Other Revenues	\$ 2,500	\$ 52,453	\$ 49,954	\$ (2,499)
Services to Other Funds	696,000	696,000	698,744	2,744
<b>Total Revenues</b>	698,500	748,453	748,698	245
<b>Expenditures</b>				
Support Services	758,821	768,821	683,564	85,257
Contingencies	369,810	469,567	-	469,567
<b>Total Expenditures</b>	1,128,631	1,238,388	683,564	554,824
<b>Excess of Revenues Over (Under) Expenditures</b>	(430,131)	(489,935)	65,134	555,069
<b>Net Change in Fund Balance</b>	(430,131)	(489,935)	65,134	555,069
<b>Beginning Fund Balances</b>	430,131	489,935	489,935	-
<b>Ending Fund Balances</b>	\$ -	\$ -	\$ 555,069	\$ 555,069



**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, 2017**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance to Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Local Sources	\$ 40,000	\$ 40,000	\$ 27,892	\$ (12,108)
State Sources	-	-	7,344	7,344
Other Revenues	-	-	1,124	1,124
<b>Total Revenues</b>	<u>40,000</u>	<u>40,000</u>	<u>36,360</u>	<u>(3,640)</u>
<b>Expenditures</b>				
Support Services	398,323	686,150	592,588	93,562
Facilities Acquisitions/Constr.	5,000	5,000	-	5,000
Contingencies	281,138	354,673	-	354,673
<b>Total Expenditures</b>	<u>684,461</u>	<u>1,045,823</u>	<u>592,588</u>	<u>453,235</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(644,461)</u>	<u>(1,005,823)</u>	<u>(556,228)</u>	<u>449,595</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	170,000	411,100	421,346	10,246
<b>Total Other Financing Sources (Uses)</b>	<u>170,000</u>	<u>411,100</u>	<u>421,346</u>	<u>10,246</u>
<b>Net Change in Fund Balance</b>	<u>(474,461)</u>	<u>(594,723)</u>	<u>(134,882)</u>	<u>459,841</u>
<b>Beginning Fund Balances</b>	<u>1,035,022</u>	<u>1,155,284</u>	<u>1,155,284</u>	<u>-</u>
<b>Ending Fund Balances</b>	<u><u>\$ 560,561</u></u>	<u><u>\$ 560,561</u></u>	<u><u>\$ 1,020,402</u></u>	<u><u>\$ 459,841</u></u>

**Multnomah Education Service District**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended June 30, 2017**

	<b>Balance July 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 177,141	\$ 962,849	\$ 1,107,458	\$ 32,532
Accounts Receivable	409,382	114,730	523,671	441
<b>Total Assets</b>	<b>\$ 586,523</b>	<b>\$ 1,077,579</b>	<b>\$ 1,631,129</b>	<b>\$ 32,973</b>
<b>Liabilities</b>				
Due to Others	\$ 408,091	\$ 1,447,870	\$ 1,822,988	\$ 32,973
Held in Trust*	178,432	-	178,432	-
<b>Total Liabilities</b>	<b>\$ 586,523</b>	<b>\$ 1,447,870</b>	<b>\$ 2,001,420</b>	<b>\$ 32,973</b>

\*The Oregon Association of Education Service Districts (OAESD) transferred fiscal agent responsibilities to the Willamette Education Service District in September 2016.

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

**mesd**

SUPPLEMENTAL INFORMATION, 2016-2017

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	\$ 208,887
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, 2017

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

**1000 - Local Sources**

**Property Taxes**

1110 - Ad Valorem Taxes	\$ 30,847,506	\$ -	\$ -	\$ -	\$ 30,847,506
1190 - Penalties & Interest on Taxes	11,249	-	-	-	11,249

**Local Sources**

1940 - Services to Local Ed Agencies	67,640	7,936,872	-	-	8,004,512
1990 - Miscellaneous	46,159	329	-	-	46,488

**Investment Earnings**

1500 - Earnings on Investments	126,850	-	13,732	106	140,688
--------------------------------	---------	---	--------	-----	---------

**Sales of Goods & Services**

1600 - Food Service	-	1,057	-	-	1,057
1940 - Services to Local Ed Agencies	-	59	-	-	59

**Other Revenues**

1800 - Community Service Activities	13,344	6,778	-	-	20,122
1920 - Private Contribution/Donations	12,658	108,969	-	-	121,627
1960 - Recover Prior Yrs Expenditures	99,193	471	-	-	99,664
1980 - Fees Charged to Grants	158,487	-	-	-	158,487
1990 - Miscellaneous	275,429	60,760	-	114,035	450,224

**Services to Other Funds**

1970 - Services Provided Other Funds	698,744	-	2,833,941	-	3,532,685
--------------------------------------	---------	---	-----------	---	-----------

**Overhead Revenues**

1980 - Fees Charged to Grants	897,565	-	-	-	897,565
-------------------------------	---------	---	---	---	---------

**Total 1000 - Local Sources**

33,254,824	8,115,295	2,847,673	114,141	44,331,933
------------	-----------	-----------	---------	------------

**2000 - Intermediate Sources**

**Other Revenues**

2200 - Restricted Revenue	361,976	283,669	-	-	645,645
---------------------------	---------	---------	---	---	---------

**Total 2000 - Intermediate Sources**

361,976	283,669	-	-	645,645
---------	---------	---	---	---------

**3000 - State Sources**

**State School Fund**

3101 - SSF- General Support	8,028,445	-	-	-	8,028,445
-----------------------------	-----------	---	---	---	-----------

**Multnomah Education Service District**  
**Oregon Department of Education**  
**District Audit Summary - Revenues and Other Resources**  
**For the Year Ended June 30, 2017 (continued)**

	100	200	300	700	
ODE Major Object	General	Special	Debt	Trust &	
MESD Resource/ODE Resource	Fund	Revenue Funds	Service Funds	Agency Funds	Total
<b>State Sources</b>					
3102 - SSF - School Lunch Match	(2,292)	2,292	-	-	
3199 - Other Unrestricted Grants	7,344	-	-	-	7,344
3299 - Other Restricted Grants Aid	-	8,877,352	-	-	8,877,352
<b>Total 3000 - State Sources</b>	<b>8,033,497</b>	<b>8,879,644</b>	<b>-</b>	<b>-</b>	<b>16,913,141</b>
<b>4000 - Federal Sources</b>					
<b>Federal Sources</b>					
1990 - Miscellaneous (Medicaid)	86,523	813,035	-	-	899,558
4300 - Fed Restricted Revenue	-	235,425	-	-	235,425
4500 - Federal Restrict Rev Thru State	-	956,005	-	-	956,005
<b>Total 4000 - Federal Sources</b>	<b>86,523</b>	<b>2,004,465</b>	<b>-</b>	<b>-</b>	<b>2,090,988</b>
<b>5000 - Other Sources</b>					
<b>Other Revenues</b>					
1910 - Rentals	23,940	-	-	-	23,940
<b>Transfers In</b>					
From Resolution Services	4,018,720	-	-	-	4,018,720
From Contract Services	437,625	-	-	-	437,625
From Operating	40,000	-	519,500	-	559,500
<b>Fund Equity</b>					
5400 - Beginning Fund Balance	7,870,126	3,130,938	8,619	178,432	11,188,115
<b>Total 5000 - Other Sources</b>	<b>12,390,411</b>	<b>3,130,938</b>	<b>528,119</b>	<b>178,432</b>	<b>16,227,900</b>
<b>Grand Total</b>	<b>\$ 54,127,231</b>	<b>\$ 22,414,011</b>	<b>\$ 3,375,792</b>	<b>\$ 292,573</b>	<b>\$ 80,209,607</b>

