



Comprehensive Annual Financial Report

For the Year Ended June 30, 2019

MULTNOMAH EDUCATION SERVICE DISTRICT

Multnomah County, Oregon

Multnomah Education Service District

Multnomah County, Oregon

Comprehensive Annual Financial Report

For the Year Ended June 30, 2019

Prepared by the Business Services Department

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

Non-Discrimination Notice

Multnomah Education Service District 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.

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INTRODUCTORY SECTION

mesd



October 10, 2019

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, 2019 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, 2019. 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 ♦ Susie Jones ♦ Denyse Peterson ♦ Helen Ying*

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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 2018-19, none of the MESD's local districts chose to opt out.

Component Units and Charter Schools

The District does not have component units or charter schools.

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	13	6,184	Parkrose SD 3	7	3,066
Corbett SD 39	1	1,222	Portland SD 1J	106	48,677
David Douglas SD 40	17	10,009	Reynolds SD 7	20	11,016
Gresham-Barlow SD 10J	24	11,981	Riverdale SD 51J	2	637

Source: ODE Fall Membership Report 2018/19, <http://www.oregon.gov/ode/reports-and-data/students>

Within these districts are 191 schools with nearly 93,000 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 805,000 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.

Age of Buildings

The District owns one administration building and two school buildings. A significant amount of services; for example, school nursing, are provided at our component district's school sites.

Ainsworth Building (b.1989) is the MESD administrative headquarters. Services housed here include Administration, Business Services, Human Resources, Strategic Engagement, and Technology Services. Facilities, Student Services, and Instructional Services supervisory and operational staff are based in the

building. There is one Transitional classroom for students aged 18-21. The main building includes a range of meeting spaces, wellness rooms, employee break rooms, storage areas, and a small cafeteria.

Arata Creek School (b. 2000) is attended by children whose educational performance is adversely affected by serious emotional and behavioral challenges. The 16,000 square foot building contains 6 classrooms, activity room, gym and administrative areas with an enrollment of approximately 60 students ranging from 6th grade to 21 years of age.

Burlingame Creek School (b. 1999) is attended by children whose educational performance is adversely affected by serious emotional and behavioral challenges. The 16,000 square foot building contains 5 classrooms and administrative areas with an enrollment of approximately 35 students ranging from 6th grade to 21 years of age.

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 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 803,000 residents. The cities of Portland and Gresham are the largest incorporated cities in the County.

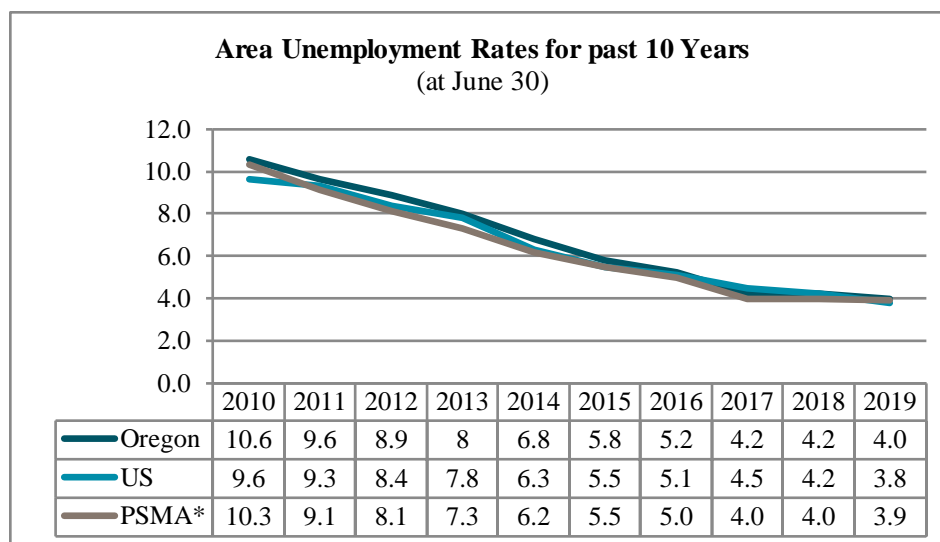
The Portland metropolitan area is the financial, trade, transportation and service center for Oregon, southwest Washington State and the Columbia River basin. Its manufacturing base includes electronics, machinery, transportation equipment, and fabricated metals. Between June 2018 and June 2019, area employment increased by 21,400 jobs, or 1.8 percent.

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

	June 2019	June 2018	Change	Percent
Private				
Mining and logging	1,400	1,300	100	7.7%
Construction	76,600	72,000	4,600	6.4%
Manufacturing	130,900	127,500	3,400	2.7%
Trade, transportation, and utilities	217,800	220,100	(2,300)	-1.0%
Information	25,600	26,000	(400)	-1.5%
Financial activities	73,500	71,900	1,600	2.2%
Professional and business services	189,900	180,400	9,500	5.3%
Education and health services	179,600	182,100	(2,500)	-1.4%
Leisure and hospitality	130,900	125,500	5,400	4.3%
Other services	42,100	41,800	300	0.7%
Government	155,200	153,500	1,700	1.1%
Total Nonfarm Payroll	1,223,500	1,202,100	21,400	1.8%

Source: Oregon Employment Department (qualityinfo.org) as of August 6, 2019

During the past nine years, the area's unemployment rate has made a gradual decrease. As of June 30, 2019 the Portland-Vancouver-Hillsboro MSA unemployment rate was 3.9%, down from 4.0% a year ago. The unemployment rate for the area is about even with the State of Oregon (4.0%) and the national average (3.8). 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 of August 8, 2019

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.

MAJOR INITIATIVES

District Accreditation

In July 2019, the MESD was granted accreditation from the AdvancED Accreditation Commission, the national commission that confers the North Central Association Commission on Accreditation and School Improvement (NCA CASI) accreditation seal. Offering accredited education assists in reducing barriers for students, provides exceptional criterion for feedback, increases transparency to stakeholders and promotes regional leadership for quality education.

Strategic Plan 2019-2021

In August 2019, the MESD launched its second biennial strategic plan evolving from its initial 2017-2019 Strategic Plan that ended in June 2019. The 2019-2021 Strategic Plan will influence budgetary and expenditure decisions for the next biennium. The four goals are:

- Improve outcomes for students
- Become an acknowledged leader and convener for improving educational outcomes
- Increase district, student and community participation and satisfaction with our services
- Attract, develop, and retain high-quality staff

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, 2018. This was the fourth 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.

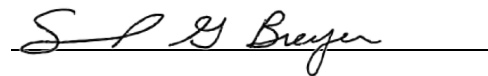
A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2018. This was the fourth 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, 2019**

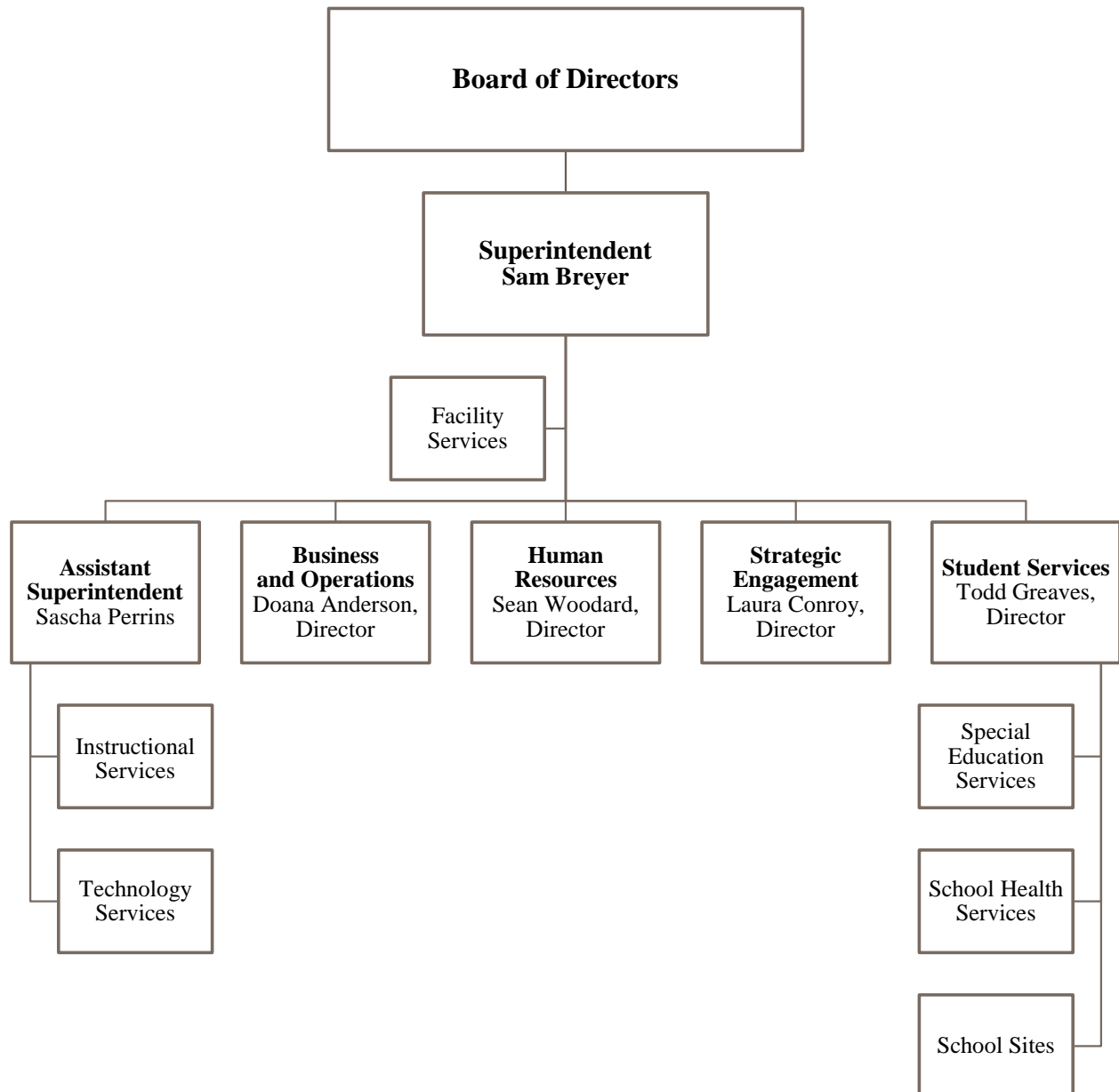
<u>Position</u>	<u>Board Member</u>	<u>Represented Zone</u>	<u>Term Ends</u>
One	Susie Jones, Chair	East Multnomah County	6/30/2021
Two	Helen Ying	At Large	6/30/2021
Three	Mary Botkin, Vice-Chair	Central Portland	6/30/2021
Four	Jessica Arzate	Mid-Multnomah County	6/30/2021
Five	Denyse Peterson	N/NE Portland	6/30/2019
Six	Kristine Cornuelle	At Large	6/30/2019
Seven	Siobhan Burke	SE/SW Portland	6/30/2019

On May 21, 2019 the following Directors were elected for terms beginning July 1, 2019.

<u>Position</u>	<u>Board Member</u>	<u>Represented Zone</u>	<u>Term Ends</u>
Five	Denyse Peterson	N/NE Portland	6/30/2023
Six	Kristine Cornuelle	At Large	6/30/2023
Seven	Katrina Doughty	SE/SW Portland	6/30/2023

ADMINISTRATION**June 30, 2019**

Sam Breyer	Superintendent
Sascha Perrins	Assistant Superintendent
Doana Anderson	Director, Business Services and Operations
Laura Conroy	Director, Strategic Engagement
Todd Greaves	Director, Student Services
Sean Woodard	Director, Human Resource Services

Multnomah Education Service District**ORGANIZATIONAL STRUCTURE****JUNE 30, 2019**



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, 2018

Christopher P. Morill

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, 2018.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, appearing to read 'Tom Wohlleber'.

Tom Wohlleber, CSRM
President

A handwritten signature in black ink, appearing to read 'Siobhán McMahon'.

Siobhán McMahon, CAE
Chief Operating Officer

FINANCIAL SECTION

mesd



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Warwick, LLP

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Multnomah Education Service District
Portland, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Multnomah Education Service District (the District), as of and for the year ended June 30, 2019, 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 those 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.

An independently owned member
RSM US Alliance



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INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Directors
Multnomah Education Service District

AUDITOR'S RESPONSIBILITY (CONTINUED)

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

OPINIONS

In our opinion, the financial statements referred to 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, 2019, 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 Changes in SERHB OPEB Liability and Related Ratios, Schedule of the District's Proportionate Share of the Net OPEB Asset and Liability-PERS OPEB Plan, Schedule of the District's Contributions-PERS OPEB Plan, 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 for the Operating Fund, Resolution Services Fund, and Contracted Services Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information and the Schedule of Expenditures of Federal Awards

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, and the Schedule of Expenditures of Federal Awards

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Directors
Multnomah Education Service District

OTHER MATTERS (CONTINUED)

Other Supplementary Information and the Schedule of Expenditures of Federal Awards (Continued)

(SEFA) as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary Information and SEFA are the responsibility of management and were derived from and relate 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 and the SEFA are 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 19, 2019, 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 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Directors
Multnomah Education Service District

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONTINUED)

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 19, 2019, 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 19, 2019

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, 2019.

Financial Highlights

- In the government-wide statements, the liabilities and deferred inflows of the District exceeded its assets and deferred outflows at June 30, 2018 by \$21 million. Of this amount, \$8 million represents the District's net investment in capital assets, \$8 million is restricted, and the remainder is an unrestricted net deficit of \$38 million.
- The District's ending net position increased by \$2 million.
- The District's governmental funds report combined ending fund balance of \$16 million, an increase of \$3.7 million. Approximately 10 percent of this total amount, \$1.6 million, is assigned to help support future program services provided to school districts and approximately 21 percent, \$3.3 million, is available for the District's operating needs. The remaining amount is either restricted by grants and resolution funding, is committed for future facilities and technology projects, or is nonspendable.

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 temporarily held by the District in a custodial capacity for component districts.

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

Other information. *Required Supplementary Information (RSI)* is located directly after the notes to the basic financial statements and represents the required comparison of the budget and actual results on the

District's budgetary basis for the Operating Fund, the Resolution Services Fund and the Contracted Services Fund. This section also includes schedules disclosing the District's PERS net pension liability and PERS contributions; and, the District's other post-employment benefits obligations (OPEB). This information begins on page 51 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 63 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 \$21 million at the close of the most recent fiscal year.

