

Financial Statements and Reports of
Independent Certified Public Accountants

Mid County Service District No. 14
A Component Unit of
Multnomah County, Oregon

June 30, 2007 and 2006

INTRODUCTORY SECTION

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon

BOARD OF COUNTY COMMISSIONERS* AS OF JUNE 30, 2007
501 SE Hawthorne Blvd, 6th floor
Portland, Oregon 97214

	<u>Term Expires</u>
Ted Wheeler, Chair of the Board	December 31, 2010
Jeff Cogen, Commissioner	December 31, 2010
Lisa Naito, Commissioner	December 31, 2008
Lonnie Roberts, Commissioner	December 31, 2008
Maria Rojo de Steffey, Commissioner	December 31, 2008

REGISTERED AGENT

Mindy L. Harris

REGISTERED OFFICE

501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214-3501

* Governing body of Mid County Service District No. 14 reported on herein.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Table of Contents

Introductory Section:	<u>Pages</u>
Title Page	i
Table of Contents	ii
Transmittal Letter	iii - v
 Financial Section:	
Report of Independent Certified Public Accountants	1
Management Discussion and Analysis	2-5
Basic Financial Statements	
Statement of Net Assets	6
Statement of Revenues, Expenses and Changes in Fund Net Assets	7
Statement of Cash Flows	8
Notes to Basic Financial Statements	9-14
Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual	15-16
Schedules of Special Assessment Transactions	17-18
Reconciliation of Budgetary Revenues to Interest and Tax/Assessment Collections	19
 Reports of Independent Certified Public Accountants Required by Statutes	
Report of Independent Certified Public Accountants on the District's Compliance and Certain Items Based on an Audit of Basic Financial Statements Performed in Accordance with Oregon Auditing Standards	20-21



Department of County Management
MULTNOMAH COUNTY OREGON

501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214
(503) 988-3786 phone
(503) 988-3292 fax

November 21, 2007

Honorable County Chair and
Board of County Commissioners
Multnomah County, Portland, Oregon

INTRODUCTION

We are pleased to submit the Basic Financial Statements for Mid County Service District No. 14, Portland, Oregon (the District), for the fiscal years ended June 30, 2007 and 2006. This report includes the opinion of our independent auditors, Moss Adams LLP.

We prepared this report for the Secretary of the State of Oregon as required under ORS 297.425. The District's financial statements are also included in the Comprehensive Annual Financial Report of Multnomah County (the County) as a blended component unit. This is necessary because the Board of County Commissioners of Multnomah County serves as the governing body and maintains overall financial accountability for the District.

Accounting principles generally accepted in the United States of America (US GAAP) require 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 MD&A and should be read in conjunction with it. Mid County's MD&A can be found immediately following the independent auditors' report.

PROFILE OF THE DISTRICT

Mid County Service District No. 14 was organized in 1968 as Tulip Acres Lighting District under the provisions of ORS Chapter 451. The District now provides street lighting to the unincorporated urban areas of the County, and the cities of Maywood Park, Troutdale and Fairview. Administration of the District is managed by the Multnomah County Department of Community Services (DCS). Portland General Electric provides energy and maintenance services to the District and the County's DCS Land Use and Transportation Division provides illumination, engineering and design.

The District is accounted for as an enterprise fund. Enterprise funds generate revenue for operations by charging user fees to recover costs of providing goods and services to the public. The measurement focus is on a flow of economic resources and the accrual basis of accounting is used. Under the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time the liabilities are incurred.

Oregon Budget Law requires the use of budgetary control. See pages 15-16 for the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.

FACTORS AFFECTING FINANCIAL CONDITION

The District's operating budget has stabilized with the substantial completion of municipal annexations. Operations are funded by charging user fees, which stayed unchanged from the prior year at \$42 per household for fiscal year 2007. The fees are collected via special assessments that are added to property tax bills for properties served by the District.

Operating revenues in total generally follow population levels. Historically (the last 10 years) operating revenues have increased approximately 5.9% annually and operating expenses have increased approximately 5.0% over the same time period. During fiscal year 2007, operating revenues increased only 4.3% from the prior year as a result of no rate change.