**Notes:**

1. 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, 2017**

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)**

<b>Instruction</b>								
1121 - Middle/Junior High Programs	\$ 188,049	\$ 38,222	\$ 168,479	\$ 16,438	\$ -	\$ 333	\$ -	\$ 411,521
1220 - Restrictive Prgrms- Disabilitie	3,186,741	2,031,403	55,739	137,413	-	22,041	-	5,433,337
1260 - Treatment & Habilitation	39,863	25,593	2,040	587	-	-	-	68,083
1292 - Teen Parent Program	185,506	178,530	21,844	57,600	-	9,264	-	452,743
1294 - Youth Correction	189,145	94,666	1,363	961	-	154	-	286,289
Total Instruction	3,789,303	2,368,414	249,465	213,000	-	31,791	-	6,651,973

**Support Services**

2110 - Attendance Services	231,020	118,194	3,971	2,420	-	-	-	355,606
2120 - Guidance Services	33,798	14,843	732	-	-	-	-	49,373
2130 - Health Services	4,718,139	2,349,205	116,124	61,804	-	-	-	7,245,271
2140 - Psychological Services	68,076	25,307	23,080	5,179	-	1,124	-	122,765
2150 - Speech Pathology & Audiology	366,841	135,741	34,633	12,168	7,495	900	-	557,778
2160 - Other Student Treatment	199,270	92,434	32,409	5,462	-	-	-	329,575
2190 - Director Student Services	946,852	442,725	72,670	67,631	-	7,192	-	1,537,069
2210 - Improvement of Instruction	166,175	66,458	34,847	12,942	-	1,062	-	281,485
2310 - Board of Education	-	-	130,638	1,331	-	27,278	-	159,247
2320 - Executive Administration	286,586	128,006	24,036	985	-	14,802	-	454,416
2410 - Office of the Principal	243,754	111,055	5,182	128	-	110	-	360,228
2490 - Other Administrative Support	301,226	213,424	104,272	3,226	-	88	-	622,236
2510 - Direction of Business	108,688	58,143	1,074	1,397	-	680	-	169,982
2520 - Fiscal Services	430,079	229,912	74,058	19,361	-	9,001	-	762,411
2540 - Plant Operations & Maintenance	333,443	212,208	749,325	44,857	35,575	3,774	-	1,379,182
2550 - Student Transportation	-	-	52,247	1,369	114,098	3,796	-	171,510
2570 - Internal Services	142,893	74,792	27,581	7,701	-	535,082	-	788,049
2610 - Central Support	-	-	2,719	360	-	-	-	3,079
2630 - Information Services	95,000	35,747	5,688	1,117	-	8,684	-	146,237

**Notes:**

1. This report includes transfers within the General fund.
2. 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, 2017 (continued)**

	100	200	300	400	500	600	700	
ODE Fund	Salaries	Employee Benefits	Purchased Services	Supplies & Materials	Capital Outlay	Other Objects	Transfers	Total
Major Function/ODE Function								
<b>ODE General Fund (Resolution Services, Operating, Risk Management and Facilities &amp; Equipment Reserve Funds), continued</b>								
<b>Support Services, continued</b>								
2640 - Staff Services	391,665	237,585	155,165	17,705	-	(380)	-	801,740
2660 - Technology Services	1,891,332	934,383	1,050,929	110,698	90,862	455	-	4,078,658
Total Support Services	10,954,836	5,480,163	2,701,379	377,840	248,029	613,648	-	20,375,895
<b>Enterprise &amp; Community Service</b>								
3100 - Food Services	\$ 55,831	\$ 9,685	\$ 25,989	\$ 39,515	\$ -	\$ 1,094	\$ -	\$ 132,113
3300 - Community Services	145,937	74,439	326	158	-	-	-	220,861
Total Enterprise & Community Service	201,768	84,124	26,315	39,673	-	1,094	-	352,974
<b>Other Uses</b>								
5300 - ESD Appropriation	-	-	-	-	-	-	14,429,052	14,429,052
<b>Transfers Out</b>								
5200 - Fund Transfer	-	-	-	-	-	-	4,578,220	4,578,220
<b>Total ODE General Fund</b>	<b>\$ 14,945,908</b>	<b>\$ 7,932,701</b>	<b>\$ 2,977,159</b>	<b>\$ 630,513</b>	<b>\$ 248,029</b>	<b>\$ 646,534</b>	<b>\$ 19,007,272</b>	<b>\$ 46,388,115</b>

**Notes:**

1. This report includes transfers within the General fund.
2. 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, 2017 (continued)**

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 Special Revenue Fund (Contracted Services Fund)**

<b>Instruction</b>								
1111 - Primary, K-3	\$ 78,606	\$ 13,579	\$ 83,721	\$ 5,094	\$ -	\$ 4,973	\$ -	\$ 185,974
1121 - Middle/Junior High Programs	165,465	32,216	124,428	4,344	-	170	-	326,623
1220 - Restrictive Prgrms- Disability	3,699,372	1,902,325	135,559	224,873	5,000	298,731	-	6,265,861
1260 - Treatment & Habilitation	55,865	41,074	5,008	0	-	24,263	185,716	311,926
1271 - Remediation	9,334	2,540	221	1,760	-	-	-	13,854
1280 - Alternative Education	-	-	206	-	-	-	-	206
1291 - English as a Second Language	2,951	2,012	167	-	-	-	-	5,130
1292 - Teen Parent Program	259,065	56,381	16,610	48,110	-	644	-	380,810
1293 - Migrant Education	173,224	83,603	24,674	6,306	-	26,006	-	313,813
1294 - Youth Correction	1,021,674	470,447	65,210	231,342	6,820	172,490	-	1,967,984
1299 - Other Designated Programs	67,369	32,878	12,698	50	-	9,646	-	122,642
<b>Total Instruction</b>	<b>5,532,926</b>	<b>2,637,056</b>	<b>468,501</b>	<b>521,880</b>	<b>11,820</b>	<b>536,925</b>	<b>185,716</b>	<b>9,894,823</b>

**Support Services**

2110 - Attendance Services	41,548	23,565	132,397	78	-	2,169	-	199,758
2120 - Guidance Services	423,750	214,464	196,524	38,687	-	59,463	-	932,888
2130 - Health Services	1,281,604	682,234	124,106	81,915	-	584	-	2,170,443
2140 - Psychological Services	23,535	10,903	76,913	2,879	-	1,591	-	115,820
2150 - Speech Pathology & Audiology	46,623	15,960	341,926	47,393	-	8,120	-	460,022
2160 - Other Student Treatment	99,090	55,888	177,803	10,997	-	2,770	-	346,548
2190 - Director Student Services	621,603	271,134	20,878	48,116	-	43,990	-	1,005,722
2210 - Improvement of Instruction	7,594	3,973	3,154	0	-	1,329	-	16,051
2230 - Assessment & Testing	3,286	619	786	-	-	422	-	5,113
2240 - Instructional Staff Dvlpmnt	-	-	5,461	2,496	-	1,492	-	9,448
2410 - Office of the Principal	294,007	169,387	11,287	2,526	-	37,288	-	514,495
2490 - Other Administrative Support	307,867	164,771	17,312	1,122	-	276	-	491,349
2540 - Plant Operations & Maintenance	49,416	38,306	506,294	2,988	-	10,640	-	607,645