Multnomah Education Service District's Comparative Statement of Net Position

	June 30, 2019	June 30, 2018	Increase (Decrease)
Assets			
Current and other assets	\$ 21,865,066	\$ 17,527,427	\$ 4,337,639
Net OPEB asset (liability)	242,512	85,210	157,302
Net capital assets	8,345,190	8,196,742	148,448
Total assets	30,452,768	25,809,379	4,643,389
Deferred Outflows			
OPEB contributions after measurement date	112,671	-	112,671
Deferred OPEB differences	507	806	(299)
Pension contributions after measurement date	1,278,227	1,081,917	196,310
Deferred pension differences	9,982,326	5,788,842	4,193,484
Total deferred outflows	11,373,731	6,871,565	4,502,166
Liabilities			
Current liabilities	5,580,697	4,509,877	1,070,820
Non-current liabilities:			
Total OPEB liability	1,694,164	2,341,060	(646,896)
Net pension liability	25,773,904	19,209,501	6,564,403
Debt service due within one year	1,835,000	1,595,000	240,000
Debt service due in more than one year	23,395,000	25,230,000	(1,835,000)
Total liabilities	58,278,765	52,885,438	5,393,327
Deferred Inflows			
Deferred OPEB differences	777,815	39,464	738,351
Deferred pension differences	4,148,348	3,144,106	1,004,242
Total deferred inflows	4,926,163	3,183,570	1,742,593
Net position:			
Invested in capital assets	8,345,190	8,196,742	148,448
Restricted	8,449,159	5,647,345	2,801,814
Unrestricted	(38,172,778)	(37,232,151)	(940,627)
Total net position	\$ (21,378,429)	\$ (23,388,064)	\$ 2,009,635

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.

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 \$38 million is unrestricted.

The increase in current and other assets is from accounts receivable for expanded special education programs and for Oregon Department of Education contracts that are on a reimbursement basis. Increases in deferred outflows, liabilities, and deferred inflows are attributable to changes in the District's proportionate share of the Oregon Public Employees Retirement System (PERS) and Other Post-Employment Benefit (OPEB) liabilities.

Changes in net position. Governmental activities increased the MESD's net position by \$2 million for the fiscal year 2018-2019.

Multnomah Education Service District's Comparative Statement of Activities

	June 30, 2019	June 30, 2018	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	\$ 14,500,205	\$ 11,654,013	\$ 2,846,192
Operating grants & contributions	11,381,028	9,653,440	1,727,588
General revenues			
Property taxes	33,885,897	31,584,011	2,301,886
State School Fund	8,993,013	9,493,746	(500,733)
Earnings on investments	385,778	221,230	164,548
Miscellaneous revenues	450,608	385,042	65,566
Total revenues	69,596,529	62,991,482	6,605,047
Expenses			
Instruction	20,262,351	16,966,332	3,296,019
Support services	32,418,485	28,623,926	3,794,559
Enterprise and community services	1,141,953	971,495	170,458
Facilities repairs and maintenance	1,358	3,908	(2,550)
Apportionment of funds by the ESD	12,016,370	13,540,000	(1,523,630)
Unallocated depreciation	273,591	266,696	6,895
Interest on long-term debt	1,472,786	1,545,024	(72,238)
Total expenses	67,586,894	61,917,381	5,669,513
Change in Net Position	2,009,635	1,074,101	935,534
Net Position - beginning	(23,388,064)	(24,462,165)	1,074,101
Net Position - ending	<u>\$ (21,378,429)</u>	<u>\$ (23,388,064)</u>	<u>\$ 2,009,635</u>

Fluctuations in instruction and support services are primarily from payroll expenses in special programs such as special education, hospitalized student education programs, and youth corrections education 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 2018-19 fiscal year, the fund balance increased by \$787 thousand, or 15%. This is due in part to higher than expected state school fund revenues, interest earnings, and lower than budgeted expenditures for risk aversion activities.

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 2018-19 fiscal year, the fund balance increased by \$2 million. 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 2018-19 fiscal year, the fund balance increased by \$484 thousand. A significant portion of this increase is a result of less than expected costs for the Social & Emotional/Behavioral Health Skills and Functional Living Skills – Alternative Behavior programs. Contributing factors to these costs are actual student enrollment versus classroom capacity, the need for high cost related services specific to individual students, and the use of staffing agencies for hard to fill positions.

Operating Fund Budgetary Highlights

The Operating Fund original budget increased by \$399 thousand due in part to higher than expected investment earnings and state school fund revenues. The majority of this increase (\$371 thousand) was appropriated in contingency. The MESD continues to encourage increased efficiencies and cost-cutting measures to reduce the operating expenses of the District. This, along with the increased revenues mentioned previously, resulted in a \$539 thousand positive change in fund balance.

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, 2019 the District had invested \$8 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. The District has one bond issue, the OSBA Limited Tax Pension Obligations, Series 2004 bonds with a remaining balance of \$25,230,000 at June 30, 2019. 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 58% of its total revenues.

The District's PERS rates are calculated for a biennium. The fiscal year 2018-19 was the second year of the biennium and rates were the same as in prior year. As shown in the following table, PERS rates for the 2015-17 biennium were significantly lower than previous years as a result of PERS reforms at the state level. However, due to the Moro decision to reverse some of those reforms and low investment returns, PERS rates have increased in subsequent bienniums.

Net Employer Contribution PERS Rate			
	PERS	OPSRP	OPSRP
<u>PERS Rate</u>	<u>(Tier I/II)</u>	<u>General</u>	<u>Police & Fire</u>
7-1-19 to 6-30-21	14.56%	9.11%	13.74%
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%
7-1-11 to 6-30-13	11.72%	10.21%	12.92%
7-1-09 to 6-30-11	3.79%	4.31%	7.02%

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, 2019

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 7,757,754
Property Taxes Receivable	1,185,272
Accounts Receivable	12,450,201
Prepaid Items	471,839
Net OPEB Asset	242,512
Capital Assets, Not Depreciated (Land)	1,935,748
Capital Assets, Net of Depreciation	6,409,442
Total Assets	30,452,768
Deferred Outflows of Resources	
OPEB Contributions After Measurement Date	112,671
Deferred OPEB Differences	507
Pension Contributions After Measurement Date	1,278,227
Deferred Pension Differences	9,982,326
Total Deferred Outflows of Resources	11,373,731
Liabilities	
Accounts Payable	1,389,748
Accrued Payroll & Withholdings	4,031,817
Accrued Compensated Absences	159,132
Non-Current Liabilities:	
Debt Service Due Within One Year	1,835,000
Debt Service Due in More Than One Year	23,395,000
Total OPEB Liability	1,694,164
Net Pension Liability	25,773,904
Total Liabilities	58,278,765
Deferred Inflows of Resources	
Deferred OPEB Differences	777,815
Deferred Pension Differences	4,148,348
Total Deferred Inflows of Resources	4,926,163
Net Position	
Invested in Capital Assets	8,345,190
Restricted for	
Net OPEB Asset	242,512
Debt Service	7,413
Local Service Plan Services	7,950,866
Grants & Contributions	248,368
Unrestricted	(38,172,778)
Total Net Position	\$ (21,378,429)

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, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular Programs	\$ 1,283,715	\$ 840,518	\$ 1,667,659	\$ 1,224,462
Special Programs	18,978,636	6,865,083	5,809,004	(6,304,549)
Support Services				
Student Services	18,036,361	5,131,862	1,570,446	(11,334,053)
Instructional Staff Services	396,857	12,359	86,476	(298,022)
General Administration	1,080,174	5,017	6,000	(1,069,157)
School Administration	2,283,753	181,221	1,208,426	(894,106)
Business Services	4,162,139	664,156	103,557	(3,394,426)
Central Activities	6,459,201	617,767	49,410	(5,792,024)
Enterprise and Community Services				
Food Services	1,141,819	182,222	556,830	(402,767)
Community Services	134	-	-	(134)
Facilities Repairs and Maintenance	1,358	-	323,220	321,862
Apportionment of Funds	12,016,370	-	-	(12,016,370)
Unallocated Depreciation*	273,591	-	-	(273,591)
Interest on Long-Term Debt	1,472,786	-	-	(1,472,786)
Total Governmental Activities	\$ 67,586,894	\$ 14,500,205	\$ 11,381,028	(41,705,661)
General Revenues				
Property Taxes, Levied for General Purposes				33,885,897
State School Fund- General Support				8,993,013
Earnings on Investments				385,778
Miscellaneous Revenues				450,608
Total General Revenues				43,715,296
Change in Net Position				2,009,635
Net Position - Beginning				(23,388,064)
Net Position - Ending				\$ (21,378,429)

*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, 2019

	General	Resolution Services	Contracted Services	Non-major Fund Debt Service	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 2,044,525	\$ 5,705,816	\$ -	\$ 7,413	\$ 7,757,754
Property Taxes Receivable	-	1,185,272	-	-	1,185,272
Accounts Receivable	191,153	2,064,619	10,194,429	-	12,450,201
Due from Other Funds	8,200,955	-	-	-	8,200,955
Prepaid Items	286,839	-	185,000	-	471,839
Total Assets	\$ 10,723,472	\$ 8,955,707	\$ 10,379,429	\$ 7,413	\$ 30,066,021
Liabilities					
Accounts Payable	\$ 696,621	\$ 98,106	\$ 595,021	\$ -	\$ 1,389,748
Due to Other Funds	-	-	8,200,955	-	8,200,955
Accrued Payroll & Withholdings	4,031,817	-	-	-	4,031,817
Total Liabilities	4,728,438	98,106	8,795,976	-	13,622,520
Deferred Inflows of Resources					
Unavailable Tax Revenue	-	906,735	-	-	906,735
Total Deferred Inflows of Resources	-	906,735	-	-	906,735
Fund Balances					
Nonspendable					
Prepaid Items	286,839	-	185,000	-	471,839
Restricted					
Local Service Plan Services	-	7,950,866	-	-	7,950,866
Grants & Donations	-	-	248,368	-	248,368
Debt Service	-	-	-	7,413	7,413
Committed					
Risk Aversion	639,755	-	-	-	639,755
Facilities & Equipment	1,343,226	-	-	-	1,343,226
Assigned					
Student Program Services	-	-	1,150,085	-	1,150,085
Next Year Budget Use	450,000	-	-	-	450,000
Unassigned	3,275,214	-	-	-	3,275,214
Total Fund Balances	5,995,034	7,950,866	1,583,453	7,413	15,536,766
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,723,472	\$ 8,955,707	\$ 10,379,429	\$ 7,413	\$ 30,066,021

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, 2019

Total Fund Balances - Governmental Funds	\$ 15,536,766
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Amounts reported for governmental activities in the Statement of Net Position are different because:

OPEB assets are not financial resources and therefore are not reported in the governmental funds.	242,512
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Capital assets are not financial resources and therefore are not reported in the governmental funds.	8,345,190
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Deferred outflows not available to pay for current period expenditures and therefore not reported in the governmental funds:

Deferred outflow of OPEB contributions after measurement date	112,671
Deferred outflow of OPEB changes in proportionate share	507
Deferred outflow of pension contributions after measurement date	1,278,227
Deferred pension differences	9,982,326

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.	906,735
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Liabilities not payable in the current year and deferred inflows not realized in the current year are not reported as governmental fund liabilities.

These liabilities and deferred inflows consist of:

Limited Tax Pension Bonds Payable	(25,230,000)
Net pension liability	(25,773,904)
Deferred inflow of pension investment income differences and differences in proportionate share	(4,148,348)
Total OPEB liability	(1,694,164)
Deferred inflow of OPEB differences	(777,815)
Accrued compensated absences	(159,132)

Net Position	<u><u>\$ (21,378,429)</u></u>
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The notes to the basic financial statements are an integral part of this statement.

Multnomah Education Service District
Statement of Revenue, Expenditures, Other Financing Sources (Uses),
and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	General	Resolution Services	Contracted Services	Non-major Fund Debt Service	Total Governmental Funds
Revenues					
Property Taxes	\$ -	\$ 34,266,248	\$ -	\$ -	\$ 34,266,248
State School Fund	-	8,993,013	-	-	8,993,013
Local Sources	45,511	61,238	13,519,461	-	13,626,210
State Sources	500	1,699,633	7,875,113	-	9,575,246
Federal Sources	-	-	2,011,068	-	2,011,068
Investment Earnings	346,283	-	14	39,481	385,778
Sales of Goods & Services	-	-	1,337	-	1,337
Other Revenues	422,611	239,365	439,947	-	1,101,923
Services to Other Funds	874,909	-	-	2,971,237	3,846,146
Charges for Services	713,313	-	-	-	713,313
Total Revenues	2,403,127	45,259,497	23,846,940	3,010,718	74,520,282
Expenditures					
Current					
Instruction	-	8,149,545	12,977,905	-	21,127,450
Support Services	5,988,010	17,571,765	9,310,226	-	32,870,001
Enterprise & Community Svcs.	-	410,915	741,838	-	1,152,753
Facilities Acquisitions/Constr.	-	-	1,358	-	1,358
Apportionment of Funds	-	12,016,370	-	-	12,016,370
Debt Service					
Principal	-	-	-	1,595,000	1,595,000
Interest	-	-	-	1,472,786	1,472,786
Capital Outlay					
Instruction	-	-	14,245	-	14,245
Support Services	149,900	118,941	-	-	268,841
Facilities Acquisitions/Constr.	9,394	-	321,862	-	331,256
Total Expenditures	6,147,304	38,267,536	23,367,434	3,067,786	70,850,060
Excess of Revenues Over (Under) Expenditures	(3,744,177)	6,991,961	479,506	(57,068)	3,670,222
Other Financing Sources (Uses)					
Transfers In	4,530,926	-	-	-	4,530,926
Transfers Out	-	(4,530,926)	-	-	(4,530,926)
Total Other Financing Sources (Uses)	4,530,926	(4,530,926)	-	-	-
Net Change in Fund Balance	786,749	2,461,035	479,506	(57,068)	3,670,222
Beginning Fund Balances	5,208,285	5,489,831	1,103,947	64,481	11,866,544
Ending Fund Balances	\$ 5,995,034	\$ 7,950,866	\$ 1,583,453	\$ 7,413	\$ 15,536,766

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

Multnomah Education Service District
Reconciliation of the Statement of Revenues, Expenditures, Other Financing Sources (Uses), and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Total Net Changes in Fund Balances – Governmental Funds \$ 3,670,222

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	614,342
Depreciation Expense	(465,894)

The repayment of debt principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position	1,595,000
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Changes in deferred inflows/outflows related to OPEB liability and the net OPEB liability are not recognized in the governmental funds.

Change in OPEB contributions after the measurement date	112,671
Change in net OPEB asset	157,302
Change in total OPEB liability	646,896
Changes in assumptions	(371,016)
Changes in proportionate share	(2,342)
Net difference between projected and actual earnings on investments	(12,821)
Difference between expected and actual experience, and net differences between district contributions and district's proportionate share of system contributions.	(352,471)

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	196,310
Change in net pension liability (asset)	(6,564,403)
Changes in assumptions	2,490,835
Changes in proportionate share	2,863,590
Net difference between projected and actual earnings on investments	(1,342,410)
Difference between expected and actual experience, and net differences between district contributions and district's proportionate share of system contributions.	(822,773)

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	(380,351)
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Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expense when incurred.

(23,052)

Change in Position of Governmental Activities	\$ 2,009,635
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The notes to the basic financial statements are an integral part of this statement.