In fiscal year 2004, the District implemented a new capital asset initiative to replace 15% of their lights and poles that were past their life expectancy. Under this initiative the District began purchasing more lights and poles rather than renting these assets from Portland General Electric and therefore reducing capital contributions. Since then the District continues to record capital contributions for light and poles and also purchase replacements, but at a scaled down rate. Over time the District anticipates that capital contributions will continue to decrease as capital asset acquisitions increase. In fiscal year 2006 management revised the estimates on the useful lives of the District's lights and poles from 15 years to 30 years as new lights and poles are constructed from stronger more durable materials. The District continues to maintain a strong working capital position and has no long-term debt. Following is a summary of some key financial data which is summarized from current and prior years' financial statements:

	Year Ended June 30,				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating revenue	\$ 306,343	\$ 293,850	\$ 289,181	\$ 235,601	\$ 232,777
Depreciation expense	57,110	54,059	103,412	158,527	93,413
Operating loss	(47,249)	(34,196)	(159,829)	(264,606)	(122,132)
Change in net assets	50,606	64,047	41,742	(478,284)	37,063
Capital contributions	75,702	82,031	238,322	-	251,677
Net working capital	388,062	356,048	345,315	441,706	833,639
Total assets	1,958,800	1,906,006	1,831,673	1,788,873	2,268,709
Total net assets	1,928,187	1,877,581	1,813,534	1,771,792	2,250,076

AWARDS AND ACKNOWLEDGEMENTS

I would like to acknowledge the help of the Finance Division staff, who aided me in the preparation of this report. I appreciate their excellent work. I also want to thank the staff in the Department of County Management for their contributions during the year.

Respectfully submitted,

A handwritten signature in black ink that reads "Mindy Harris". The script is cursive and fluid, with the first name "Mindy" being larger and more prominent than the last name "Harris".

Mindy L. Harris
Chief Financial Officer

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Mid County Service District No. 14

We have audited the accompanying financial statements of the Mid County Service District No. 14, a component unit of Multnomah County, as of and for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mid County Service District No. 14 as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements that collectively comprise the Mid County Service District No. 14's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Mid County Service District No. 14. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



James C. Lanzarotta, CPA
A Partner of Moss Adams LLP
Eugene, Oregon

November 21, 2007



Department of County Management
MULTNOMAH COUNTY OREGON

501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214
(503) 988-3786 phone
(503) 988-3292 fax

MANAGEMENT DISCUSSION AND ANALYSIS

As management of Mid County Service District No. 14, we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages iii-iv of this report.

Financial Highlights

- Mid County's assets exceeded its liabilities at June 30, 2007, by \$1,928,187. Of this amount, \$388,062 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$50,606 in fiscal year 2007 primarily due to capital contributions of \$75,702.
- Capital asset additions decreased by \$31,671 from \$107,373 for fiscal year 2006 to \$75,702 for fiscal year 2007 primarily due to the completed property annexations that began in prior fiscal years and no new purchases of lights and poles.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Mid County's basic financial statements. The District's basic financial statements include: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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.

Proprietary funds. Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to businesses found in the private sector. These funds are considered self-supporting in that the services rendered by them are generally financed through user charges or on a cost reimbursement basis. Mid County is accounted for as an enterprise fund.

Enterprise funds. Enterprise funds are used to account for operations (a) where the intent of the government is to fully recover costs of providing goods or services to the general public through user charges; or (b) where the governing body has decided that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The District operates like a business receiving user charges for services rendered. It does not receive any funds from the State or the County other than assessments collected through property taxes. The District's statute anticipates that it collects fees necessary to prudently operate.

The main source of revenue, street lighting assessments, is collected through property taxes. The user charges remained the same at \$42 per household for fiscal year 2007 generating \$306,343 in revenues.

The basic enterprise fund financial statements can be found on pages 6-8 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 fund financial statements. The notes to the financial statements can be found on pages 9-14 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. Supplementary information can be found on pages 15-19 of this report.