**Notes:**

1. This report includes transfers within the General fund.
2. 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, 2017 (continued)**

		100	200	300	400	500	600	700	
ODE Fund		Salaries	Employee Benefits	Purchased Services	Supplies & Materials	Capital Outlay	Other Objects	Transfers	Total
Major Function/ODE Function									
ODE Special Revenue Fund (Contracted Services Fund), continued									
Support Services, continued									
2550 - Student Transportation		-	-	17,259	-	-	-	-	17,259
2640 - Staff Services		25,115	8,610	3,377	7,907	-	1,273	-	46,283
2660 - Technology Services		524,233	245,257	(12,557)	1,988	-	75,820	-	834,741
Total Support Services		3,749,273	1,905,071	1,622,920	249,094	-	247,228	-	7,773,586
Enterprise & Community Service									
3100 - Food Services		42,055	7,201	198,805	461,774	-	1,822	-	711,656
3300 - Community Services		41,623	28,131	1,935,183	1,940	-	144,979	-	2,151,857
Total Enterprise & Community Service		83,678	35,331	2,133,988	463,715	-	146,801	-	2,863,513
Transfers Out									
5200 - Fund Transfer		-	-	-	-	-	-	437,625	437,625
Total ODE Special Revenue Fund									
		\$ 9,365,876	\$ 4,577,458	\$ 4,225,409	\$ 1,234,688	\$ 11,820	\$ 930,954	\$ 623,341	\$ 20,969,546
Debt Service Fund									
Debt Service									
5100 - Debt Service		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,294,520	\$ -	\$ 3,294,520
Trust & Agency Funds									
Support Services									
2520 - Fiscal Services		\$ -	\$ -	\$ 7,814	\$ 36	\$ -	\$ 20	\$ 284,703	\$ 292,573

Notes:

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

THIS PAGE INTENTIONALLY LEFT BLANK

## STATISTICAL SECTION

**mesd**

**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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	<b>78</b>
These schedules contain trend information to help the reader understand how the MESD's financial performance and well-being have changed over time	
<b>Revenue Capacity</b>	<b>85</b>
These schedules contain information to help the reader assess the MESD's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	<b>89</b>
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.	
<b>Demographic and Economic Information</b>	<b>91</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the MESD's financial activities take place.	
<b>Operating Information</b>	<b>93</b>
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**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 29,010,637	\$ 25,052,367	\$ 20,699,809	\$ 20,546,394
Cash with County Treasurer	166,993	-	-	-
Property Tax Receivable	1,172,720	1,385,301	1,401,273	1,335,975
Accounts Receivable	4,332,536	7,928,544	8,578,790	8,760,115
Inventory	1,054,156	1,029,202	982,728	788,838
Prepaid Items	319,333	63,881	13,580	28,883
Prepaid Pension Cost, Net of Amortization	26,757,783	25,349,424	23,941,123	22,532,822
Bond Issuance Costs, Net of Amortization	151,889	186,535	176,172	165,809
Net Pension Asset	-	-	-	-
Capital Assets, Net of Depreciation	10,825,967	11,179,845	11,046,679	10,562,297
<b>Total Assets</b>	<b>73,792,014</b>	<b>72,175,099</b>	<b>66,840,154</b>	<b>64,721,133</b>
<b>Deferred Outflows of Resources</b>				
Pension Contributions After Measurement Date	-	-	-	-
Deferred Pension Differences	-	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
Accounts Payable	684,144	7,630,175	5,839,512	5,304,091
Accrued Payroll, Taxes and Withholdings	3,671,940	2,719,152	3,685,714	3,588,748
Accrued Compensated Absences Payables	159,481	173,731	170,310	144,726
Debt Service Due Within One Year	440,000	589,386	716,353	858,679
Non-Current Liabilities:				
Other Post-Employment Benefits	-	166,067	329,126	527,550
Net Pension Liability	-	-	-	-
Debt Service Due in More than One Year	36,785,000	36,462,815	35,749,795	34,891,116
<b>Total Liabilities</b>	<b>41,740,565</b>	<b>47,741,326</b>	<b>46,490,810</b>	<b>45,314,910</b>
<b>Deferred Inflows of Resources</b>				
Deferred Pension Differences	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position:</b>				
Net Investment in Capital Assets	6,740,967	7,227,643	7,540,531	7,517,473
Restricted	***	***	3,162,530	3,664,511
Unrestricted	20,865,036	17,206,130	9,646,283	8,224,239
<b>TOTAL NET POSITION</b>	<b>\$ 27,606,003</b>	<b>\$ 24,433,773</b>	<b>\$ 20,349,344</b>	<b>\$ 19,406,223</b>

\*\*\* Restrictions not presented these years



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

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 17,456,964	\$ 12,253,325	\$ 8,593,537	\$ 11,352,584	\$ 6,336,374	\$ 4,439,028
-	-	-	-	-	-
1,817,881	1,826,573	1,903,843	1,991,612	2,086,019	2,211,265
6,911,998	9,222,522	8,653,141	9,042,203	8,556,654	11,303,077
58,630	24,600	21,597	-	-	-
57,644	19,944	34,334	19,944	1,062	1,062
21,124,520	19,716,219	-	-	-	-
155,446	145,082	-	-	-	-
-	-	-	7,430,660	-	-
10,079,616	9,651,813	9,214,678	8,795,898	8,493,062	8,304,254
57,662,699	52,860,078	28,421,130	38,632,901	25,473,171	26,258,686
-	-	2,337,728	2,308,486	801,756	489,713
-	-	-	-	1,014,468	9,154,568
-	-	2,337,728	2,308,486	1,816,224	9,644,281
3,818,050	2,821,681	1,294,112	6,278,389	1,319,153	3,576,346
3,925,315	3,945,178	3,013,825	3,255,290	2,865,051	3,175,770
129,957	151,029	154,983	141,446	147,778	135,523
1,011,101	1,125,000	1,300,000	1,485,000	1,670,000	1,375,000
708,047	887,291	1,053,097	1,155,845	1,245,062	1,323,870
-	-	16,728,945	-	7,488,811	19,559,260
33,880,015	32,655,000	31,355,000	29,870,000	28,200,000	26,825,000
43,472,485	41,585,179	54,899,962	42,185,970	42,935,855	55,970,769
-	-	-	14,986,419	5,466,050	3,366,717
-	-	-	14,986,419	5,466,050	3,366,717
7,518,499	7,691,813	7,724,678	7,795,898	7,993,062	8,304,254
1,410,941	2,102,018	1,984,374	2,359,871	3,426,471	3,281,560
5,260,774	1,481,068	(33,850,156)	(26,386,771)	(32,532,043)	(35,020,333)
\$ 14,190,214	\$ 11,274,899	\$ (24,141,104)	\$ (16,231,002)	\$ (21,112,510)	\$ (23,434,519)