Multnomah Education Service District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2019

Assets

Cash and Cash Equivalents	\$ 31,967
Accounts Receivable	<u>570,060</u>
Total Assets	<u><u>\$ 602,027</u></u>

Liabilities

Due to Others	<u>\$ 602,027</u>
Total Liabilities	<u><u>\$ 602,027</u></u>

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

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Notes to the Basic Financial Statements

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

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- A. Description of the government-wide financial statements
- B. Reporting entity
- C. Basis of presentation - government-wide financial statements
- D. Basis of presentation - fund financial statements
- E. Measurement focus and basis of accounting
- F. Budgetary information
 - 1. Budget process
 - 2. Budgetary basis of accounting
 - 3. Excess of expenditures over appropriations
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- H. Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance
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 - 5. Long-term obligations
 - 6. Deferred outflows/inflows of resources
 - 7. Pensions
 - 8. Other postemployment benefits (OPEB)
 - 9. Net position flow assumptions
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 - 11. Fund balance policies
- I. Revenues and expenditures/expenses
 - 1. Program revenues
 - 2. Property taxes
 - 3. Grants
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NOTE II - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Violations of legal and contractual provisions

NOTE III - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

- A. Cash deposits 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 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.

Fiduciary Fund - The MESD maintains one agency fund which reports resources held by the District in a temporary custodial capacity for component districts.

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 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, 2019, 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, 2019.

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, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at the acquisition 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 expensed 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 separate 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 three types of items which qualify for reporting in this category. They are the *deferred OPEB differences*, *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 three types of items which qualify for reporting in deferred outflows of resources. The first two types of item are the *deferred pension differences* and *deferred OPEB differences* reported in the Government-wide Statement of Net Position. The third 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. *Other postemployment benefits (OPEB)*

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Subsidized Early Retirement Health Benefits (SERHB) and additions to/deductions from SERHB's fiduciary net position have been determined by actuarial reports.

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

9. *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.

10. 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.

11. 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. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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 2018-2019.

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, 2019 was \$9,509,981 (carrying amount \$5,025,116). 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, 2019, (recorded at fair value) consisted of:

Cash on Hand	\$ 3,317
Demand Deposits	5,025,116
Local Government Investment Pool	2,761,288
	<u>7,789,721</u>
less Fiduciary Fund	(31,967)
Total	<u>\$ 7,757,754</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:

<u>Receivables</u>	<u>General</u>	<u>Resolution Services</u>	<u>Contracted Services</u>	<u>Total</u>
Accounts	\$ 108,554	\$ 1,711	\$ 15,319	\$ 125,584
Contracts	82,599	2,062,908	9,770,328	11,915,835
Grants	-	-	408,782	408,782
Total Receivables	<u>\$ 191,153</u>	<u>\$ 2,064,619</u>	<u>\$10,194,429</u>	<u>\$12,450,201</u>

D. Capital assets

The changes in capital assets for the year ended June 30, 2019 are as follows:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Balance June 30, 2019</u>
Non-depreciable capital assets			
Land	<u>\$ 1,935,748</u>	<u>\$ -</u>	<u>\$ 1,935,748</u>
Depreciable capital assets			
Buildings & improvements	10,768,042	9,725	10,777,767
Site improvements	982,782	413,216	1,395,998
Equipment and furniture	1,331,547	191,401	1,522,948
Vehicles	421,442	-	421,442
	<u>13,503,813</u>	<u>614,342</u>	<u>14,118,155</u>
Less: accumulated depreciation			
Buildings & improvements	5,253,541	292,448	5,545,989
Site improvements	541,327	56,248	597,575
Equipment and furniture	1,109,031	92,388	1,201,419
Vehicles	338,920	24,810	363,730
	<u>7,242,819</u>	<u>465,894</u>	<u>7,708,713</u>
Total depreciable capital assets, net	<u>6,260,994</u>	<u>148,448</u>	<u>6,409,442</u>
Total capital assets, net	<u>\$ 8,196,742</u>	<u>\$ 148,448</u>	<u>\$ 8,345,190</u>

Depreciation expense for the year ended June 30, 2019 was allocated to the functions as follows:

Special programs	\$ 6,684
Student services	35,019
Instructional staff services	396
General administration	1,540
Business services	76,567
Central activities	72,097
Unallocated depreciation	273,591
	<u>\$ 465,894</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 (closed to new members)		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	
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. The District multiplies the employee's PERS eligible salary by the appropriate contribution rate and charges the same fund that incurs the salary expenditure. Typically, this impacts the General Fund, the Resolution Fund, and/or the Contracted Services Fund. 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 47 of this report. Contribution rates for the past five biennial periods are shown on the following table:

Net Employer Contribution PERS Rate			
	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%
7-1-11 to 6-30-13	11.72%	10.21%	12.92%
7-1-09 to 6-30-11	3.79%	4.31%	7.02%

The District's contributions to the plan for the years ending June 30, 2019, 2018, and 2017 were approximately \$1.4 million, \$1.4 million, and \$0.6 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 \$1.5 million, \$1.3 million, and \$1.2 million for the years ended June 30, 2019, 2018 and 2017, respectively.

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

At June 30, 2019, the District reported a liability of \$25,773,904 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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, 2019, the District's proportion was 0.17013957%.

For the year ended June 30, 2019, the District recognized net pension expense of \$4,452,210. At June 30, 2019, 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	\$ 876,751	\$ -
Changes of assumptions	5,992,384	-
Net difference between projected and actual earnings on investments	-	1,144,507
Changes in proportionate share	2,918,898	1,082,483
Differences between employer contributions and proportionate share of system contributions	194,293	1,921,358
Total (prior to post-MD contributions)	9,982,326	4,148,348
Contributions subsequent to the MD	1,278,227	-
Total Deferred Outflow/(Inflow) of Resources	<u>\$ 11,260,553</u>	<u>\$ 4,148,348</u>
Net Deferred Outflow/(Inflow) of Resources		\$ 7,112,205

\$1,278,227 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows/(Inflows) of Resources (prior to post-measurement date contributions)							
For the year ending June 30,	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
2020	\$ 358,846	\$ 1,999,859	\$ 874,895	\$ 736,205	\$ (772,029)	\$ 138,780	\$ (599,947)	\$ 2,736,609
2021	287,013	1,999,860	(8,487)	736,205	(309,908)	55,513	(515,391)	2,244,805
2022	167,825	1,113,060	(1,537,655)	736,205	(546)	-	(454,546)	24,343
2023	58,203	733,004	(473,260)	601,522	-	-	(301,934)	617,535
2024	4,864	146,601	-	108,761	-	-	(49,540)	210,686
Total	\$ 876,751	\$ 5,992,384	\$ (1,144,507)	\$ 2,918,898	\$ (1,082,483)	\$ 194,293	\$ (1,921,358)	\$ 5,833,978

4. Actuarial Methods and Assumptions

Valuation Date	December 31, 2016 rolled forward to June 30, 2018
Experience Study Report	2016, published July 26, 2017
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate (CPI)	2.50%
Long-term expected rate of return	7.20%
Discount rate	7.20%
Projected salary increases	3.50%
Cost of living adjustments	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.

Mortality

Healthy retirees and beneficiaries:

RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.

Active members:

RP-2014 Employees sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.

Disabled retirees:

RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

Actuarial valuations of an ongoing plan involve estimates of 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 2016 Experience Study, which reviewed experience for the four-year period ended on December 31, 2016.

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 July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.20% effective on January 1, 2018. This decision is 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 7.20%. 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 2017 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The 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 %	3.59 %	3.49 %	4.55 %
Short-Term Bonds	8.00	3.42	3.38	2.70
Bank/Leveraged Loans	3.00	5.34	5.09	7.50
High Yield Bonds	1.00	6.90	6.45	10.00
Large/Mid Cap US Equities	15.75	7.45	6.30	16.25
Small Cap US Equities	1.31	8.49	6.69	20.55
Micro Cap US Equities	1.31	9.01	6.80	22.90
Developed Foreign Equities	13.13	8.21	6.71	18.70
Emerging Market Equities	4.13	10.53	7.45	27.35
Non-US Small Cap Equities	1.88	8.67	7.01	19.75
Private Equity	17.50	11.45	7.82	30.00
Real Estate (Property)	10.00	6.15	5.51	12.00
Real Estate (REITS)	2.50	8.26	6.37	21.00
Hedge Fund of Funds - Diversified	2.50	4.36	4.09	7.80
Hedge Fund - Event-driven	0.63	6.21	5.86	8.90
Timber	1.88	6.37	5.62	13.00
Farmland	1.88	6.90	6.15	13.00
Infrastructure	3.75	7.54	6.60	14.65
Commodities	1.88	5.43	3.84	18.95
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 June 7, 2017.				

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 7.20%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$ 43,073,063	\$ 25,773,904	\$ 11,494,864

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

The District participates in two OPEB plans.

*1. Subsidized Early Retirement Health Benefits (SERHB)****Plan Description***

The District does not have a formal post-employment benefits plan for early retirees; however, the District is subject to ORS 243.303, which requires local governments that offer health care insurance coverage to active employees to make available the same coverage to any retired employee who is eligible for PERS benefits and elects to continue coverage for their self and dependents within 60 days after the effective date of retirement. Coverage for retirees and dependents continues until Medicare eligibility for each individual (or until dependent children become ineligible.) The District is not required to pay any of the cost of providing coverage, nor is it allowed to create a separate group for retirees and their dependents in establishing a premium for health care insurance coverage.

The District's SERHB "plan" is not a stand-alone plan and therefore does not issue its own financial statements. For reporting purposes, the SERHB plan is considered a single-employer defined benefit plan. No assets are accumulated in a trust that meets the criteria of paragraph 4 of Statement 75.

Benefits Provided

The District participates in the Oregon Educators Benefit Board (OEBB), a division of the Oregon Health Authority, to provide health care benefits; including, medical, dental & vision plans, and optional coverages (i.e., life and AD&D) to its employees and retirees. Under authority provided by ORS 243.860 to 243.886, OEBB provides a comprehensive selection of benefit plan options for most of Oregon's K-12 school districts, education service districts and community colleges, as well as a number of charter schools and local governments across the state. In OEBB, the individual employer health plans are rated collectively, rather than individually by employer, and the same blended premium rate is charged to all active employees and non-Medicare-eligible retirees.

Employees Covered by Benefit Terms

For the purpose of calculating the total OPEB liability, the July 1, 2018 actuarial valuation includes 580 active participants and 16 inactive participants.

Contributions

Retirees electing to remain on the District-sponsored health plans must pay the entire premium for that coverage in order to maintain coverage. However, while the District does not directly contribute to the cost of the premiums for these retirees, the premium itself does not represent the full cost of covering these retirees. Since they are older than the active population, retirees can be expected to generate higher medical claims and therefore higher premiums for the active population. This additional cost is called the "implicit rate subsidy", and is required to be valued under GASB Statement 75.

The following projections are based on the census data, SERHB provisions, and actuarial assumptions. For purposes of GASB 75 accounting, this implicit rate subsidy is considered to be the District's "benefit payments" for SERHB.

Fiscal Year End June 30	Total	Fiscal Year End June 30	Total
2019	\$ 69,714	2024	\$ 131,068
2020	74,278	2025	130,190
2021	77,845	2026	139,487
2022	94,330	2027	143,065
2023	118,811	2028	122,623

Total OPEB Liability (TOL)

The District's TOL of \$1,694,164 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Methods and Assumptions

The TOL in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age Normal, level percent of salary.
General Inflation	2.5% per year.
Salary Scale	3.5% per year
Discount Rate per Year	4.0% per year, based on all years discounted at municipal bond rate.
Annual Premium Increase	7.0% for 2017-18, decreasing 0.1% per year to an ultimate rate of 5.0% for 2037-38 and later years.
Mortality Rates	Basic table: RP 2014, Employee/Healthy Annuitant, sex distinct, generational Improvement Scale: Unisex Social Security Data Scale (60 year average) Active employee/retiree adjustments: White collar adjustment, set back 12 months Beneficiary adjustments: Blended 50% blue collar/50% white collar, set back 12 months for males, no setback for females.
Demographic Assumptions	Match (as closely as possible) those developed in the most recent experience study for PERS.

Changes in the TOL

	2019
Changes for the Year	
Service Costs	\$ 147,205
Interest	85,869
Differences between expected and actual experience	(387,116)
Changes in assumptions or other input	(423,140)
Benefit payments	(69,714)
Net changes in total OPEB liability	(646,896)
Total OPEB Liability - beginning	2,341,060
Total OPEB Liability - end of year	<u>\$ 1,694,164</u>

Sensitivity of the TOL to changes in the discount rate.

The following presents the TOL of the District, as well as what the TOL would be if it were calculated using a discount rate one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease 3.00%	Discount Rate 4.00%	1% Increase 5.00%
Total OPEB Liability	\$ 1,854,933	\$ 1,694,164	\$ 1,551,593

Sensitivity of the TOL to changes in the healthcare cost trend rates.

The following presents the TOL of the District, as well as what the TOL would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00% graded down to 4.00%) or one percentage point higher (8.00% graded down to 6.00%) than the current healthcare cost trend rates:

	1% Decrease 6.00% Graded Down to 4.00%	Current Trend Rate 7.00% Graded Down to 5.00%	1% Increase 8.00% Graded Down to 6.00%
Total OPEB Liability	\$ 1,484,826	\$ 1,694,164	\$ 1,948,089

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$131,792. At June 30, 2019, The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 338,727
Changes of assumptions or other input	-	370,247
Net Deferred Outflow (Inflow) of Resources		<u><u>\$ (708,974)</u></u>

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

Year ended June 30:	
2020	\$ (101,282)
2021	(101,282)
2022	(101,282)
2023	(101,282)
2024	(101,282)
Thereafter	(202,564)
Total	<u><u>\$ (708,974)</u></u>

2. Retirement Health Insurance Account (RHIA)

Plan Description

Oregon Public Employees Retirement System (PERS) administers a Retirement Health Insurance Account (RHIA) cost-sharing, multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. 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 provision of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired on or after August 29, 2003. 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>.

Employees Covered by Benefit Terms

As of June 30, 2018, the inactive RHIA plan participants receiving benefits totaled 46,033, and there were 56,200 active and 15,215 inactive members who meet the requirements to receive RHIA benefits when they retire.

Contributions

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. The District currently contributes 0.50% for PERS and 0.43% for OPSRP of annual covered payroll. The PERS Board of Trustees sets the employer contribution rates based on an actuarially determined amount and they are combined with the PERS retirement rates.

<u>Employer Contribution RHIA Rate</u>			
	PERS	OPSRP	OPSRP
PERS Rate	(Tier I/II)	General	Police & Fire
7-1-17 to 6-30-19	0.50%	0.43%	0.43%
7-1-15 to 6-30-17	0.53%	0.45%	0.45%
7-1-13 to 6-30-15	0.59%	0.49%	0.49%
7-1-11 to 6-30-13	0.59%	0.50%	0.50%
7-1-09 to 6-30-11	0.29%	0.19%	0.19%

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.