Financial Analysis of the District

Net assets may serve over time as a useful indicator of a government's financial position. As noted earlier, Mid County's total assets exceeded liabilities by \$1,928,187 at the close of the most recent fiscal year. Included in this amount, the District had \$1,540,125 or 80% of total net assets invested in capital assets. The investment in capital assets is the District's street lighting system, with no related debt. The District uses these capital assets to provide services to its member households; consequently, these assets are not available for future spending.

Mid County's Net Assets			
June 30,			
	2007	2006	2005
Current assets	\$ 418,675	\$ 384,473	\$ 363,454
Capital assets	1,540,125	1,521,533	1,468,219
Total assets	1,958,800	1,906,006	1,831,673
Current liabilities	30,613	28,425	18,139
Net assets:			
Invested in capital assets	1,540,125	1,521,533	1,468,219
Unrestricted	388,062	356,048	345,315
Total net assets	\$ 1,928,187	\$ 1,877,581	\$ 1,813,534

At the end of the current and prior fiscal years, the District is able to report positive balances in the above categories of net assets.

**Mid County's Changes in Fund Net Assets
For the Year Ended June 30,**

	2007	2006	2005
Revenues			
Operating revenues:			
Charges for services	\$ 306,343	\$ 293,850	\$ 289,181
Nonoperating revenues:			
Investment earnings	22,153	16,212	10,090
Total revenues	<u>328,496</u>	<u>310,062</u>	<u>299,271</u>
Expenses			
Operating expenses:			
District operating expenses	353,592	328,046	449,010
Nonoperating expenses:			
Loss on disposal of capital assets	-	-	46,841
Total expenses	<u>353,592</u>	<u>328,046</u>	<u>495,851</u>
Loss before contributions	(25,096)	(17,984)	(196,580)
Capital contributions	<u>75,702</u>	<u>82,031</u>	<u>238,322</u>
Increase in net assets	50,606	64,047	41,742
Beginning fund net assets	<u>1,877,581</u>	<u>1,813,534</u>	<u>1,771,792</u>
Ending fund net assets	<u>\$ 1,928,187</u>	<u>\$ 1,877,581</u>	<u>\$ 1,813,534</u>

The District's ending fund net assets increased by \$50,606, \$64,047, and \$41,742 during the fiscal years 2007, 2006, and 2005 respectively. The primary reasons for the increases in fund net assets are:

- Capital contributions by developers continue, but at a reduced rate as the District's growth has stabilized with the substantial completion of municipal annexations. Capital contributions were \$75,702 for fiscal year 2007 which is a slight decrease of \$6,329 from fiscal year 2006 capital contributions of \$82,031. Fiscal year 2006's capital contributions represented a significant decrease of \$156,291 in comparison to capital contributions of \$238,322 in fiscal year 2005. The large amount of contributions in 2005 were due to the completion of new construction throughout the fiscal year.
- Investment earnings continue to increase as the economy remains strong and interest rates continue to rise. Investment earnings in fiscal year 2007 increased by \$5,041 over fiscal year 2006 as compared to a comparable increase in fiscal year 2006 of \$6,122 over fiscal year 2005.
- Operating expenses increased by \$25,546 in fiscal year 2007 but decreased by \$120,964 from fiscal year 2005 to fiscal year 2006. This was largely due to a change in estimated useful lives of lights and poles (from 15 to 30 years) resulting in a decrease in depreciation expense of \$49,353.

Capital assets. The District's investment in capital assets as of June 30, 2007, amounts to \$1,540,125 (net of accumulated depreciation). This entire investment in capital assets is the street lighting system. The net increase in the District's investment in capital assets for the current fiscal year was \$18,592 or 1.2% due to capital additions of \$75,702 less depreciation of \$57,110. Additional information on the District's capital assets can be found in notes A.5 and C.3 on page 11 and 13 of this report.

Budgetary highlights. Total budgeted expenditures for the District were \$411,250 in fiscal year 2007 compared to actual expenditures of \$296,603. Expenditures were under budget by \$114,647 primarily due to contingency which is reserved for special circumstances and capital outlay, both of which had no actual expenditures. The District budgeted \$100,000 for capital outlay. There were no expenditures for new lights and poles in capital outlay. The only expenditures were for light replacements which were charged to repairs and maintenance.