**Multnomah Education Service District**  
**Changes in Net Position**  
**Last 10 Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenues:</b>				
Program Revenues:				
Charges for Services	\$ 8,251,120	\$ 13,205,946	\$ 8,092,199	\$ 12,999,332
Operating Grants and Contributions	19,192,550	19,407,801	18,785,136	20,140,915
General Revenues:				
Property Taxes	22,940,470	23,561,749	24,505,818	25,075,966
State School Fund - General Support	10,692,471	8,298,709	8,033,770	4,222,969
Earnings on Investments	1,407,155	576,777	171,510	108,512
Federal Stimulus	-	907,566	2,601,970	2,550,138
Loss on disposition of Capital Assets	778	-	-	-
Miscellaneous	5,707,678	1,422,965	2,566,822	3,314,562
<b>Total Revenues</b>	<u>68,192,222</u>	<u>67,381,513</u>	<u>64,757,225</u>	<u>68,412,394</u>
 <b>Expenses:</b>				
Instruction	16,977,374	15,083,185	16,371,149	17,569,453
Support Services	37,284,143	40,395,972	37,705,025	37,152,822
Enterprise and Community Services	2,315,736	2,651,994	2,782,432	3,524,849
Facilities Repairs and Maintenance	-	-	489,409	2,685
Apportionment of Funds	9,492,872	10,218,146	9,297,814	8,916,168
Unallocated Depreciation	-	267,711	273,357	286,200
Interest on Long-Term Debt	1,956,306	1,936,735	1,922,468	1,903,338
<b>Total Expenses</b>	<u>68,026,431</u>	<u>70,553,743</u>	<u>68,841,654</u>	<u>69,355,515</u>
 <b>CHANGE IN NET POSITION</b>	165,791	(3,172,230)	(4,084,429)	(943,121)
<b>NET POSITION, beginning of year</b>	27,440,212 *	27,606,003	24,433,773	20,349,344
<b>NET POSITION, end of year</b>	<u>\$ 27,606,003</u>	<u>\$ 24,433,773</u>	<u>\$ 20,349,344</u>	<u>\$ 19,406,223</u>

\* Restated

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

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 10,268,887	\$ 10,776,757	\$ 9,683,179	\$ 9,503,702	\$ 8,894,336	\$ 9,181,813
20,066,049	24,018,999	9,930,046	11,292,867	11,174,844	10,837,110
25,980,967	26,195,536	27,098,503	28,507,647	29,800,797	30,967,342
4,657,196	5,315,956	6,850,158	6,307,067	8,594,610	8,028,445
100,886	79,693	79,432	81,783	82,524	140,582
895,484	299,974	6,500	-	-	-
-	-	-	-	-	-
3,055,618	3,079,530	2,774,348	3,345,660	923,217	407,205
65,025,087	69,766,445	56,422,166	59,038,726	59,470,328	59,562,497
19,126,964	17,718,338	12,030,218	9,280,858	14,303,404	15,463,643
35,744,950	35,535,887	26,226,125	20,364,171	28,690,506	27,070,464
3,086,517	3,624,992	5,241,283	6,121,464	5,074,232	3,031,475
45,672	110,488	235,065	-	-	-
10,065,731	13,555,146	13,321,333	13,288,421	14,322,082	14,429,052
293,828	294,277	282,651	322,716	268,615	265,352
1,877,434	1,842,632	1,802,360	1,750,994	1,692,997	1,624,520
70,241,096	72,681,760	59,139,035	51,128,624	64,351,836	61,884,506
(5,216,009)	(2,915,315)	(2,716,869)	7,910,102	(4,881,508)	(2,322,009)
19,406,223	14,190,214	11,274,899	(24,141,104) *	(16,231,002)	(21,112,510)
\$ 14,190,214	\$ 11,274,899	\$ 8,558,030	\$ (16,231,002)	\$ (21,112,510)	\$ (23,434,519)

Note:

The beginning net position for 2014-15 fiscal year reflects the change in the District's proportionate share of the PERS net pension liability as of June 30, 2014.

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

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Revenues</b>				
Property Taxes	\$ 22,879,494	\$ 23,219,411	\$ 24,511,191	\$ 25,097,989
State School Fund	10,695,867	8,298,709	8,033,770	4,222,969
Local Sources	10,066,970	10,670,438	5,767,805	9,366,606
State Sources	14,072,950	12,591,487	12,676,732	14,543,993
School Improvement Fund	-	965,201	-	-
Federal Sources	5,818,759	7,627,019	9,568,636	9,973,707
Investment Earnings	1,407,154	576,777	171,510	108,512
Sales of Goods & Services	3,436,068	1,884,560	1,435,170	1,472,190
SB1149 Proceeds	1,558,547	-	-	-
Other Revenues	2,033,310	2,940,078	527,323	3,401,405
Overhead Revenues	381,504	8,520,656	2,070,415	2,205,840
<b>Total Revenues</b>	<b>72,350,623</b>	<b>77,294,336</b>	<b>64,762,552</b>	<b>70,393,211</b>
<b>Expenditures</b>				
Instruction	16,882,596	16,400,599	16,126,163	18,207,142
Support Services	40,572,157	48,105,823	36,733,405	36,388,922
Enterprise & Community Services	2,294,594	2,812,317	2,766,457	3,547,993
Facilities Repairs and Maintenance	25,237	-	489,409	145,903
Debt Service				
Principal	390,000	440,000	550,000	675,000
Interest & fiscal charges	1,948,711	1,936,735	1,923,268	1,903,338
Apportionment of Funds	9,492,872	10,218,146	9,297,814	8,916,168
<b>Total Expenditures</b>	<b>71,606,167</b>	<b>79,913,620</b>	<b>67,886,516</b>	<b>69,784,466</b>
<b>Excess of Revenues Over Expenditures</b>	<b>10,237,359</b>	<b>7,598,876</b>	<b>(3,123,964)</b>	<b>9,524,913</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,370,000	10,242,125	4,358,687	5,036,526
Transfers Out	(1,371,500)	(10,242,125)	(4,358,687)	(5,036,526)
Capital Leases	-	307,952	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,500)</b>	<b>307,952</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>742,987</b>	<b>(2,311,317)</b>	<b>(3,123,964)</b>	<b>608,745</b>
<b>Beginning Fund Balances</b>	<b>30,129,223 *</b>	<b>26,355,028 *</b>	<b>24,043,711</b>	<b>20,919,747</b>
<b>Ending Fund Balances</b>	<b>\$ 30,872,211</b>	<b>\$ 24,043,711</b>	<b>\$ 20,919,747</b>	<b>\$ 21,528,492</b>
<i>* Restated</i>				
Debt service as a percentage of noncapital expenditures	3.31%	3.01%	3.67%	3.70%