At June 30, 2019, the District reported an asset of \$242,512 for its proportion share of the net OPEB liability (NOL). The NOL was measured as of June 30, 2018, and the total OPEB liability used to calculate the NOL was determined by an actuarial valuation as of December 31, 2016 rolled forward to the measurement date. The District's proportion of the NOL was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.21725176%.

For the year ended June 30, 2019, the District recognized OPEB income of \$23,351. At June 30, 2019, The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 13,744
Changes of assumptions	-	769
Net difference between projected and actual earnings on investments	-	52,285
Changes in proportionate share	507	2,043
Total (prior to post-MD contributions)	507	68,841
Contributions Subsequent to the MD	112,671	
Total Deferred Outflow (Inflow) of Resources	<u>\$ 113,178</u>	<u>\$ 68,841</u>
Net Deferred Outflow (Inflow) of Resources	\$ 44,337	

\$112,671 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an addition to the net OPEB asset in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (22,595)
2021	(22,686)
2022	(17,856)
2023	(5,197)
Total	<u>\$ (68,334)</u>

Actuarial Methods and Assumptions

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 below are based on the 2016 Experience Study, which reviewed experience for the four-year period ended on December 31, 2016.

Valuation date	December 31, 2016
Measurement date	June 30, 2018
Experience Study	2016, published July 26, 2017
Actuarial Assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50%
Long-term expected rate of return	7.20%
Discount Rate	7.20%
Projected salary increases	3.50%
Retiree healthcare participation	Healthy retirees: 38%; Disabled retirees: 20%
Healthcare cost trend rate	None. Statute stipulates \$60 monthly payment for healthcare insurance.
Mortality Rates	Healthy retirees and beneficiaries: RP 2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

Long-term Expected Rate of Return

Oregon Revised Statute (ORS) 293.706 established the Oregon Investment Council (OIC), which consists of five voting members. ORS 293.701 defines the investment funds over which OIC has responsibility. Included are the Oregon Public Employees Retirement Fund (OPERF), which is comprised of the Defined Benefit Pension Plan, the Individual Account Program, and the Other Postemployment Benefit plans, and the Deferred Compensation Fund. For information on OPERF long-term expected rate of returns, see Note III.E. Pension obligations in this report.

Discount Rate

The discount rate used to measure the TOL at June 30, 2018 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the TOL.

Sensitivity of the District's proportionate share of the NOL to changes in the discount rate.

The following presented the District's proportionate share of the NOL, as well as what the District's proportionate share of the NOL would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%) than the current discount rate:

	1% Decrease 6.50%	Discount Rate 7.20%	1% Increase 8.50%
District's proportionate share of system NOL/(A)	\$ (141,202)	\$ (242,512)	\$ (328,747)

OPEB plan fiduciary net position

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

3. Combined Schedules of OPEB Plans

	SERHB	RHIA	Net OPEB
Change in OPEB liability/asset			
Net OPEB expense for measurement period			
Service costs and interest	\$ 233,074	\$ -	\$ 233,074
Differences in experience	(48,389)	-	(48,389)
Changes of assumptions	(52,893)	-	(52,893)
Share of system OPEB expense/(income)	-	(22,762)	(22,762)
Changes in proportionate share	-	(589)	(589)
Total OPEB expense/(income) for measurement period	131,792	(23,351)	108,441
Contributions during measurement period	(69,714)	(104,275)	(173,989)
Net OPEB expense/(income) for measurement period	62,078	(127,626)	(65,548)
Deferred outflows/(inflow) of resources			
Differences in experience	(338,727)	(13,744)	(352,471)
Changes of assumptions	(370,247)	(769)	(371,016)
Changes in investment differences	-	(12,821)	(12,821)
Changes in proportionate share	-	(2,342)	(2,342)
Change in deferred outflow/(inflow)	(708,974)	(29,676)	(738,650)
Total change in OPEB liability/(asset)	(646,896)	(157,302)	
Beginning OPEB liability/(asset)	2,341,060	(85,210)	
Proportion of net OPEB liability/(asset)		\$ (242,512)	
Total OPEB liability	\$ 1,694,164		
Net deferred outflows/(inflow) of resources			
Change in deferred outflow/(inflow)	(708,974)	(29,676)	(738,650)
Beginning deferred outflows/(inflow)	-	(38,658)	(38,658)
Total (prior to post-MD contributions)	(708,974)	(68,334)	(777,308)
Contributions subsequent to the MD	-	112,671	112,671
Net deferred outflows/(inflows) of resources	\$ (708,974)	\$ 44,337	\$ (664,637)

\$112,671 reported for the RHIA plan as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an addition to the net OPEB asset in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	SERHB	RHIA	Net OPEB
2020	\$ (101,282)	\$ (22,595)	\$ (123,877)
2021	(101,282)	(22,686)	(123,968)
2022	(101,282)	(17,856)	(119,138)
2023	(101,282)	(5,197)	(106,479)
2024	(101,282)	-	(101,282)
Thereafter	(202,564)	-	(202,564)
Total	<u>\$ (708,974)</u>	<u>\$ (68,334)</u>	<u>\$ (777,308)</u>

G. Risk management

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

H. Lease obligations

1. Capital lease

The District has no capital lease obligations.

2. Operating lease

The District leases building space at various locations. Total payments in 2018-19 were \$744,729.

The District is negotiating the continuation of a building lease with Reynolds School District for the Four Corners site beginning in July 2019. The school houses additional classrooms and space for Special Education programs as a result of increased enrollment. The table below includes the estimated payments through June 2027.

For the Year Ending June 30,	Facilities
2020	\$ 792,551
2021	781,899
2022	608,301
2023	634,257
2024	477,369
2025-2027	894,920
Total minimum future lease payments	<u>\$ 4,189,297</u>

All leases are cancellable if funding is not available.

I. Commitments

The District renegotiated its service agreement with Pacific Office Automation beginning July 2019 and ending June 2024 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 per image charges. Future minimum commitment equals \$50,523 annually plus printed images paid as a per click charge. The agreement is cancellable if funding is not available.

J. Long-Term liabilities

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 \$25,230,000 at June 30, 2019. For the year ended June 30, 2019, the District's annual debt service for the limited tax pension bonds included \$1,595,000 of principal, and \$1,473,266 of interest. Total debt service payments for the years 2019, 2018 and 2017 were \$3.1 million, \$2.9 million, and \$2.8 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.

The changes in long-term debt, for the year ended June 30, 2019 are as follows:

	OSBA Pension Bonds
Original Amount	<u>\$33,140,000</u>
Balance at June 30, 2018	\$26,825,000
Payments	<u>(1,595,000)</u>
Balance at June 30, 2019	<u>\$25,230,000</u>

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

Beginning July 1,	Ending June 30,	OSBA Pension Bond	Interest
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	2023	2,680,000	1,046,174
2023	2024	3,015,000	898,024
2024	2028	13,230,000	1,720,866
TOTAL		<u>\$25,230,000</u>	<u>\$ 7,519,356</u>

K. Interfund receivables and payables

The District has one interfund balance as of June 30, 2019:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Contracted Services	\$8,200,955

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 District transferred \$4,530,926 from the Resolution Services Fund to the General Fund during the year ended June 30, 2019. The composition is as follows:

- The Resolution Services Fund transferred \$4,325,926 to the General Fund in order to fund the District's indirect and support service functions.
- The Resolution Services Fund transferred \$205,000 to the General Fund to fund capital expenditures.

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 committed 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 committed 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 \$649,922 under agreements entered into by Multnomah County.

Multnomah County Property Exemption Data for Tax Year 2018-2019

Exemption Code	Exemption Type Description	Tax Abatement Estimate
22	Core Area Multi-Unit	\$ 26,209
37	New Housing HBO	44,554
44	Cop Low Income Rental Housing	257,402
45	Enterprise Zone	233,557
46	Cancelled Assessment Enterprise Zone	38,964
49	Vertical Housing Development	1,112
55	Transit Oriented Devel PDX	38,335
59	Food Processor	9,789
Grand Total		\$ 649,922

Source:

<https://multco.us/finance/gasb-77-tax-abate-ments-imple-mentation-infor-mation>**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

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Multnomah Education Service District
Schedule of Revenues, Expenditures, Other Financing Sources (Uses),
and Changes in Fund Balance – Budget and Actual
Operating Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Local Sources	\$ 5,664	\$ 5,664	\$ 5,017	\$ (647)
State Sources	-	-	500	500
Investment Earnings	175,000	275,000	346,283	71,283
Other Revenues	325,140	316,940	379,836	62,896
Charges for Services	761,828	782,000	713,313	(68,687)
Total Revenues	1,267,632	1,379,604	1,444,949	65,345
Expenditures				
Current				
Support Services	5,147,899	5,162,029	4,975,887	186,142
Contingencies	54,303	424,970	-	424,970
Total Expenditures	5,202,202	5,586,999	4,975,887	611,112
Excess of Revenues Over (Under) Expenditures	(3,934,570)	(4,207,395)	(3,530,938)	676,457
Other Financing Sources (Uses)				
Transfers In	4,176,670	4,374,107	4,325,926	(48,181)
Transfers Out	(242,100)	(256,100)	(256,100)	-
Total Other Financing Sources (Uses)	3,934,570	4,118,007	4,069,826	(48,181)
Net Change in Fund Balance	-	(89,388)	538,888	628,276
Beginning Fund Balances	3,100,000	3,189,388	3,189,388	-
Ending Fund Balances	\$ 3,100,000	\$ 3,100,000	\$ 3,728,276	\$ 628,276

Reconciliation to financial statements - General Fund Ending Fund Balance:

Operating Fund	\$ 3,728,276
Risk Management Reserve Fund	923,532
Facilities and Equipment Reserve Fund	1,343,226
Total General Fund Ending Fund Balance	\$ 5,995,034

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, 2019

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 33,534,000	\$ 34,710,000	\$ 34,266,248	\$ (443,752)
State School Fund	8,232,703	9,031,073	8,993,013	(38,060)
Local Sources	17,500	17,500	61,238	43,738
State Sources	40,000	89,000	1,699,633	1,610,633
Other Revenues	245,697	344,486	239,365	(105,121)
Total Revenues	42,069,900	44,192,059	45,259,497	1,067,438
Expenditures				
Current				
Instruction	8,164,962	8,749,571	8,149,545	600,026
Support Services	18,001,029	19,109,115	17,571,765	1,537,350
Enterprise & Community Svcs.	240,038	617,554	410,915	206,639
Apportionment of Funds	12,900,000	12,800,000	12,016,370	783,630
Capital Outlay				
Support Services		118,941	118,941	-
Contingencies	657,201	3,707,602	-	3,707,602
Total Expenditures	39,963,230	45,102,783	38,267,536	6,835,247
Excess of Revenues Over (Under) Expenditures	2,106,670	(910,724)	6,991,961	7,902,685
Other Financing Sources (Uses)				
Transfers Out	(4,306,670)	(4,579,107)	(4,530,926)	48,181
Total Other Financing Sources (Uses)	(4,306,670)	(4,579,107)	(4,530,926)	48,181
Net Change in Fund Balance	(2,200,000)	(5,489,831)	2,461,035	7,950,866
Beginning Fund Balances	2,200,000	5,489,831	5,489,831	-
Ending Fund Balances	\$ -	\$ -	\$ 7,950,866	\$ 7,950,866

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, 2019

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Local Sources	\$ 13,885,506	\$ 15,201,152	\$ 13,519,461	\$ (1,681,691)
State Sources	6,940,506	8,024,454	7,875,113	(149,341)
Federal Sources	1,823,157	1,799,885	2,011,068	211,183
Investment Earnings	-	-	14	14
Sales of Goods & Services	9,122	9,122	1,337	(7,785)
Other Revenues	151,297	199,567	439,947	240,380
Total Revenues	22,809,588	25,234,180	23,846,940	(1,387,240)
Expenditures				
Current				
Instruction	11,915,331	13,727,504	12,977,905	749,599
Support Services	9,490,408	10,017,631	9,310,226	707,405
Enterprise & Community Svcs.	941,706	786,761	741,838	44,923
Facilities Acquisitions/Constr.	294,000	2,201	1,358	843
Capital Outlay				
Instruction	-	14,245	14,245	-
Facilities Acquisitions/Constr.	-	321,862	321,862	-
Contingencies	2,768,143	1,467,923	-	1,467,923
Total Expenditures	25,409,588	26,338,127	23,367,434	2,970,693
Excess of Revenues Over (Under) Expenditures	(2,600,000)	(1,103,947)	479,506	1,583,453
Net Change in Fund Balance	(2,600,000)	(1,103,947)	479,506	1,583,453
Beginning Fund Balances	2,600,000	1,103,947	1,103,947	-
Ending Fund Balances	\$ -	\$ -	\$ 1,583,453	\$ 1,583,453

Multnomah Education Service District
Schedule of Changes in SERHB OPEB Liability and Related Ratios
Last 2 Fiscal Years¹

Subsidized Early Retirement Health Benefits

	<u>2019</u>	<u>2018</u>
Total OPEB Liability - beginning	\$ 2,341,060	\$ 2,297,176
Changes for the Year		
Service Costs	147,205	142,917
Interest	85,869	79,773
Differences between expected and actual experience	(387,116)	-
Changes in assumptions or other input	(423,140)	-
Benefit payments	<u>(69,714)</u>	<u>(178,806)</u>
Net changes in total OPEB liability	(646,896)	43,884
Total OPEB Liability - end of year	<u><u>\$ 1,694,164</u></u>	<u><u>\$ 2,341,060</u></u>
District's covered-employee payroll	\$ 25,383,864	\$ 22,341,720
Total OPEB liability as a percentage of covered payroll	6.67%	10.48%

Notes to Schedule

1. The District does not hold assets in a trust that meets the criteria of GASB Statement 77, paragraph 4, to pay related benefits.

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

Multnomah Education Service District
Schedule of the District's Proportionate Share of the Net OPEB Asset and Liability
Oregon Public Employees Retirement System OPEB Plan
Last 3 Fiscal Years¹

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.21725176%	0.20417249%	0.20010172%
District's proportionate share of the net pension liability (asset)	\$ (242,512)	\$ (85,210)	\$ 54,340
District's covered-employee payroll	\$ 22,341,720	\$ 21,174,389	\$ 19,403,174
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(1.09%)	(0.40%)	0.28%
Plan fiduciary net position as a percentage of the total pension liability	123.99%	108.88%	94.15%

¹ 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 OPEB Plan
Last 3 Fiscal Years¹

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 104,276	\$ 101,648	\$ 89,221
Contribution in relation to the contractually required contribution	(104,276)	(101,648)	(89,221)
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 25,383,864	\$ 22,341,720	\$ 21,174,389
Contributions as a percentage of covered-employee payroll	0.41%	0.45%	0.42%

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

Multnomah Education Service District
Schedule of the District's Proportionate Share of the Net Pension Asset and Liability
Oregon Public Employees Retirement System
Last 5 Fiscal Years¹

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.17013957%	0.14250332%	0.13028804%	0.13043388%	0.32781628%
District's proportionate share of the net pension liability (asset)	\$ 25,773,904	\$ 19,209,501	\$ 19,559,260	\$ 7,488,811	\$ (7,430,660)
District's covered payroll	\$ 22,341,720	\$ 21,174,389	\$ 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 payroll	115.36%	90.72%	100.80%	42.61%	(41.12%)
Plan fiduciary net position as a percentage of the total pension liability	82.07%	83.12%	80.53%	91.88%	103.59%

¹ 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
Last 5 Fiscal Years¹

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,419,903	\$ 1,370,157	\$ 613,059	\$ 609,653	\$ 2,308,486
Contribution in relation to the contractually required contribution	(1,419,903)	(1,370,157)	(613,059)	(609,653)	(2,308,486)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 25,383,864	\$22,341,720	\$21,174,389	\$19,403,174	\$17,575,292
Contributions as a percentage of covered payroll	5.59%	6.13%	2.90%	3.14%	13.13%

¹ 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, 2019

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 shown on pages 66 and 67.