Key Economic Factors and Budget Information for Next Year

The District has completed a large capital pole and lighting replacement program over the past three years, targeting facilities that were past their life expectancy. In the fiscal year 2008 budget, the District is proposing a \$50,000 capital pole replacement program.

The District's current assessment is \$42 per household. For fiscal year 2008 the District budget committee plans to reduce the rate to \$35 per household due to the completion of capital work the previous three years. The rate should provide the District with sufficient operating resources to match engineering, maintenance and operational demands.

Requests for information

This financial report is designed to provide a general overview of Mid County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the following address:

Multnomah County
Department of County Management
501 SE Hawthorne Blvd, Suite 531
Portland, OR 97293-0700

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Statement of Net Assets

	June 30,	
	2007	2006
ASSETS		
Current assets:		
Cash and investments	\$ 406,400	\$ 372,476
Receivables (net of allowance for uncollectibles):		
Accounts	38	27
Special assessments	12,237	11,970
Total current assets	<u>418,675</u>	<u>384,473</u>
Noncurrent assets:		
Capital assets	2,585,529	2,509,827
Accumulated depreciation	(1,045,404)	(988,294)
Total noncurrent assets	<u>1,540,125</u>	<u>1,521,533</u>
Total assets	<u>1,958,800</u>	<u>1,906,006</u>
LIABILITIES		
Current liabilities:		
Accounts payable	30,613	28,425
Total current liabilities	<u>30,613</u>	<u>28,425</u>
NET ASSETS		
Invested in capital assets	1,540,125	1,521,533
Unrestricted	388,062	356,048
Total net assets	<u>\$ 1,928,187</u>	<u>\$ 1,877,581</u>

The notes to the financial statements are an integral part of these statements.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Statement of Revenues, Expenses and Changes in Fund Net Assets

	Years Ended June 30,	
	2007	2006
OPERATING REVENUES		
Street lighting assessments	\$ 306,343	\$ 293,850
OPERATING EXPENSES		
Cost of sales and services	254,486	221,166
Administration	41,996	52,821
Depreciation	57,110	54,059
Total operating expenses	353,592	328,046
Operating loss	(47,249)	(34,196)
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	22,153	16,212
Loss before contributions	(25,096)	(17,984)
Capital contributions	75,702	82,031
Change in net assets	50,606	64,047
Total net assets - beginning	1,877,581	1,813,534
Total net assets - ending	\$ 1,928,187	\$ 1,877,581

The notes to the financial statements are an integral part of these statements.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Statement of Cash Flows

	Years Ended June 30,	
	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 306,185	\$ 294,318
Payments to suppliers	(254,803)	(212,846)
Payments to County employees	(19,237)	(24,643)
Internal activity - payments to other funds	(20,374)	(26,412)
Net cash provided by operating activities	11,771	30,417
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	-	(25,342)
Net cash used in capital and related financing activities	-	(25,342)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	22,153	16,212
Net cash provided by investing activities	22,153	16,212
Net increase in cash and investments	33,924	21,287
Balances at beginning of the year	372,476	351,189
Balances at end of the year	\$ 406,400	\$ 372,476
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (47,249)	\$ (34,196)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	57,110	54,059
Changes in assets and liabilities:		
Receivables, net	(278)	268
Accounts payable	2,188	10,286
Total adjustments	59,020	64,613
Net cash provided by operating activities	\$ 11,771	\$ 30,417
Noncash financing activities		
Contributions of capital assets	\$ 75,702	\$ 82,031

The notes to the financial statements are an integral part of these statements.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2007 and 2006

Note A. Summary of significant accounting policies

1. Nature of business

Mid County Service District No. 14 (the District) was organized in 1968 under the provisions of Oregon Revised Statutes (ORS) Chapter 451 to provide street lighting in unincorporated urban areas of Multnomah County (the County) and the cities of Maywood Park, Troutdale and Fairview. The Multnomah County Board of Commissioners is the governing body of the District, as provided for by ORS 451.485.