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

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 25,504,874	\$ 26,181,577	\$ 27,001,138	\$ 28,425,261	\$ 29,673,252	\$ 30,858,755
4,657,196	5,315,956	6,850,158	6,307,067	8,594,610	8,028,445
7,566,113	8,315,530	8,338,421	8,399,582	7,235,200	8,050,999
15,750,967	19,079,846	7,553,606	8,824,079	8,864,457	8,886,988
-	-	-	-	-	-
6,138,984	6,699,687	2,079,394	2,846,792	2,335,938	2,090,988
100,886	79,693	79,432	81,783	82,524	140,582
1,221,129	22,903	7,025	8,700	6,149	1,116
-	-	-	-	-	-
3,608,845	3,423,410	4,427,242	4,546,300	4,974,520	4,936,066
2,101,237	2,557,141	1,087,745	993,228	1,152,251	897,565
66,650,231	71,675,743	57,424,161	60,432,792	62,918,901	63,891,504
20,028,735	18,670,959	12,397,171	12,636,274	13,587,713	16,546,796
35,109,951	35,341,092	24,996,696	26,485,320	26,571,402	28,149,481
3,151,329	3,690,706	5,313,875	6,597,046	5,365,144	3,216,487
85,759	110,488	235,065	-	36,782	-
815,000	965,000	1,125,000	1,300,000	1,485,000	1,670,000
1,877,434	1,842,632	1,802,360	1,750,994	1,692,997	1,624,520
10,065,731	13,555,146	13,321,333	13,288,421	14,322,082	14,429,052
71,133,939	74,176,023	59,191,500	62,058,055	63,061,120	65,636,336
(4,483,708)	(2,500,280)	(1,767,339)	(1,625,263)	(142,219)	(1,744,832)
4,375,229	5,194,204	4,782,716	4,433,821	4,801,312	4,975,845
(4,375,229)	(5,194,204)	(4,782,716)	(4,433,821)	(4,801,312)	(4,975,845)
-	-	-	-	-	-
-	-	-	-	-	-
(4,483,708)	(2,500,280)	(1,767,339)	(1,625,263)	(142,219)	(1,744,832)
21,528,492	17,044,784	14,544,504	12,777,165	11,151,902	11,009,683
\$ 17,044,784	\$ 14,544,504	\$ 12,777,165	\$ 11,151,902	\$ 11,009,683	\$ 9,264,851
3.79%	3.79%	4.95%	4.93%	5.05%	5.04%

**Multnomah Education Service District**  
**Fund Balances of Governmental Funds**  
**Last 7 Years<sup>1</sup>**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>General Fund</b>					
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	<u>5,690,736</u>	<u>3,403,712</u>	<u>3,127,231</u>	<u>3,295,146</u>	<u>2,495,530</u>
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>
<b>Special Revenue Funds</b>					
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	<u>511,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>
<b>All other governmental funds</b>					
Restricted	\$ 3,028	\$ 11	\$ 20	\$ 35,521	\$ 5,990
Assigned	<u>1,202,725</u>	<u>1,931,704</u>	<u>1,799,934</u> *	<u>-</u>	<u>-</u>
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>
	<u>2016</u>	<u>2017</u>			
<b>General Fund</b>					
Nonspendable	\$ 1,062	\$ 1,062			
Committed	1,645,219	1,575,471			
Unassigned	<u>3,049,638</u>	<u>3,076,539</u>			
Total general fund	<u>\$ 4,695,919</u>	<u>\$ 4,653,072</u>			
<b>Special Revenue Funds</b>					
Restricted	\$ 3,417,852	\$ 3,200,288			
Assigned	<u>2,887,293</u>	<u>1,330,219</u>			
Total special revenue funds	<u>\$ 6,305,145</u>	<u>\$ 4,530,507</u>			
<b>All other governmental funds</b>					
Restricted	\$ 8,619	\$ 81,272			
Total all other governmental funds	<u>\$ 8,619</u>	<u>\$ 81,272</u>			

\*Beginning FY2014, Facilities & Equipment Reserve Fund classified with General Fund

<sup>1</sup> 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)				Less: Urban Renewal Excess	Total Net Assessed Value	Total Direct Tax Rate	Taxes Imposed (Net Levy)
	Real Property	Personal Property	Manufactured Structures	Public Utility				
2008	\$ 49,940,771	\$ 2,481,730	\$ 177,495	\$ 2,538,071	\$ 3,631,632	\$ 51,535,520	0.4576	\$ 23,334
2009	52,500,741	2,541,965	179,815	2,593,085	4,144,209	53,706,020	0.4576	24,340
2010	54,717,026	2,491,331	194,671	2,785,933	4,751,822	55,472,801	0.4576	25,157
2011	56,411,274	2,538,168	178,194	2,819,071	5,039,772	56,938,716	0.4576	25,799
2012	58,201,602	2,270,495	173,117	2,902,392	5,151,161	58,427,786	0.4576	26,334
2013	59,740,638	2,282,583	91,700	2,858,576	5,323,183	59,682,594	0.4576	26,794
2014	61,787,971	2,311,740	90,338	2,990,200	5,552,060	61,661,438	0.4576	27,716
2015	64,489,837	2,399,479	94,908	3,294,513	5,690,908	64,619,536	0.4576	29,229
2016	67,307,111	2,499,958	118,063	3,405,335	6,080,697	67,284,710	0.4576	30,509
2017	70,174,063	2,627,602	128,002	3,802,234	6,804,942	69,962,854	0.4576	31,763

Notes:

- 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**

<b>District</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
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 Property Tax Rates Extended (Operations)</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	1.1800	1.1800	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	0.1000	0.1000	0.0877	0.0715
West Multnomah SWCD	0.0750	0.0750	0.0750	0.0750	0.0750	0.0732	0.0469	0.0391	0.0369	0.0378
Average Rate	0.3043	0.3043	0.3043	0.3043	0.0854	0.0850	0.0784	0.0765	0.0728	0.0690
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	1.9300	1.6190	1.3284	1.1482	1.7504	1.9500	1.5055	0.8468	0.4053	0.6502
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	3.4169	3.3651	3.3167	3.2866	3.3870	3.4203	3.3462	3.2364	3.1628	3.2036
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	5.2781
Reynolds SD No. 7	4.4626	4.4626	4.4626	4.4626	4.4626	4.4626	4.4626	4.4626	4.4626	4.4626
Riverdale SD No. 51J	3.8149	3.8149	3.8149	3.8149	3.8149	3.8149	3.8149	3.8149	3.8149	3.8149
Mt. Hood Comm. College	0.4917	0.4917	0.4917	0.4917	0.4917	0.4917	0.4917	0.4917	0.4917	0.4917
Portland Comm. College	0.2828	0.2828	0.2828	0.2828	0.2828	0.2828	0.2828	0.2828	0.2828	0.2828
Average Rate	3.7726	3.7726	3.7726	3.7726	3.7726	3.7726	3.7726	3.7726	3.7726	3.7726
Rural Fire Protection Services										
Multnomah RFPD No. 10	2.8527	2.8527	2.8527	2.7500	2.7500	2.7500	2.7500	2.7500	2.7500	2.7500
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	1.7837	1.7837	1.7495	1.7495	1.7495	1.7495	1.7495	1.7495	1.7495
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	1.0546	1.0893	1.1339	1.2033	1.2380	1.0408	1.0243	1.0558	1.0408	0.8478
Average Rate	1.3801	1.3870	1.3959	1.4098	1.4168	1.3773	1.3740	1.3803	1.3773	1.3387
Total Direct and Average Overlapping Rate	15.4587	15.4138	15.3742	15.3239	15.2122	15.2056	15.1217	15.0162	14.9360	14.9344