NOTE II - SIGNIFICANT FACTORS AFFECTING PERS AS OF JUNE 30, 2019**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 the 2019 legislative session, the Oregon Legislature and Governor approved Senate Bill 1049. The estimate of the resulting changes are not readily available at this time. Three key features of SB 1049 are:

- Employer Incentive Fund
 - The Employer Incentive Fund (EIF) provides a 25% match (up to the greater of 5% of an employer's UAL or \$300,000) on qualifying employer lump-sum payments made after June 2, 2018. Employers must apply to receive matching funds.
- Work After Retirement – Effective January 1, 2020
 - Senate Bill 1049 simplifies the rules for "Work After Retirement." Starting in 2020, there are no limitations on the number of hours most retirees can work for a PERS-participating employer and still receive their PERS pension benefit.
- Salary Limit – Effective January 1, 2020
 - Beginning January 1, 2020, SB 1049 changes the definition of "salary" for PERS purposes, and creates a new \$195,000* limitation on subject salary used for PERS benefit calculations and contributions. *The limit is indexed annually to the Consumer Price Index (CPI) [All Urban Consumers, West Region].
 - The limit will impact what PERS considers "subject salary" earned after January 1, 2020, but does not impact salary earned before that date. Currently, PERS subject salary is not limited for Tier One members. For Tier Two and OPSRP members, PERS subject salary is currently limited to \$280,000.
 - PERS subject salary is used to determine member Individual Account Program (IAP) contributions, employer contributions to fund the pension program, and the Final Average Salary (FAS) used in calculating retirement benefits under formula methods.

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Other Supplementary Information

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Multnomah Education Service District
Schedule of Revenues, Expenditures, Other Financing Sources (Uses),
and Changes in Fund Balance – Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Investment Earnings	\$ 15,000	\$ 15,000	\$ 39,481	\$ 24,481
Services to Other Funds	3,053,266	2,988,785	2,971,237	(17,548)
Total Revenues	3,068,266	3,003,785	3,010,718	6,933
Expenditures				
Debt Service				
Principal	1,595,000	1,595,000	1,595,000	-
Interest	1,473,266	1,473,266	1,472,786	480
Total Expenditures	3,068,266	3,068,266	3,067,786	480
Excess of Revenues Over (Under) Expenditures	-	(64,481)	(57,068)	7,413
Net Change in Fund Balance	-	(64,481)	(57,068)	7,413
Beginning Fund Balances	-	64,481	64,481	-
Ending Fund Balances	\$ -	\$ -	\$ 7,413	\$ 7,413

Multnomah Education Service District
Combining Balance Sheet
General Fund
June 30, 2019

	Operating	Risk Management Reserve	Facilities & Equipment Reserve	Total
Assets				
Cash and Cash Equivalents	\$ 50,141	\$ 639,755	\$ 1,354,629	\$ 2,044,525
Accounts Receivable	191,153	-	-	191,153
Due from Other Funds	8,200,955	-	-	8,200,955
Prepaid Items	3,062	283,777	-	286,839
Total Assets	\$ 8,445,311	\$ 923,532	\$ 1,354,629	\$10,723,472
Liabilities				
Accounts Payable	\$ 685,218	\$ -	\$ 11,403	\$ 696,621
Accrued Payroll & Withholdings	4,031,817	-	-	4,031,817
Total Liabilities	4,717,035	-	11,403	4,728,438
Fund Balances				
Nonspendable				
Prepaid Items	3,062	283,777	-	286,839
Committed				
Risk Aversion	-	639,755	-	639,755
Facilities & Equipment	-	-	1,343,226	1,343,226
Assigned				
Next Year Budget Use	450,000	-	-	450,000
Unassigned	3,275,214	-	-	3,275,214
Total Fund Balances	3,728,276	923,532	1,343,226	5,995,034
Total Liabilities and Fund Balances	\$ 8,445,311	\$ 923,532	\$ 1,354,629	\$10,723,472

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, 2019

	Operating	Risk Management Reserve	Facilities & Equipment Reserve	Eliminations *	Total
Revenues					
Local Sources	\$ 5,017	\$ -	\$ 40,494	\$ -	\$ 45,511
State Sources	500	-	-	-	500
Investment Earnings	346,283	-	-	-	346,283
Other Revenues	379,836	42,775	-	-	422,611
Services to Other Funds	-	874,909	-	-	874,909
Charges for Services	713,313	-	-	-	713,313
Total Revenues	1,444,949	917,684	40,494	-	2,403,127
Expenditures					
Current					
Support Services	4,975,887	762,460	249,663	-	5,988,010
Capital Outlay					
Support Services	-	-	149,900	-	149,900
Facilities Acquisitions/Constr.	-	-	9,394	-	9,394
Total Expenditures	4,975,887	762,460	408,957	-	6,147,304
Excess of Revenues Over (Under) Expenditures	(3,530,938)	155,224	(368,463)	-	(3,744,177)
Other Financing Sources (Uses)					
Transfers In	4,325,926	-	461,100	(256,100)	4,530,926
Transfers Out	(256,100)	-	-	256,100	-
Total Other Financing Sources (Uses)	4,069,826	-	461,100	-	4,530,926
Net Change in Fund Balance	538,888	155,224	92,637	-	786,749
Beginning Fund Balances	3,189,388	768,308	1,250,589	-	5,208,285
Ending Fund Balances	\$3,728,276	\$ 923,532	\$1,343,226	\$ -	\$ 5,995,034

* Transfers within the General Fund 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, 2019

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Other Revenues	\$ -	\$ 42,558	\$ 42,775	\$ 217
Services to Other Funds	853,536	853,770	874,909	21,139
Total Revenues	853,536	896,328	917,684	21,356
Expenditures				
Current				
Support Services	873,391	888,561	762,460	126,101
Contingencies	95,145	351,075	-	351,075
Total Expenditures	968,536	1,239,636	762,460	477,176
Excess of Revenues Over (Under) Expenditures	(115,000)	(343,308)	155,224	498,532
Net Change in Fund Balance	(115,000)	(343,308)	155,224	498,532
Beginning Fund Balances	540,000	768,308	768,308	-
Ending Fund Balances	\$ 425,000	\$ 425,000	\$ 923,532	\$ 498,532

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, 2019

	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Revenues				
Local Sources	\$ 40,000	\$ 40,000	\$ 40,494	\$ 494
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>40,494</u>	<u>494</u>
Expenditures				
Current				
Support Services	515,800	498,400	249,663	248,737
Facilities Acquisitions/Constr.	5,000	10,606	-	10,606
Capital Outlay				
Support Services	-	149,900	149,900	-
Facilities Acquisitions/Constr.	-	9,394	9,394	-
Contingencies	<u>477,300</u>	<u>583,389</u>	<u>-</u>	<u>583,389</u>
Total Expenditures	<u>998,100</u>	<u>1,251,689</u>	<u>408,957</u>	<u>842,732</u>
Excess of Revenues Over (Under) Expenditures	<u>(958,100)</u>	<u>(1,211,689)</u>	<u>(368,463)</u>	<u>843,226</u>
Other Financing Sources (Uses)				
Transfers In	<u>372,100</u>	<u>461,100</u>	<u>461,100</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>372,100</u>	<u>461,100</u>	<u>461,100</u>	<u>-</u>
Net Change in Fund Balance	<u>(586,000)</u>	<u>(750,589)</u>	<u>92,637</u>	<u>843,226</u>
Beginning Fund Balances	<u>1,086,000</u>	<u>1,250,589</u>	<u>1,250,589</u>	<u>-</u>
Ending Fund Balances	<u><u>\$ 500,000</u></u>	<u><u>\$ 500,000</u></u>	<u><u>\$ 1,343,226</u></u>	<u><u>\$ 843,226</u></u>

Multnomah Education Service District
Statement of Changes in Assets and Liabilities
Fiduciary Fund
For the Year Ended June 30, 2019

	Balance			Balance
	June 30, 2018	Additions	Deletions	June 30, 2019
Assets				
Cash and Cash Equivalents	\$ 35,058	\$ 5,215,183	\$ 5,218,274	\$ 31,967
Accounts Receivable	322,053	569,962	321,955	570,060
Total Assets	\$ 357,111	\$ 5,785,145	\$ 5,540,229	\$ 602,027
Liabilities				
Due to Others	\$ 357,111	\$ 6,528,045	\$ 6,283,129	\$ 602,027
Total Liabilities	\$ 357,111	\$ 6,528,045	\$ 6,283,129	\$ 602,027

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

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SUPPLEMENTAL INFORMATION, 2018-2019

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

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

A. Energy Bill for Heating – All Funds:

Please enter your expenditures for electricity, heating fuel, and water & sewage for these Functions & Objects.

	Objects 325, 326, 327
Function 2540	\$231,571
Function 2550	\$0

B. Replacement of Equipment – General Fund:

Include all General Fund expenditures in object 542, except for the following exclusions:

\$32,287

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, 2019

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

1000 - Local Sources

Property Taxes

1110 - Ad Valorem Taxes	\$ 34,230,064	\$ -	\$ -	\$ 34,230,064
1190 - Penalties & Interest on Taxes	36,184	-	-	36,184

Local Sources

1940 - Services to Local Ed Agencies	66,255	13,519,461	-	13,585,716
1990 - Miscellaneous	40,494	-	-	40,494

Investment Earnings

1500 - Earnings on Investments	346,283	13	39,481	385,777
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Sales of Goods & Services

1600 - Food Service	-	1,337	-	1,337
---------------------	---	-------	---	-------

Other Revenues

1800 - Community Service Activities	5,560	5,600	-	11,160
1920 - Private Contribution/Donations	17,517	40,300	-	57,817
1960 - Recover Prior Yrs Expenditures	2,427	(1,660)	-	767
1980 - Fees Charged to Grants	310,625	-	-	310,625
1990 - Miscellaneous	301,907	286,531	-	588,438

Services to Other Funds

1970 - Services Provided Other Funds	874,909	-	2,971,237	3,846,146
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Overhead Revenues

1980 - Fees Charged to Grants	713,313	-	-	713,313
-------------------------------	---------	---	---	---------

Total 1000 - Local Sources

36,945,538	13,851,582	3,010,718	53,807,838
------------	------------	-----------	------------

2000 - Intermediate Sources

Other Revenues

2200 - Restricted Revenue	-	109,176	-	109,176
---------------------------	---	---------	---	---------

3000 - State Sources

State School Fund

3101 - SSF- General Support	8,993,013	-	-	8,993,013
-----------------------------	-----------	---	---	-----------

State Sources

3102 - SSF - School Lunch Match	(2,653)	2,653	-	-
3299 - Other Restricted Grants Aid	1,702,785	7,872,460	-	9,575,245

Total 3000 - State Sources

10,693,145	7,875,113	-	18,568,258
------------	-----------	---	------------

Multnomah Education Service District
Oregon Department of Education
District Audit Summary – Revenues and Other Resources
For the Year Ended June 30, 2019 (continued)

	100	200	300	
ODE Major Object	General	Special	Debt	
MESD Resource/ODE Resource	Fund	Revenue Funds	Service Funds	Total
4000 - Federal Sources				
Federal Sources				
1990 - Miscellaneous	-	373,615	-	373,615
4300 - Fed Restricted Revenue	-	244,715	-	244,715
4500 - Federal Restric Rev Thru State	-	1,392,738	-	1,392,738
Total 4000 - Federal Sources	-	2,011,068	-	2,011,068
5000 - Other Sources				
Other Revenues				
1910 - Rentals	23,940	-	-	23,940
Transfers In				
From Resolution Services	4,530,926	-	-	4,530,926
From Operating	256,100	-	-	256,100
Fund Equity				
5400 - Beginning Fund Balance	10,698,117	1,103,947	64,481	11,866,545
Total 5000 - Other Sources	15,509,083	1,103,947	64,481	16,677,511
Grand Total	63,147,766	24,950,886	3,075,199	91,173,851

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, 2019

ODE Fund	100	200	300	400	500	600	700	Total
Major Function/ODE Function	Salaries	Employee Benefits	Purchased Services	Supplies & Materials	Capital Outlay	Other Objects	Transfers	
ODE General Fund (Resolution Services, Operating, Risk Management and Facilities & Equipment Reserve Funds)								
Instruction	\$	\$	\$	\$	\$	\$	\$	\$
1111 - Primary, K-3			5,079					5,079
1121 - Middle/Junior High Programs	300,868	56,604	185,265	23,165		5		565,907
1220 - Restrictive Prgrms- Disabilitie	3,959,044	2,023,804	105,563	160,275		1,701		6,250,387
1250 - Less Restrictive Programs	133,540	96,060	341					229,942
1280 - Alternative Education	411,441	189,962	21,572	52,510		4,805		680,290
1292 - Teen Parent Program	39,623	38,228	4,121					81,972
1294 - Youth Correction	212,076	106,121	4,220	13,552				335,969
Instruction Total	5,056,592	2,510,779	326,161	249,502		6,511		8,149,545

Support Services								
2110 - Attendance Services	393,225	232,958	6,272	10,006				642,462
2120 - Guidance Services	2,431	780	102					3,313
2130 - Health Services	5,301,783	2,926,255	64,255	95,805				8,388,098
2140 - Psychological Services	200,038	81,660	5,320	9,113		4,049		300,181
2150 - Speech Pathology & Audiology	346,836	205,523	112,057	9,046		470		673,932
2160 - Other Student Treatment	191,679	99,074	146,849	10,763		40		448,404
2190 - Director Student Services	617,332	323,094	53,799	24,267		8,303		1,026,794
2210 - Improvement of Instruction	176,254	71,514	42,739	10,020		1,492		302,019
2310 - Board of Education			229,701	1,920		30,443		262,064
2320 - Executive Administration	512,653	244,026	43,821	7,143		2,414		810,057
2410 - Office of the Principal	575,085	321,956	19,693	99,928		2,339		1,019,001
2490 - Other Administrative Support	218,011	244,995	120,589	3,141		285		587,022
2510 - Direction of Business	142,962	71,264	5,171	2,625		480		222,502
2520 - Fiscal Services	465,559	235,079	14,982	8,667		13,256		737,543
2540 - Plant Operations & Maintenance	417,828	276,959	730,772	44,142	97,635	7,117		1,574,453
2550 - Student Transportation			6,307	471				6,777
2570 - Internal Services	165,507	86,472	36,052	18,289	22,316	576,302		904,938
2610 - Central Support			5,329	45				5,374