\*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 2016-2017				Tax Year 2007-2008			
	Taxable Assessed		Percentage of Total Taxable		Taxable Assessed		Percentage of Total Taxable	
	Value	Rank	Assessed Value		Value	Rank	Assessed Value	
Port of Portland	\$ 554,656,270	1	0.81 %		\$ 338,956,500	2	0.67 %	
Comcast Corporation	456,141,600	2	0.67					
Portland General Electric Co.	414,685,300	3	0.61		344,552,330	1	0.68	
Alaska Airlines, Inc	368,405,400	4	0.54					
PacificCorp (PP&L)	349,359,000	5	0.51		219,067,000	4	0.44	
Weston Investment Co LLC	272,190,380	6	0.40		217,939,660	5		
AT&T, Inc	249,665,000	7	0.37					
CenturyLink	214,614,500	8	0.31					
Southwest Airlines Co	199,287,200	9	0.29					
Evraz Inc NA	197,772,190	10	0.29					
Qwest Wireless					294,758,520	3	0.59	
Boeing Employees (Company)					179,298,050	6	0.36	
Oregon Steel Mills Inc					170,274,330	7	0.34	
Northwest Natural Gas Co					163,401,450	8	0.32	
LC Portland LLC					148,570,890	9	0.30	
Freightliner LLC					131,388,390	10	0.26	
All Other Taxpayers	65,082,410,713		95.21		48,142,569,703		95.61	
Total Assessed Value - Multnomah County Only	<u>\$ 68,359,187,553</u>				<u>\$ 50,350,776,823</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	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount	Percentage of Levy
Multnomah County						
2008	\$ 22,859,897	\$ 22,189,364	97.07 %	\$ 668,243	\$ 22,857,606	99.99 %
2009	23,825,482	22,974,392	96.43	847,821	23,822,213	99.99
2010	24,606,025	23,830,177	96.85	682,476	24,512,653	99.62
2011	25,234,019	24,533,698	97.22	598,772	25,132,470	99.60
2012	25,824,749	25,022,896	96.90	637,890	25,660,786	99.37
2013	26,275,966	25,557,305	97.26	565,511	26,122,816	99.42
2014	27,116,896	26,411,612	97.40	497,063	26,908,675	99.23
2015	28,582,154	27,909,538	97.65	394,441	28,303,979	99.03
2016	29,846,772	29,194,891	97.82	279,992	29,474,883	98.75
2017	31,092,239	30,493,392	98.07	-	30,493,392	98.07
Clackamas County						
2008	\$ 425,219	\$ 410,585	96.56 %	\$ 14,577	\$ 425,162	99.99 %
2009	444,187	425,121	95.71	18,969	444,090	99.98
2010	457,997	440,988	96.29	15,374	456,363	99.64
2011	471,706	456,556	96.79	13,400	469,956	99.63
2012	483,368	467,564	96.73	13,767	481,331	99.58
2013	482,300	468,043	97.04	12,028	480,071	99.54
2014	500,200	487,628	97.49	9,609	497,237	99.41
2015	532,312	519,897	97.67	7,813	527,710	99.14
2016	557,285	545,085	97.81	5,711	550,796	98.84
2017	580,627	569,537	98.09	-	569,537	98.09
Washington County						
2008	\$ 112,437	\$ 109,705	97.57 %	\$ 2,725	\$ 112,430	99.99 %
2009	116,251	112,698	96.94	3,546	116,243	99.99
2010	120,106	116,758	97.21	2,934	119,692	99.66
2011	123,384	120,468	97.64	2,501	122,968	99.66
2012	126,167	123,029	97.51	2,712	125,742	99.66
2013	128,770	126,079	97.91	2,170	128,249	99.60
2014	133,931	131,275	98.02	1,962	133,237	99.48
2015	139,192	136,845	98.31	1,359	138,204	99.29
2016	143,996	141,587	98.33	1,258	142,845	99.20
2017	148,300	145,885	98.37	-	145,885	98.37

Note: Collections include discounts, adjustment, and interest.

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

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

<b>Governmental Activities Debt</b>								
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
2008	\$ 4,085,000	\$ 33,140,000	\$ 307,952	\$ 37,615,000	0.05 %	\$ 69,323,788	\$ 24	1,599,907
2009	3,685,000	33,100,000	270,389	37,055,389	0.06	65,911,449	23	1,626,505
2010	3,275,000	32,960,000	231,179	36,466,179	0.05	67,103,583	22	1,645,884
2011	2,855,000	32,705,000	189,796	35,749,796	0.05	71,716,455	21	1,667,675
2012	2,415,000	32,330,000	146,117	34,891,117	0.05	76,582,583	21	1,690,502
2013	1,960,000	31,820,000	-	33,780,000	0.04	77,777,211	20	1,710,361
2014	1,490,000	31,165,000	-	32,655,000	0.04	83,302,183	19	1,735,657
2015	1,000,000	30,355,000	-	31,355,000	0.04	88,620,009	18	1,766,135
2016	500,000	29,370,000	-	29,870,000	*	*	17	1,779,245
2017	-	28,200,000	-	28,200,000	*	*	*	*

\* 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.
- 3) The District does not hold any general bonded debt; therefore, Ratios of General Bonded Debt are not included in this document.

**Multnomah Education Service District**  
**Direct and Overlapping Debt**  
**As of June 30, 2017**

Overlapping District Name	Outstanding Net Property Tax Backed Debt <sup>1</sup>	Percent Overlapping <sup>2</sup>	Net Overlapping Debt <sup>2</sup>
Burlington Water District	\$ 1,370,776	100.00%	\$ 1,370,776
City of Beaverton	34,567,076	1.75	605,546
City of Fairview	526,335	100.00	526,335
City of Gresham	29,074,875	100.00	29,074,875
City of Happy Valley	3,300,000	1.88	61,915
City of Lake Oswego	9,190,000	5.02	460,878
City of Milwaukee	13,943,244	0.71	98,328
City of Portland	155,468,265	99.67	154,958,795
City of Troutdale	7,813,000	100.00	7,813,000
Clackamas Community College	102,608,913	0.00	3,181
Clackamas County	155,330,136	3.25	5,052,579
Clackamas Cty RFPD 1	26,870,000	0.52	138,918
Clackamas Cty SD 7J (Lake Oswego)	90,618,476	0.01	8,790
Corbett Water District	1,007,624	100.00	1,007,624
Lusted Water District	730,000	100.00	730,000
Metro	183,510,000	52.62	96,556,723
Mt Hood Community College	23,735,000	88.66	20,600,128
Multnomah County	143,743,241	99.52	143,060,173
Multnomah Cty Drainage District 1	50,000	100.00	50,000
Multnomah Cty RFPD 10	3,560,538	100.00	3,560,538
Multnomah Cty SD 10J (Gresham-Barlow)	310,047,960	100.00	310,047,960
Multnomah Cty SD 1J (Portland)	665,077,068	100.00	665,077,068
Multnomah Cty SD 28J (Centennial)	22,251,858	100.00	22,251,858
Multnomah Cty SD 3 (Parkrose)	56,902,143	100.00	56,902,143
Multnomah Cty SD 39 (Corbett)	1,926,944	100.00	1,926,944
Multnomah Cty SD 40 (David Douglas)	85,332,481	100.00	85,332,481
Multnomah Cty SD 51J (Riverdale)	18,249,889	100.00	18,249,889
Multnomah Cty SD 7 (Reynolds)	211,095,539	100.00	211,095,539
Pleasant Home Water District	1,575,000	94.73	1,492,001
Portland Community College	302,090,000	50.57	152,776,882
Tualatin Hills Park & Rec District	82,524,818	1.24	1,023,720
Tualatin Valley Fire & Rescue District	48,820,000	2.01	982,844
Valley View Water District	1,621,692	100.00	1,621,692
Washington County	232,130,277	0.62	1,446,172
Washington Cty Enhanced Patrol Dist.	75,877	0.67	505
Subtotal, overlapping debt	\$ 3,026,739,045		1,995,966,800
Direct District limited tax pension obligation (PERS) <sup>3</sup>			28,200,000
Total direct and overlapping debt			<u>\$ 2,024,166,800</u>

<sup>1</sup> "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.

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

<sup>3</sup> District debt is net of unamortized premiums and discounts.

Source: 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>
<b><u>Multnomah County</u></b>				
2008	712,989	\$ 30,607,278	\$ 42,928	5.5 %
2009	727,721	28,872,339	39,675	11.4
2010	737,320	29,572,964	40,109	9.8
2011	748,145	31,296,864	41,833	8.5
2012	759,181	33,288,008	43,847	7.7
2013	766,589	34,284,408	44,723	7.0
2014	777,880	36,665,814	47,136	6.0
2015	790,294	38,906,295	49,230	5.2
2016	790,670	*	*	4.7
2017	*	*	*	3.6
<b><u>Clackamas County</u></b>				
2008	371,103	\$ 16,310,770	\$ 43,952	5.3 %
2009	374,085	15,485,121	41,395	11.1
2010	376,906	15,759,185	41,812	10.2
2011	379,670	16,659,841	43,880	9.1
2012	383,389	17,811,472	46,458	8.2
2013	388,111	17,863,812	46,028	7.3
2014	394,504	18,724,587	47,464	6.3
2015	401,515	19,901,153	49,565	5.5
2016	404,980	*	*	5.0
2017	*	*	*	3.8
<b><u>Washington County</u></b>				
2008	515,815	\$ 22,405,740	\$ 43,438	5.0 %
2009	524,699	21,553,989	41,079	10.3
2010	531,658	21,771,434	40,950	9.0
2011	539,860	23,759,750	44,011	7.9
2012	547,932	25,483,103	46,508	7.3
2013	555,661	25,628,991	46,123	6.6
2014	563,273	27,911,782	49,553	5.8
2015	574,326	29,812,561	51,909	5.0
2016	583,595	*	*	4.7
2017	*	*	*	3.5

\* Data unavailable at time of print.

Sources:

2008-2015 population: U.S. Bureau of Economic Analysis report CA1-3 (last updated November 17, 2016) [www.bea.gov](http://www.bea.gov)

2016 population: Portland State University, Population and Research Center 2016 Annual Population Report - Table 4

Income: U.S. Bureau of Economic Analysis report CA1-3 (last updated November 17, 2016) [www.bea.gov](http://www.bea.gov)

Unemployment rates: Oregon Employment Department ([qualityinfo.org](http://qualityinfo.org)) as of August 25, 2017

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

Top Ten Principal Employers	2017			2008		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Intel Corporation	19,300	1	1.6 %	15,500	1	1.5 %
Providence Health System	17,543	2	1.5	12,000	4	1.1
Oregon Health and Science University	16,200	3	1.4	12,600	3	1.2
Legacy Health System	12,955	4	1.1	8,251	6	0.8
Nike, Inc.	12,000	5	1.0	7,000	7	0.7
Fred Meyer Stores	10,637	6	0.9	14,684	2	1.4
City of Portland	7,043	7	0.6	5,587	10	0.5
Portland Public Schools	6,780	8	0.6			
Multnomah County	6,266	9	0.5	5,640	9	
Beaverton School District	5,207	10	0.4			
Kaiser Foundation Health Plan				9,000	5	0.9
Wells Fargo & Co				5,969	8	0.6
All other employers	1,069,869		90.4	954,369		90.8
Total Employment - PMSA*	<u>1,183,800</u>			<u>1,050,600</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) Published July 2017 and December 2008

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>
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
2016	142	209	30	381
2017	142	280	35	457

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
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
2016	11,101,359	11,473,649	9,274,226	21,736,597	53,585,831
2017	13,121,384	13,667,158	9,036,276	20,454,109	56,278,927

\* Includes payments to Districts as transit.



**Multnomah Education Service District**  
**Schools, Sites, and Offices**

<b>Building Name</b>	<b>Square Footage</b>	<b>Owned or Leased</b>	<b>Programs/Services Offered</b>
<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.
Burlingame Creek School 876 NE 8th St, Gresham, OR 97030	18,000	Owned	Houses classrooms for high school age students with social/emotional disabilities.
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 & Riverside High Schools 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

THIS PAGE INTENTIONALLY LEFT BLANK

## **SINGLE AUDIT SECTION**

**mesd**



**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

4800 Meadows Road  
Suite 200  
Lake Oswego, OR 97035

P 503.274.2849  
F 503.274.2853

[www.tkw.com](http://www.tkw.com)

**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, 2017, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2017.

**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.



RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit [rsmus.com/about](http://rsmus.com/about) us for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.

**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, Kowola & Warwick LLP*

Lake Oswego, Oregon  
November 21, 2017





ACHIEVE MORE

**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

4800 Meadows Road  
Suite 200  
Lake Oswego, OR 97035

P 503.274.2849  
F 503.274.2853

[www.tkw.com](http://www.tkw.com)

**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 THE  
UNIFORM GUIDANCE**

**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 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, 2017. 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 federal statutes, regulations and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.



RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit [rsmus.com/about](http://rsmus.com/about) us for more information regarding RSM US LLP and RSM International. The RSM logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.

**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 THE UNIFORM GUIDANCE  
(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, 2017.

**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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness.

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



**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 THE UNIFORM GUIDANCE  
(Continued)**

**INDEPENDENT AUDITOR'S REPORT (Continued)**

**REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE  
UNIFORM GUIDANCE**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 21, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic financial statements. The 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 Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Talbot, Kowola & Warwick LLP*

Lake Oswego, Oregon  
November 21, 2017

**Multnomah Education Service District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

<b>FEDERAL GRANTOR</b>	<b>Federal CFDA Number</b>	<b>Grantor or Pass-Thru Number</b>	<b>Grant Period</b>	<b>Grant Award</b>	<b>Fiscal Year Expenditures</b>
<b>Federal Program/cluster and Program Title</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
<b>US DEPARTMENT OF AGRICULTURE</b>					
<i>Passed through Oregon Department of Education</i>					
<b>Child Nutrition Cluster</b>					
National School Breakfast Program	10.553	NA	07/01/16 - 06/30/17	\$ -	\$ 53,347
National School Lunch Program	10.555	NA	07/01/16 - 06/30/17	-	111,495
Cluster Total				-	164,842
<b>US DEPARTMENT OF AGRICULTURE TOTAL</b>				<b>-</b>	<b>164,842</b>
<b>US DEPARTMENT OF EDUCATION</b>					
<b>TRIO Cluster</b>					
TRIO - Talent Search	84.044	P044A120052	09/01/12 - 08/31/17	1,150,000	235,425
Cluster Total				1,150,000	235,425
<i>Passed through Oregon Department of Education</i>					
<b>Migrant Education - State Grant Program (I)</b>					
Migrant Education - State Grant Program	84.011	37720	07/01/15 - 09/30/16	235,985	1,817
		37739	07/01/15 - 09/30/16	15,902	10,938
		40016	04/15/16 - 09/30/16	83,105	67,372
		41221	07/01/16 - 09/30/17	215,630	215,625
		41240	07/01/16 - 09/30/17	11,851	4,695
		43683	04/01/17 - 09/30/17	75,299	11,655
Program Total				637,772	312,102
<b>Migrant Education - Coordination Program</b>					
Migrant Education - Coordination Program	84.144	44038	06/01/17 - 09/30/17	1,600	1,600
Program Total				1,600	1,600
<b>Title I Program for Neglected and Delinquent Children</b>					
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	42048	07/01/16 - 06/30/17	3,760	3,760
		42049	07/01/16 - 06/30/17	65,441	65,441
		42099	07/01/16 - 06/30/17	35,601	35,601
Program Total				104,802	104,802
<b>Special Education Cluster (IDEA)</b>					
Special Education - Grants to States (IDEA, Part B)	84.027	38378	10/01/15 - 09/30/16	2,631	2,631
		40895,40897	07/01/16 - 06/30/17	2,350	2,121
		40896	07/01/16 - 06/30/17	1,046	1,046
		41987	07/01/16 - 06/30/17	5,113	5,113
		42040	07/01/16 - 06/30/17	29,885	29,885
		42060	07/01/16 - 06/30/17	13,959	13,959
		42061	07/01/16 - 06/30/17	3,221	3,221
		42076	07/01/16 - 06/30/17	17,901	17,901
		42702	10/01/16 - 09/30/17	2,652	-
		43209	07/01/16 - 06/30/17	2,115	2,090
Cluster Total				80,873	77,967