Multnomah Education Service District
Oregon Department of Education
District Audit Summary - Expenditures & Other Uses
For the Year Ended June 30, 2019

ODE Fund Major Function/ODE Function	100 Salaries	200 Employee Benefits	300 Purchased Services	400 Supplies & Materials	500 Capital Outlay	600 Other Objects	700 Transfers	Total
ODE General Fund (Resolution Services, Operating, Risk Management and Facilities & Equipment Reserve Funds)								
2630 - Information Services	199,290	77,224	13,891	6,075	-	5,452	-	301,934
2640 - Staff Services	571,437	379,864	112,667	24,155	-	872	-	1,088,995
2660 - Technology Services	1,771,388	913,655	1,434,243	306,796	95,586	1,085	-	4,522,752
Support Services Total	12,269,296	6,792,353	3,204,611	692,418	215,536	654,401	-	23,828,615
Enterprise & Community Service								
3100 - Food Services	72,494	10,920	101,734	225,328	-	440	-	410,915
Facilities Acq. & Construction								
4150 - Building Acquisition Construct	-	-	-	-	9,394	-	-	9,394
Other Uses								
5300 - ESD Appropriation	-	-	-	-	-	-	12,016,370	12,016,370
Transfers Out								
5200 - Fund Transfer	-	-	-	-	-	-	4,787,026	4,787,026
ODE General Fund Total	17,398,382	9,314,052	3,632,506	1,167,248	224,931	661,351	16,803,396	49,201,866

ODE Special Revenue Fund (Contracted Services Fund)								
Instruction								
1111 - Primary, K-3	41,633	6,064	101,293	4,050	-	2,810	-	155,850
1121 - Middle/Junior High Programs	249,159	46,797	298,951	15,313	-	81	-	610,301
1220 - Restrictive Prgrms- Disabilitie	5,272,709	3,419,645	171,745	142,839	-	270,697	-	9,277,635
1250 - Less Restrictive Programs	55,491	40,245	-	-	-	-	-	95,736
1260 - Treatment & Habilitation	-	-	639	2,432	-	283	-	3,354
1271 - Remediation	10,424	2,325	1,298	35,556	-	-	-	49,604
1280 - Alternative Education	65,525	78,797	2,165	627	1,050	1,076	-	149,241

Multnomah Education Service District
Oregon Department of Education
District Audit Summary - Expenditures & Other Uses
For the Year Ended June 30, 2019 (continued)

	100	200	300	400	500	600	700	Total
ODE Fund								
Major Function/ODE Function	Salaries	Employee Benefits	Purchased Services	Supplies & Materials	Capital Outlay	Other Objects	Transfers	Total
ODE Special Revenue Fund (Contracted Services Fund)								
1292 - Teen Parent Program	16,467	16,218	-	-	-	-	-	32,685
1293 - Migrant Education	289,788	153,256	50,608	15,635	-	46,107	-	555,394
1294 - Youth Correction	1,043,412	510,409	43,617	270,604	13,195	181,136	-	2,062,374
1299 - Other Designated Programs	-	-	(24)	-	-	-	-	(24)
	7,044,608	4,273,757	670,292	487,058	14,245	502,189	-	12,992,150
Support Services								
2110 - Attendance Services	374,596	197,638	256,450	39,665	-	14,401	-	882,751
2120 - Guidance Services	430,303	218,955	107,366	23,576	-	55,810	-	836,010
2130 - Health Services	1,442,988	740,556	319,481	65,477	-	811	-	2,569,313
2140 - Psychological Services	78,412	34,980	2,964	2,146	-	1,345	-	119,847
2150 - Speech Pathology & Audiology	217,895	96,662	88,315	15,285	-	8,893	-	427,049
2160 - Other Student Treatment	42,941	27,598	264,885	33,065	-	3,307	-	371,796
2190 - Director Student Services	437,901	203,428	14,832	6,766	-	29,001	-	691,928
2210 - Improvement of Instruction	13,557	9,792	11,453	-	-	2,320	-	37,122
2230 - Assessment & Testing	720	76	-	-	-	72	-	868
2240 - Instructional Staff Dvlpmnt	31,214	19,707	2,880	463	-	3,242	-	57,506
2320 - Executive Administration	20,720	-	(20,720)	-	-	-	-	-
2410 - Office of the Principal	576,955	334,380	45,415	8,996	-	39,366	-	1,005,111
2490 - Other Administrative Support	571,623	199,802	29,464	10,976	-	922	-	812,787
2540 - Plant Operations & Maintenance	42,296	30,185	617,304	-	-	2,307	-	692,092
2550 - Student Transportation	-	-	64,255	-	-	-	-	64,255
2630 - Information Services	2,285	894	5,576	464	-	830	-	10,048
2640 - Staff Services	600	192	119	252	-	-	-	1,163
2660 - Technology Services	461,787	240,666	(45,665)	7,466	-	66,327	-	730,580
	4,746,794	2,355,511	1,764,373	214,597	-	228,951	-	9,310,226
Enterprise & Community Service								
3100 - Food Services	67,626	11,101	206,014	454,263	-	2,700	-	741,704
3300 - Community Services	-	-	70	64	-	-	-	134
	67,626	11,101	206,084	454,327	-	2,700	-	741,838

**Multnomah Education Service District
Oregon Department of Education
District Audit Summary - Expenditures & Other Uses
For the Year Ended June 30, 2019 (continued)**

		100	200	300	400	500	600	700	
ODE Fund									
Major Function/ODE Function		Salaries	Employee Benefits	Purchased Services	Supplies & Materials	Capital Outlay	Other Objects	Transfers	Total
ODE Special Revenue Fund (Contracted Services Fund)									
Facilities Acq. & Construction									
4150 - Building Acquisition Construct									
		-	-	(14,033)	-	321,862	15,391	-	323,220
ODE Special Revenue Fund Total									
		11,859,028	6,640,368	2,626,717	1,155,982	336,107	749,232	-	23,367,434
Debt Service Fund									
5100 - Debt Service									
		-	-	-	-	-	3,067,786	-	3,067,786
ODE All Funds Total									
		\$ 29,257,410	\$ 15,954,420	\$ 6,259,223	\$ 2,323,230	\$ 561,038	\$ 4,478,369	\$ 16,803,396	\$ 75,637,086

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STATISTICAL SECTION

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

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

<u>Contents</u>	<u>Page</u>
Financial Trends	84
These schedules contain trend information to help the reader understand how the MESD's financial performance and well-being have changed over time	
Revenue Capacity	91
These schedules contain information to help the reader assess the MESD's most significant local revenue source, the property tax.	
Debt Capacity	95
These schedules present information to help the reader assess the affordability of the MESD's current levels of outstanding debt and the MESD's ability to issue additional debt in the future.	
Demographic and Economic Information	97
These schedules offer demographic and economic indicators to help the reader understand the environment within which the MESD's financial activities take place.	
Operating Information	99
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

	2010	2011	2012	2013
Assets				
Cash and Cash Equivalents	\$ 20,699,809	\$ 20,546,394	\$ 17,456,964	\$ 12,253,325
Property Tax Receivable	1,401,273	1,335,975	1,817,881	1,826,573
Accounts Receivable	8,578,790	8,760,115	6,911,998	9,222,522
Inventory	982,728	788,838	58,630	24,600
Prepaid Items	13,580	28,883	57,644	19,944
Prepaid Pension Cost, Net of Amortization	23,941,123	22,532,822	21,124,520	19,716,219
Bond Issuance Costs, Net of Amortization	176,172	165,809	155,446	145,082
Net OPEB Asset	-	-	-	-
Net Pension Asset	-	-	-	-
Capital Assets, Net of Depreciation	11,046,679	10,562,297	10,079,616	9,651,813
Total Assets	66,840,154	64,721,133	57,662,699	52,860,078
Deferred Outflows of Resources				
OPEB Contributions After Measurement Date	-	-	-	-
Deferred OPEB Differences	-	-	-	-
Pension Contributions After Measurement Date	-	-	-	-
Deferred Pension Differences	-	-	-	-
Total Deferred Outflows of Resources	-	-	-	-
Liabilities				
Accounts Payable	5,839,512	5,304,091	3,818,050	2,821,681
Accrued Payroll, Taxes and Withholdings	3,685,714	3,588,748	3,925,315	3,945,178
Accrued Compensated Absences Payables	170,310	144,726	129,957	151,029
Non-Current Liabilities:				
Debt Service Due Within One Year	716,353	858,679	1,011,101	1,125,000
Debt Service Due in More than One Year	35,749,795	34,891,116	33,880,015	32,655,000
Other Post-Employment Benefits	329,126	527,550	708,047	887,291
Net OPEB Liability	-	-	-	-
Total OPEB Liability	-	-	-	-
Net Pension Liability	-	-	-	-
Total Liabilities	46,490,810	45,314,910	43,472,485	41,585,179
Deferred Inflows of Resources				
Deferred OPEB Differences	-	-	-	-
Deferred Pension Differences	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Net position:				
Net Investment in Capital Assets	7,540,531	7,517,473	7,518,499	7,691,813
Restricted	3,162,530	3,664,511	1,410,941	2,102,018
Unrestricted	9,646,283	8,224,239	5,260,774	1,481,068
TOTAL NET POSITION	\$ 20,349,344	\$ 19,406,223	\$ 14,190,214	\$ 11,274,899

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

2014 as restated	2015	2016	2017 as restated	2018	2019
\$ 8,593,537	\$ 11,352,584	\$ 6,336,374	\$ 4,439,028	\$ 7,417,545	\$ 7,757,754
1,903,843	1,991,612	2,086,019	2,211,265	1,609,460	1,185,272
8,653,141	9,042,203	8,556,654	11,303,077	8,497,360	12,450,201
21,597	-	-	-	-	-
34,334	19,944	1,062	1,062	3,062	471,839
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	85,210	242,512
-	7,430,660	-	-	-	-
9,214,678	8,795,898	8,493,062	8,304,254	8,196,742	8,345,190
28,421,130	38,632,901	25,473,171	26,258,686	25,809,379	30,452,768
-	-	-	-	-	112,671
-	-	-	-	806	507
2,337,728	2,308,486	801,756	489,713	1,081,917	1,278,277
-	-	1,014,468	9,154,568	5,788,842	9,982,326
2,337,728	2,308,486	1,816,224	9,644,281	6,871,565	11,373,781
1,294,112	6,278,389	1,319,153	3,576,346	815,287	1,389,748
3,013,825	3,255,290	2,865,051	3,175,770	3,558,510	4,031,817
154,983	141,446	147,778	135,523	136,080	159,132
1,300,000	1,485,000	1,670,000	1,375,000	1,595,000	1,835,000
31,355,000	29,870,000	28,200,000	26,825,000	25,230,000	23,395,000
1,053,097	1,155,845	1,245,062	-	-	-
-	-	-	54,340	-	-
-	-	-	2,297,176	2,341,060	1,694,164
16,728,945	-	7,488,811	19,559,260	19,209,501	25,773,904
54,899,962	42,185,970	42,935,855	56,998,415	52,885,438	58,278,765
-	-	-	-	39,464	777,815
-	14,986,419	5,466,050	3,366,717	3,144,106	4,148,348
-	14,986,419	5,466,050	3,366,717	3,183,570	4,926,163
7,724,678	7,795,898	7,993,062	8,304,254	8,196,742	8,345,190
1,984,374	2,359,871	3,426,471	3,281,560	5,647,345	8,449,159
(33,850,156)	(26,386,771)	(32,532,043)	(36,047,979)	(37,232,151)	(38,172,778)
\$ (24,141,104)	\$ (16,231,002)	\$ (21,112,510)	\$ (24,462,165)	\$ (23,388,064)	\$ (21,378,429)

Multnomah Education Service District
Changes in Net Position
Last 10 Years

	2010	2011	2012	2013
Revenues:				
Program Revenues:				
Charges for Services	\$ 8,092,199	\$ 12,999,332	\$ 10,268,887	\$ 10,776,757
Operating Grants and Contributions	18,785,136	20,140,915	20,066,049	24,018,999
General Revenues:				
Property Taxes	24,505,818	25,075,966	25,980,967	26,195,536
State School Fund - General Support	8,033,770	4,222,969	4,657,196	5,315,956
Earnings on Investments	171,510	108,512	100,886	79,693
Federal Stimulus	2,601,970	2,550,138	895,484	299,974
Miscellaneous	2,566,822	3,314,562	3,055,618	3,079,530
Total Revenues	64,757,225	68,412,394	65,025,087	69,766,445
Expenses:				
Instruction	16,371,149	17,569,453	19,126,964	17,718,338
Support Services	37,705,025	37,152,822	35,744,950	35,535,887
Enterprise and Community Services	2,782,432	3,524,849	3,086,517	3,624,992
Facilities Repairs and Maintenance	489,409	2,685	45,672	110,488
Apportionment of Funds	9,297,814	8,916,168	10,065,731	13,555,146
Unallocated Depreciation	273,357	286,200	293,828	294,277
Interest on Long-Term Debt	1,922,468	1,903,338	1,877,434	1,842,632
Total Expenses	68,841,654	69,355,515	70,241,096	72,681,760
CHANGE IN NET POSITION	(4,084,429)	(943,121)	(5,216,009)	(2,915,315)
NET POSITION, beginning of year	24,433,773	20,349,344	19,406,223	14,190,214
NET POSITION, end of year	\$ 20,349,344	\$ 19,406,223	\$ 14,190,214	\$ 11,274,899

* Restated

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

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 9,683,179	\$ 9,503,702	\$ 8,894,336	\$ 9,181,813	\$ 11,654,013	\$ 14,500,205
9,930,046	11,292,867	11,174,844	10,837,110	9,653,440	11,381,028
27,098,503	28,507,647	29,800,797	30,967,342	31,584,011	33,885,897
6,850,158	6,307,067	8,594,610	8,028,445	9,493,746	8,993,013
79,432	81,783	82,524	140,582	221,230	385,778
6,500	-	-	-	-	-
2,774,348	3,345,660	923,217	407,205	385,042	450,608
<u>56,422,166</u>	<u>59,038,726</u>	<u>59,470,328</u>	<u>59,562,497</u>	<u>62,991,482</u>	<u>69,596,529</u>
12,030,218	9,280,858	14,303,404	15,463,643	16,966,332	20,262,351
26,226,125	20,364,171	28,690,506	27,070,464	28,623,926	32,418,485
5,241,283	6,121,464	5,074,232	3,031,475	971,495	1,141,953
235,065	-	-	-	3,908	1,358
13,321,333	13,288,421	14,322,082	14,429,052	13,540,000	12,016,370
282,651	322,716	268,615	265,352	266,696	273,591
1,802,360	1,750,994	1,692,997	1,624,520	1,545,024	1,472,786
<u>59,139,035</u>	<u>51,128,624</u>	<u>64,351,836</u>	<u>61,884,506</u>	<u>61,917,381</u>	<u>67,586,894</u>
(2,716,869)	7,910,102	(4,881,508)	(2,322,009)	1,074,101	2,009,635
11,274,899	(24,141,104) *	(16,231,002)	(21,112,510)	(24,462,165) *	(23,388,064)
<u>\$ 8,558,030</u>	<u>\$ (16,231,002)</u>	<u>\$ (21,112,510)</u>	<u>\$ (23,434,519)</u>	<u>\$ (23,388,064)</u>	<u>\$ (21,378,429)</u>

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

	2010	2011	2012	2013
Revenues				
Property Taxes	\$ 24,511,191	\$ 25,097,989	\$ 25,504,874	\$ 26,181,577
State School Fund	8,033,770	4,222,969	4,657,196	5,315,956
Local Sources	5,767,805	9,366,606	7,566,113	8,315,530
State Sources	12,676,732	14,543,993	15,750,967	19,079,846
Federal Sources	9,568,636	9,973,707	6,138,984	6,699,687
Investment Earnings	171,510	108,512	100,886	79,693
Sales of Goods & Services	1,435,170	1,472,190	1,221,129	22,903
Other Revenues	527,323	3,401,405	3,608,845	3,423,410
Overhead Revenues	2,070,415	2,205,840	2,101,237	2,557,141
Total Revenues	64,762,552	70,393,211	66,650,231	71,675,743
Expenditures				
Instruction	16,126,163	18,207,142	20,028,735	18,670,959
Support Services	36,733,405	36,388,922	35,109,951	35,341,092
Enterprise & Community Services	2,766,457	3,547,993	3,151,329	3,690,706
Facilities Repairs and Maintenance	489,409	145,903	85,759	110,488
Debt Service				
Principal	550,000	675,000	815,000	965,000
Interest & fiscal charges	1,923,268	1,903,338	1,877,434	1,842,632
Apportionment of Funds	9,297,814	8,916,168	10,065,731	13,555,146
Total Expenditures	67,886,516	69,784,466	71,133,939	74,176,023
Excess of Revenues Over (Under) Expenditures	(3,123,964)	608,745	(4,483,708)	(2,500,280)
Other Financing Sources (Uses)				
Transfers In	4,358,687	5,036,526	4,375,229	5,194,204
Transfers Out	(4,358,687)	(5,036,526)	(4,375,229)	(5,194,204)
Capital Leases	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(3,123,964)	608,745	(4,483,708)	(2,500,280)
Beginning Fund Balances	24,043,711	20,919,747	21,528,492	17,044,784
Ending Fund Balances	\$ 20,919,747	\$ 21,528,492	\$ 17,044,784	\$ 14,544,504
<i>* Restated</i>				
Debt service as a percentage of noncapital expenditures	3.67%	3.70%	3.79%	3.79%

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

2014	2015	2016	2017	2018	2019
\$ 27,001,138	\$ 28,425,261	\$ 29,673,252	\$ 30,858,755	\$ 32,234,389	\$ 34,266,248
6,850,158	6,307,067	8,594,610	8,028,445	9,493,746	8,993,013
8,338,421	8,399,582	7,235,200	8,050,999	10,474,445	13,626,210
7,553,606	8,824,079	8,864,457	8,886,988	7,973,594	9,575,246
2,079,394	2,846,792	2,335,938	2,090,988	2,338,604	2,011,068
79,432	81,783	82,524	140,582	221,230	385,778
7,025	8,700	6,149	1,116	2,085	1,337
4,427,242	4,546,300	4,974,520	4,936,066	4,600,786	4,948,069
1,087,745	993,228	1,152,251	897,565	651,127	713,313
<u>57,424,161</u>	<u>60,432,792</u>	<u>62,918,901</u>	<u>63,891,504</u>	<u>67,990,006</u>	<u>74,520,282</u>
12,397,171	12,636,274	13,587,713	16,546,796	18,053,235	21,141,695
24,996,696	26,485,320	26,571,402	28,149,481	29,765,325	33,138,842
5,313,875	6,597,046	5,365,144	3,216,487	984,888	1,152,753
235,065	-	36,782	-	124,841	332,614
1,125,000	1,300,000	1,485,000	1,670,000	1,375,000	1,595,000
1,802,360	1,750,994	1,692,997	1,624,520	1,545,024	1,472,786
<u>13,321,333</u>	<u>13,288,421</u>	<u>14,322,082</u>	<u>14,429,052</u>	<u>13,540,000</u>	<u>12,016,370</u>
<u>59,191,500</u>	<u>62,058,055</u>	<u>63,061,120</u>	<u>65,636,336</u>	<u>65,388,313</u>	<u>70,850,060</u>
(1,767,339)	(1,625,263)	(142,219)	(1,744,832)	2,601,693	3,670,222
4,782,716	4,433,821	4,801,312	4,975,845	4,675,643	4,530,926
(4,782,716)	(4,433,821)	(4,801,312)	(4,975,845)	(4,675,643)	(4,530,926)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,767,339)	(1,625,263)	(142,219)	(1,744,832)	2,601,693	3,670,222
<u>14,544,504</u>	<u>12,777,165</u>	<u>11,151,902</u>	<u>11,009,683</u>	<u>9,264,851</u>	<u>11,866,544</u>
<u>\$ 12,777,165</u>	<u>\$ 11,151,902</u>	<u>\$ 11,009,683</u>	<u>\$ 9,264,851</u>	<u>\$ 11,866,544</u>	<u>\$ 15,536,766</u>
4.95%	4.93%	5.05%	5.04%	4.49%	4.37%

Multnomah Education Service District
Fund Balances of Governmental Funds
Last 9 Years¹

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund					
Nonspendable	\$ 817,721	\$ 116,274	\$ 44,544	\$ 45,981	\$ 19,944
Committed	573,936	613,018	777,333	2,364,622	2,076,354
Assigned	-	260,487	877,867	767,025	393,277
Unassigned	5,690,736	3,403,712	3,127,231	3,295,146	2,495,530
Total general fund	<u>\$ 7,082,393</u>	<u>\$ 4,393,491</u>	<u>\$4,826,975</u>	<u>\$6,472,774</u>	<u>\$4,985,105</u>
Special Revenue Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	8,221,211	1,294,656	2,057,454	1,892,922	2,333,937
Assigned	4,507,910	9,424,922	5,860,121	4,365,998	3,826,870
Unassigned	511,225	-	-	-	-
Total special revenue funds	<u>\$13,240,346</u>	<u>\$10,719,578</u>	<u>\$7,917,575</u>	<u>\$6,258,920</u>	<u>\$6,160,807</u>
All other governmental funds					
Restricted	\$ 3,028	\$ 11	\$ 20	\$ 35,521	\$ 5,990
Assigned	1,202,725	1,931,704	1,799,934 *	-	-
Total all other governmental funds	<u>\$ 1,205,753</u>	<u>\$ 1,931,715</u>	<u>\$1,799,954</u>	<u>\$ 35,521</u>	<u>\$ 5,990</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	
General Fund					
Nonspendable	\$ 1,062	\$ 1,062	\$ 3,062	\$ 286,839	
Committed	1,645,219	1,575,471	2,018,897	1,982,981	
Assigned	-	-	-	450,000	
Unassigned	3,049,638	3,076,539	3,186,326	3,275,214	
Total general fund	<u>\$ 4,695,919</u>	<u>\$ 4,653,072</u>	<u>\$5,208,285</u>	<u>\$5,995,034</u>	
Special Revenue Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ 185,000	
Restricted	3,417,852	3,200,288	5,582,864	8,199,234	
Assigned	2,887,293	1,330,219	1,010,914	1,150,085	
Unassigned	-	-	-	-	
Total special revenue funds	<u>\$ 6,305,145</u>	<u>\$ 4,530,507</u>	<u>\$6,593,778</u>	<u>\$9,534,319</u>	
All other governmental funds					
Restricted	\$ 8,619	\$ 81,272	\$ 64,481	\$ 7,413	
Assigned	-	-	-	-	
Total all other governmental funds	<u>\$ 8,619</u>	<u>\$ 81,272</u>	<u>\$ 64,481</u>	<u>\$ 7,413</u>	

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

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

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

Fiscal Year Ending June 30,	Assessed Value (not including exempt property)									
	Real Property	Personal Property	Manufactured Structures	Public Utility	Total Assessed Value	Add: Non- Profit Housing	Less: Urban Renewal Excess	Total Net Assessed Value	Total Direct Tax Rate	Taxes Imposed (Net Levy)
2010	\$ 54,717,026	\$ 2,491,331	\$ 194,671	\$ 2,785,933	\$ 60,188,961	\$ 35,662	\$ 4,751,822	\$ 55,472,801	0.4576	\$ 25,157
2011	56,411,274	2,538,168	178,194	2,819,071	61,946,707	31,781	5,039,772	56,938,716	0.4576	25,799
2012	58,201,602	2,270,495	173,117	2,902,392	63,547,607	31,340	5,151,161	58,427,786	0.4576	26,334
2013	59,740,638	2,282,583	91,700	2,858,576	64,973,497	32,280	5,323,183	59,682,594	0.4576	26,794
2014	61,787,971	2,311,740	90,338	2,990,200	67,180,249	33,249	5,552,060	61,661,438	0.4576	27,716
2015	64,489,837	2,399,479	94,908	3,294,513	70,278,737	31,707	5,690,908	64,619,536	0.4576	29,229
2016	67,307,111	2,499,958	118,063	3,405,335	73,330,467	34,940	6,080,697	67,284,710	0.4576	30,509
2017	70,174,063	2,627,602	128,002	3,802,234	76,731,901	35,895	6,804,942	69,962,854	0.4576	31,763
2018	73,737,051	2,743,658	127,723	4,136,946	80,745,378	27,861	7,438,667	73,334,572	0.4576	33,341
2019	75,936,522	3,008,851	133,863	4,485,270	83,564,506	28,700	7,939,556	75,653,650	0.4576	34,402

Notes:

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

Sources:

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

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

District	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
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	1.2000	1.1800	1.1800	1.1800	1.1800	1.1800	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	0.1000	0.1000
West Multnomah SWCD	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750	0.0732	0.0469	0.0391
Average Rate	0.3083	0.3043	0.3043	0.3043	0.3043	0.3043	0.0854	0.0850	0.0784	0.0765
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	1.8159	1.8159	1.9300	1.6190	1.3284	1.1482	1.7504	1.9500	1.5055	0.8468
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	3.3979	3.3979	3.4169	3.3651	3.3167	3.2866	3.3870	3.4203	3.3462	3.2364
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.1C	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	2.8527	2.8527	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	1.7837	1.7837	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	1.6243	1.6243	1.0546	1.0893	1.1339	1.2033	1.2380	1.0408	1.0243	1.0558
Average Rate	1.4940	1.4940	1.3801	1.3870	1.3959	1.4098	1.4168	1.3773	1.3740	1.3803
Total Direct and Average Overlapping Rate	15.5576	15.5536	15.4587	15.4138	15.3742	15.3239	15.2122	15.2056	15.1217	15.0162

Notes:

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 2018-2019			Tax Year 2009-2010		
	Taxable	Rank	Percentage of	Taxable	Rank	Percentage of
	Assessed Value		Total Taxable Assessed Value	Assessed Value		Total Taxable Assessed Value
Port Of Portland	\$ 613,557,560	1	0.83 %	\$ 424,538,210	1	0.78 %
Portland General Electric Co	570,302,790	2	0.77	356,309,550	2	0.66
Alaska Airlines Inc	487,260,400	3	0.66			0.00
Centurylink	399,334,000	4	0.54			0.00
Pacificorp (PP&L)	368,657,000	5	0.50	304,218,000	4	0.56
Weston Investment Co LLC	278,306,670	6	0.38	231,686,630	6	0.43
Comcast Corporation	256,510,200	7	0.35	318,952,100	3	0.59
AT&T, Inc	255,849,500	8	0.35			0.00
Boeing Company	254,645,800	9	0.34	186,428,130	8	0.34
Southwest Airlines Co	232,662,700	10	0.31			0.00
Qwest Corporation				238,409,770	5	0.44
Verizon Communications				189,926,200	7	0.35
Evraz Inc NA				179,207,130	9	0.33
Northwest Natural Gas Co				171,093,600	10	0.32
						0.00
						0.00
All Other Taxpayers	70,189,553,885		94.97	51,596,952,746		95.20
Total Assessed Value - Multnomah County	<u><u>\$ 73,906,640,505</u></u>			<u><u>\$ 54,197,722,066</u></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						
2010	\$ 24,606,025	\$ 23,830,177	96.85 %	\$ 773,217	\$ 24,603,394	99.99 %
2011	25,234,019	24,533,698	97.22	697,694	25,231,392	99.99
2012	25,824,749	25,022,896	96.90	755,940	25,778,836	99.82
2013	26,275,966	25,557,305	97.26	714,333	26,271,638	99.98
2014	27,116,896	26,411,612	97.40	691,824	27,103,436	99.95
2015	28,582,154	27,909,538	97.65	663,259	28,572,797	99.97
2016	29,846,772	29,194,891	97.82	603,943	29,798,834	99.84
2017	31,092,239	30,493,392	98.07	491,290	30,984,682	99.65
2018	31,054,016	30,621,340	98.61	186,845	30,808,185	99.21
2019	33,630,028	33,124,099	98.50	-	33,124,099	98.50
Clackamas County						
2010	\$ 457,997	\$ 440,988	96.29 %	\$ 16,881	\$ 457,869	99.97 %
2011	471,706	456,556	96.79	14,997	471,553	99.97
2012	483,368	467,564	96.73	15,633	483,197	99.96
2013	482,300	468,043	97.04	14,059	482,102	99.96
2014	500,200	487,628	97.49	12,322	499,950	99.95
2015	532,312	519,897	97.67	12,124	532,021	99.95
2016	557,285	545,085	97.81	11,285	556,370	99.84
2017	580,627	569,536	98.09	9,000	578,536	99.64
2018	638,927	626,868	98.11	8,247	635,115	99.40
2019	632,460	623,269	98.55	-	623,269	98.55
Washington County						
2010	\$ 120,106	\$ 116,758	97.21 %	\$ 3,547	\$ 120,305	100.00 %
2011	123,384	120,468	97.64	2,937	123,404	100.00
2012	126,167	123,029	97.51	2,502	125,532	99.50
2013	128,770	126,079	97.91	2,719	128,798	100.00
2014	133,931	131,275	98.02	2,177	133,452	99.64
2015	139,192	136,845	98.31	2,058	138,903	99.79
2016	143,996	141,587	98.33	1,587	143,174	99.43
2017	148,300	145,885	98.37	1,489	147,375	99.38
2018	154,122	152,510	98.95	995	153,505	99.60
2019	154,122	152,515	98.96	-	152,515	98.96

Note: Collections include discounts, adjustment, interest, and estimated reduction in tax collections resulting from Comcast settlement.