**Multnomah Education Service District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017 (continued)**

<b>FEDERAL GRANTOR</b>	<b>Federal CFDA</b>	<b>Grantor or Pass-Thru</b>	<b>Grant Period</b>	<b>Grant Award</b>	<b>Fiscal Year Expenditures</b>
<b>Federal Program/cluster and Program Title</b>	<b>Number</b>	<b>Number</b>			
<b>Vocational Rehabilitation Cluster</b>					
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	10202	07/01/16 - 06/30/17	250,000	191,112
Cluster Total				250,000	191,112
<b>Special Education - State Personnel Development</b>					
Special Education - State Personnel Development	84.323	37326	08/01/15 - 07/30/16	6,725	-
		38776	09/01/15 - 08/30/16	96,811	5,392
		43410	01/02/17 - 08/31/17	3,428	3,428
Program Total				106,964	8,820
<i>Passed through ODE via Linn Benton Community College</i>					
<b>Career and Technical Education</b>					
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	LBCC	07/01/16 - 06/30/17	8,086	5,268
Program Total				8,086	5,268
<i>Passed through ODE via Portland Community College</i>					
<b>Career and Technical Education</b>					
Career and Technical Education - National Grants	84.051	C02658	07/01/16 - 06/30/19	207,060	43,343
Program Total				207,060	43,343
<i>Passed through ODE via University of Oregon</i>					
<b>Special Education_ Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities</b>					
Project STAY OUT: Strategies Teaching Adolescent Young Offenders with Disabilities to Use Transition Skills	84.326	C01603	07/01/13 - 12/31/17	160,000	36,075
Program Total				160,000	36,075
<b>US DEPARTMENT OF EDUCATION TOTAL</b>				<b>2,707,157</b>	<b>1,016,514</b>
<b>US DEPARTMENT OF JUSTICE</b>					
<i>Passed through Oregon Department of Education</i>					
<b>Juvenile Justice and Delinquency Prevention Allocation to States</b>					
	16.540	41812	09/01/16 - 09/30/16	4,662	4,662
		43131	12/01/16 - 11/30/17	100,000	5,411
Program Total				104,662	10,073
<b>US DEPARTMENT OF JUSTICE TOTAL</b>				<b>104,662</b>	<b>10,073</b>
<b>FEDERAL FINANCIAL ASSISTANCE GRAND TOTAL</b>				<b>\$ 2,811,819</b>	<b>\$ 1,191,429</b>

(1) Indicates a major program

See notes to the schedule of expenditure of federal awards.

**Multnomah Education Service District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

**NOTE I – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net assets of the District.

**NOTE II – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE III – INDIRECT COST RATE**

The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE IV – SUBRECIPIENTS**

The District does not pass-through federal awards to any subrecipients.

**MULTNOMAH EDUCATION SERVICE DISTRICT**

Portland, Oregon

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2017**

**SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

**Financial Statements:**

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	Yes _____	No <u>X</u>
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes _____	No <u>X</u>
Noncompliance material to financial statements noted?	Yes _____	No <u>X</u>

**Federal Awards:**

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

Identification of major programs:

<b>CFDA NUMBER</b>	<b>NAME OF PROGRAM OR CLUSTER</b>
84.011	Migrant Education – State Grant Program

Dollar threshold used to distinguish between type A and type B programs	\$ 750,000	
Auditee qualified as low-risk auditee?	Yes <u>X</u>	No _____

**MULTNOMAH EDUCATION SERVICE DISTRICT**

Portland, Oregon

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**YEAR ENDED JUNE 30, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No financial statement findings for the year ended June 30, 2017.

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No findings or questioned costs for federal awards for the year ended June 30, 2017.

**MULTNOMAH EDUCATION SERVICE DISTRICT**

Portland, Oregon

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDING**

**YEAR ENDED JUNE 30, 2017**

**Finding 2016-001**

**Audit Finding:**

Per the OMB Circular A-133 Subpart C section 300 paragraph (b), the auditee shall "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Per 7 CFR 245.3 (b), "Each participating local educational agency and all participating schools under its jurisdiction must adhere to the eligibility criteria specified in this part. Local educational agencies must include these eligibility criteria in their policy statement as required under § 245.10 and it must be publicly announced in accordance with the provisions of §245.5. Additionally, each State agency, or FNSRO where applicable, must require that local educational agencies accept as income eligible for free meals and free milk, children who are categorically eligible for those benefits based on documentation of eligibility, as specified in § 245.6 (b)."

Controls over review of eligibility determinations were either not implemented or not successful in identifying inaccurate eligibility determinations under the Child Nutrition Cluster.

The District inappropriately requested reimbursements for children who were found to be ineligible for the free or reduced program and requested the incorrect amount for students that were determined to qualify for free meals, but in actuality qualified for reduced meals.

The District does not have procedures and internal controls in place that enforce the review of applications.

**Corrective Action  
Taken:**

Beginning in July 2016, application processing is centralized to the Business Office to ensure consistent review and monitoring. On June 22, 2016, the District entered into a contract with the CLM Group to utilize MealTime mPower Central Management for five of our sites that serve meals to students during the 2016-2017 school year. This will help centralize processes and increase accuracy in eligibility determination, review, and reporting. School staff training was held on August 26, 2016 for the new MealTime software and for discussion and distribution of a new procedural Child Nutrition Program guide.

THIS PAGE INTENTIONALLY LEFT BLANK



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

**mesd**



**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

4800 Meadows Road  
Suite 200  
Lake Oswego, OR 97035

P 503.274.2849  
F 503.274.2853

[www.tkw.com](http://www.tkw.com)

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
OREGON STATE REGULATIONS**

Board of Directors  
Multnomah Education Service District  
Portland, Oregon

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Multnomah Education Service District (the District) as of and for the year ended June 30, 2017, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2017. We conducted our audit 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 and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

**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 the Oregon Administrative Rules 162-10-000 through 162-10-330 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:

- Deposits 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, and 279C).



RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit [rsmus.com/about](http://rsmus.com/about) us for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
OREGON STATE REGULATIONS**

Page 2

**COMPLIANCE (Continued)**

In connection with our testing, nothing came to our attention that caused us to believe that 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 the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

**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.

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 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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

**PURPOSE OF THIS REPORT**

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

*Talbot, Kowola & Warwick LLP*

Lake Oswego, OR  
November 21, 2017