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

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

Governmental Activities Debt								
Fiscal Year Ending June 30	2004 G.O. Refunding COP Bonds	Limited Tax Pension Obligations	Capital Lease	Total Outstanding Debt	Percent- age of Personal Income	Personal Income All Counties (thousands)	Per Capita	Population All Counties
2010	\$ 3,275,000	\$ 32,960,000	\$ 231,179	\$ 36,466,179	0.06	\$ 67,672,533	\$ 23	1,645,493
2011	2,855,000	32,705,000	189,796	35,749,796	0.05	72,434,760	21	1,666,518
2012	2,415,000	32,330,000	146,117	34,891,117	0.05	77,449,824	21	1,688,578
2013	1,960,000	31,820,000	-	33,780,000	0.04	78,697,924	20	1,707,353
2014	1,490,000	31,165,000	-	32,655,000	0.04	84,656,320	19	1,732,423
2015	1,000,000	30,355,000	-	31,355,000	0.03	91,484,024	18	1,756,074
2016	500,000	29,370,000	-	29,870,000	0.03	95,602,655	17	1,790,958
2017	-	28,200,000	-	28,200,000	0.03	100,859,785	16	1,809,184
2018	-	26,825,000	-	26,825,000	*	*	15	1,839,005
2019	-	25,230,000	-	25,230,000	*	*	*	*

* 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, 2019

Overlapping District Name	Outstanding Net Property Tax Backed Debt ¹	Percent Overlapping ²	Net Overlapping Debt ²
Burlington Water District	\$ 1,259,797	100.00 %	\$ 1,259,797
City of Beaverton	34,133,680	1.65	554,706
City of Fairview	3,606,607	100.00	3,606,607
City of Gresham	25,449,367	100.00	25,449,367
City of Lake Oswego	55,645,000	5.05	2,809,794
City of Milwaukee	32,387,826	0.81	263,605
City of Portland	300,122,106	99.62	298,973,239
City of Troutdale	10,885,000	100.00	10,885,000
Clackamas Community College	93,763,913	0.00	2,813
Clackamas County	129,945,000	3.24	4,216,066
Clackamas Cty RFPD 1	29,447,277	5.66	1,665,803
Clackamas Cty SD 7J (Lake Oswego)	249,044,136	0.01	20,920
Clackamas Soil & Water Conservation	6,815,000	3.24	221,113
Corbett Water District	797,632	100.00	797,632
Lusted Water District	650,000	100.00	650,000
Metro	819,020,000	53.20	435,736,658
Mt Hood Community College	20,660,000	88.61	18,307,673
Multnomah County	330,220,117	99.95	328,563,403
Multnomah Cty Drainage District 1	4,387,920	100.00	4,387,920
Multnomah Cty RFPD 10	3,019,182	100.00	3,019,182
Multnomah Cty SD 10J (Gresham-Barlow)	344,989,393	100.00	344,989,393
Multnomah Cty SD 1J (Portland)	867,455,242	100.00	867,455,242
Multnomah Cty SD 28J (Centennial)	17,677,677	100.00	17,677,677
Multnomah Cty SD 3 (Parkrose)	74,811,429	100.00	74,811,429
Multnomah Cty SD 39 (Corbett)	1,793,311	100.00	1,793,311
Multnomah Cty SD 40 (David Douglas)	75,387,481	100.00	75,387,481
Multnomah Cty SD 51J (Riverdale)	18,126,964	100.00	18,126,964
Multnomah Cty SD 7 (Reynolds)	198,463,864	100.00	198,463,864
Pleasant Home Water District	1,425,000	94.27	1,343,299
Portland Community College	602,297,900	51.02	307,316,480
Tualatin Hills Park & Rec District	76,498,613	1.19	910,486
Tualatin Valley Fire & Rescue District	26,055,000	1.81	471,674
Valley View Water District	1,435,313	100.00	1,435,313
Washington County	228,769,717	0.60	1,366,670
Subtotal, overlapping debt	\$ 4,686,446,464		3,052,940,581
Direct District limited tax PERS pension bond			25,230,000
Total direct and overlapping debt			<u>\$ 3,078,170,581</u>

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

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

³ 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>
<u>Multnomah County</u>				
2010	737,182	29,729,971	40,329	9.8 %
2011	747,846	31,623,758	42,286	8.5
2012	758,514	33,690,245	44,416	7.7
2013	765,477	34,718,477	45,355	7.0
2014	777,418	37,265,201	47,935	6.0
2015	790,305	40,225,396	50,899	5.2
2016	801,539	41,735,341	52,069	4.7
2017	807,555	43,873,915	54,329	3.8
2018	813,300	*	*	3.8
2019	*	*	*	3.6
<u>Clackamas County</u>				
2010	376,758	15,915,879	42,244	10.2 %
2011	379,154	16,837,053	44,407	9.1
2012	382,766	18,022,462	46,634	8.2
2013	387,279	18,060,274	46,634	7.3
2014	393,355	19,003,973	48,313	6.3
2015	393,355	20,417,831	48,313	5.5
2016	406,680	21,790,756	53,582	4.9
2017	412,672	23,220,274	56,268	3.9
2018	419,425	*	*	3.9
2019	*	*	*	3.7
<u>Washington County</u>				
2010	531,553	22,026,683	41,438	9.0 %
2011	539,518	23,973,949	44,436	7.9
2012	547,298	25,737,117	47,026	7.3
2013	554,597	25,919,173	46,735	6.6
2014	561,650	28,387,146	50,542	5.8
2015	572,414	30,840,797	53,878	5.0
2016	582,739	32,076,558	55,044	4.6
2017	588,957	33,765,596	57,331	3.7
2018	606,280	*	*	3.6
2019	*	*	*	3.4

* Data unavailable at time of print.

Sources:

2010-2017 population: U.S. Bureau of Economic Analysis report CA1-3 (last updated March 6, 2019) www.bea.gov

2018 population: Portland State University, Population and Research Center 2018 Annual Population Report - Table 4

Income: U.S. Bureau of Economic Analysis report CA1-3 (last updated March 6, 2019) www.bea.gov

Unemployment rates: Oregon Employment Department (qualityinfo.org) as of August 6, 2019

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

Top Ten Principal Employers	2019			2010		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Intel Corporation	20,600	1	1.7 %	15,228	1	1.5 %
Providence Health System	18,885	2	1.5	13,831	2	1.4
Oregon Health and Science University	17,556	3	1.4	13,283	3	1.3
Nike, Inc.	12,000	4	1.0	6,000	8	0.6
Legacy Health System	11,404	5	0.9	8,250	6	0.8
Kaiser Foundation Health Plan	11,243	6	0.9	9,204	5	0.9
Fred Meyer Stores	9,777	7	0.8	9,630	4	1.0
City of Portland	7,376	8	0.6	5,000	10	0.5
Portland Public Schools	6,500	9	0.5	5,101	9	0.5
Beaverton School District	5,458	10	0.4			
Multnomah County				6,310	7	0.6
All other employers	1,102,701		90.3	892,663		90.9
Total Employment - PMSA*	<u>1,223,500</u>			<u>984,500</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 2019 and December 2010

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>
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
2018	162	349	37	548
2019	189	436	41	666

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

Source: Multnomah ESD Human Resources Department

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

<u>Fiscal Year Ending</u>	<u>Special Education Services</u>	<u>Instructional Services</u>	<u>Health & Social Services</u>	<u>Technology & Other Support Services*</u>	<u>Total</u>
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
2018	15,758,283	13,377,688	10,173,098	17,746,986	57,056,055
2019	19,093,456	15,188,318	10,579,741	16,773,491	61,635,006

* Includes payments to Districts as transit

Source: Multnomah ESD Financial Records

Multnomah Education Service District Schools, Sites, and Offices

Building Name	Square Footage	Owned or Leased	Programs/Services Offered
District Owned/Leased Sites			
Ainsworth Building 11611 NE Ainsworth Circle, Portland, OR 97220	60,000	Owned	Houses central administration, department and program offices; technology services; facilities services.
Arata Creek School Edgefield Regional Children's Campus 2408 SW Halsey St, Troutdale, OR 97060	14,000	Owned	Houses classrooms for students with social/emotional disabilities and students with developmental disabilities.
Burlingame Creek School 876 NE 8th St, Gresham, OR 97030	18,000	Owned	Houses classrooms for students with social/emotional disabilities and students with developmental disabilities.
Four Corners School 14513 SE Stark St, Portland, OR 97233	27,000	Leased	Houses classrooms for students with social/emotional disabilities and students with developmental disabilities.
Knott Creek School 11456 NE Knott St, Portland, OR 97220	25,000	Leased	Houses classrooms for students with social/emotional disabilities and 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</i>) 14030 NE Sacramento St, Portland, OR 97230	40,000	Leased	Provides post-secondary education for students with significant disabilities.
Additional Classroom Sites			
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

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SINGLE AUDIT SECTION

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Multnomah Education Service District
Portland, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Multnomah Education Service District, Portland, Oregon (the District), as of and for the year ended June 30, 2019, 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 19, 2019.

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.

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

Telford, Kowola & Warwick LLP

Lake Oswego, Oregon
November 19, 2019



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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE 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, 2019. 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 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.



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE 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, 2019.

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. However, material weaknesses may exist that have not been identified.

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

Zalbot, Kowola & Warwick LLP

Lake Oswego, Oregon
November 19, 2019

Multnomah Education Service District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

FEDERAL GRANTOR	Federal CFDA	Grantor or			Fiscal Year
Federal Program/cluster and Program Title	Number	Pass-thru	Grant Period	Grant Award	Expenditures
US DEPARTMENT OF AGRICULTURE					
<i>Passed through Oregon Department of Education</i>					
Child Nutrition Cluster					
National School Breakfast Program	10.553	NA	07/01/18 - 06/30/19	\$ -	\$ 83,042
National School Lunch Program	10.555	NA	07/01/18 - 06/30/19	-	148,972
			Cluster Total	-	232,014
US DEPARTMENT OF AGRICULTURE Total				-	232,014
US DEPARTMENT OF EDUCATION					
<i>Direct</i>					
TRIO Cluster (1)					
TRIO - Talent Search	84.044	P044A120052	09/01/12 - 08/31/17	-	1,142
		P044A170443	09/01/17 - 08/31/22	1,240,455	244,715
			Cluster Total	1,240,455	245,857
<i>Passed through Oregon Department of Education</i>					
Migrant Education - State Grant Program					
Migrant Education - State Grant Program	84.011	44903	07/01/17 - 09/30/18	21,405	6,014
		44986	07/01/17 - 09/30/19	428,840	19,797
		48631	04/04/18 - 09/30/18	124,626	124,440
		49214	07/01/18 - 09/30/19	492,761	395,177
		49233	07/01/18 - 09/30/19	25,528	7,210
		52522	03/15/19 - 09/30/19	169,563	2,170
			Program Total	1,262,723	554,808
Title I Program for Neglected and Delinquent Children					
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	10993-OC	07/01/17 - 06/30/19	163,265	99,225
		10993-OD	07/01/17 - 06/30/19	12,521	12,306
		10993-RH	07/01/18 - 06/30/19	15,472	14,594
		11006-TI	07/01/17 - 06/30/19	57,347	35,689
			Program Total	248,606	161,814
Special Education Cluster (IDEA)					
Special Education - Grants to States (IDEA, Part B)	84.027	10900	07/01/17 - 06/30/19	9,664	545
		10983	07/01/17 - 06/30/19	6,352	493
		10985	07/01/17 - 06/30/19	23,002	6,102
		10986	07/01/17 - 06/30/19	3,519	2,708
		10993-RH-IDEA	07/01/17 - 06/30/19	8,584	3,028
		10993-TL	07/01/17 - 06/30/19	23,140	8,247
		11006	07/01/17 - 06/30/19	17,016	2,011
		46488	10/01/17 - 09/30/18	2,652	2,652
		49162	07/01/18 - 06/30/19	868	868
		49566	07/01/18 - 09/30/19	1,022	12
		49753	07/01/18 - 09/30/19	1,061	929
		51315	10/01/18 - 09/30/19	2,651	2,651
			Cluster Total	99,532	30,246

Multnomah Education Service District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019 (continued)

FEDERAL GRANTOR	Federal	Grantor or			Fiscal Year
Federal Program/cluster and Program Title	CFDA	Pass-thru	Grant Period	Grant Award	Expenditures
	Number	Number			
Vocational Rehabilitation Cluster (1)					
Rehabilitation Services-Vocational					
Rehabilitation Grants to States	84.126	10202	07/01/17 - 06/30/19	\$ 475,000	\$ 246,741
Cluster Total				<u>475,000</u>	<u>246,741</u>
Special Education - State Personnel Development					
Special Education - State Personnel					
Development	84.323	46079	09/01/17 - 08/31/19	100,330	57,506
Program Total				<u>100,330</u>	<u>57,506</u>
<i>Passed through ODE via Portland Community College</i>					
Career and Technical Education					
Career and Technical Education - National					
Grants	84.051	C02658	07/01/16 - 06/30/19	207,060	25,744
Program Total				<u>207,060</u>	<u>25,744</u>
US DEPARTMENT OF EDUCATION TOTAL				<u>3,633,705</u>	<u>1,322,716</u>
US DEPARTMENT OF JUSTICE					
<i>Passed through Oregon Department of Education</i>					
Juvenile Justice and Delinquency Prevention_ Allocation to States					
Juvenile Justice and Delinquency					
Prevention_Allocation to States	16.540	52450	02/01/19 - 03/31/20	100,000	41,289
	16.540	52783	02/01/19 - 03/31/20	45,000	27,547
Program Total				<u>145,000</u>	<u>68,836</u>
US DEPARTMENT OF JUSTICE TOTAL				<u>145,000</u>	<u>68,836</u>
US DEPARTMENT OF HEALTH & HUMAN SERVICES					
<i>Passed through Oregon Department of Education</i>					
CDC 1801 Healthy Schools Grant					
CNP Improving Student Health	93.981	52007	06/30/18 - 06/29/19	12,000	10,048
Program Total				<u>12,000</u>	<u>10,048</u>
US DEPARTMENT OF HEALTH & HUMAN SERVICES TOTAL				<u>12,000</u>	<u>10,048</u>
FEDERAL FINANCIAL ASSISTANCE GRAND TOTAL				\$ 3,790,705	\$ 1,633,614

(1) Indicates a major program

Multnomah Education Service District
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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, 2019. 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, 2019

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:

CFDA NUMBER	NAME OF PROGRAM OR CLUSTER
84.044	TRIO Cluster
84.126	Vocational Rehabilitation Cluster

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, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

No financial statement findings for the year ended June 30, 2019.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No findings or questioned costs for federal awards for the year ended June 30, 2019.

MULTNOMAH EDUCATION SERVICE DISTRICT
Portland, Oregon

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

YEAR ENDED JUNE 30, 2019

No prior year findings required to be reported.

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

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**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, 2019, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2019. 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).



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**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, Kowala & Warwick LLP

Lake Oswego, Oregon
November 19, 2019

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