Mid County is a blended component unit of Multnomah County and its financial activities are included in the basic financial statements of the County. The District serves the residents within its geographical boundaries and is governed by a board comprised of the County's elected Board. The rates for user charges for the District are approved by the Board. The District is reported as an enterprise fund.

2. Measurement focus, basis of accounting, and financial statement preparation

The District's basic 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 when a liability is incurred, regardless of the timing of related cash flows. The measurement focus is on the flow of economic resources. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. The District also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2007 and 2006

Note A. Summary of significant accounting policies - continued

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). US GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The accompanying basic financial statements have been prepared for purposes of Oregon statutory reporting requirements. The accompanying financial statements are structured into the fund type as described below.

Enterprise funds are used to account for revenues and expenses generally resulting from providing services for fees in connection with the fund's principal ongoing operations. Since the Multnomah County Board of Commissioners maintains overall financial accountability for the District, the financial statements of the District are included in the Comprehensive Annual Financial Report (CAFR) of the County, as an enterprise fund.

3. Cash and investments

The District's cash and investments are deposited in the County's investment pool. The District's cash and investments participate in this pool rather than specific, identifiable securities. The District's share of County pooled cash and investments can be drawn upon demand, and therefore, the entire amount on deposit with the County is considered cash equivalents. Interest earned on pooled investments is allocated monthly based on the average daily cash balance of the District in relation to total investments in the pool. It is not practical to determine the investment risk, collateral, or insurance coverage for the District's share of these pooled investments.

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, municipal bonds, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). Investments for the County, as well as for its component units, are reported at fair value. The LGIP operates in accordance with appropriate state laws and regulations.

Information about the pooled investments is included in the County's annual financial report and may be obtained by contacting the County's Finance Division at 501 SE Hawthorne Boulevard, Suite 531, Portland, OR 97214.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2007 and 2006

Note A. Summary of significant accounting policies - continued

4. Receivables and payables

The District's receivables are street lighting assessments which are collected through the County's property tax system. The District's payables are all monthly utility charges to Portland General Electric. The District calculates and records an allowance for doubtful accounts on the assessments receivable, which is management's best estimate of amounts that will not be collected.

5. Capital assets

Capital assets are stated at historical cost or estimated historical cost at time of acquisition, or fair value for donated assets. Capital assets valued at estimated historical costs are minor. Infrastructure with a value of greater than \$10,000 are capitalized. Normal maintenance and repairs are expensed as incurred. Expenditures for major additions, improvements and replacements are capitalized. Gain or loss on retirement or disposal is reflected in income.

Depreciation on property and equipment is provided on the straight-line method at rates based on the estimated lives for all the lights and poles. During fiscal year 2006 management revised the estimated useful lives of the District's lights and poles. Based on management's review the useful lives of the lights and poles were extended from 15 years to 30 years. In recent years the materials used in constructing the District's lights and poles have become more durable and are engineered to last longer than those previously built. The District now uses a 30 year useful life for lights and poles.

6. Annexations and intergovernmental agreements

In 1983 the Board of County Commissioners passed Resolution A which stated the County's intention to phase out municipal services provided to urbanized unincorporated areas of the County. As a result, large areas of the District have been annexed by other jurisdictions and further annexations are expected. At the ultimate dissolution of the District, its remaining assets will be distributed to the successors in proportion to the number of customers absorbed by each entity.

7. Use of estimates

In preparing the basic financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2007 and 2006

Note B. Stewardship, compliance, and accountability

1. Budgets

The District's budget is prepared in accordance with Oregon local budget law. All annual appropriations lapse at fiscal year end. During the month of February each year, the District submits requests for appropriations to the County Chair so that a budget may be prepared. By May 15, the proposed budget is presented to the County Board of Commissioners for approval. The Board holds public hearings and a final budget must be prepared and adopted no later than June 30.

The adopted budget is prepared by fund and department. The County's department managers may make transfers of appropriations within a department and fund. Transfers and changes (increases) of appropriations between departments or funds require the approval of the Board. The legal level of budgetary control, (i.e., the level at which expenditures may not legally exceed appropriations) is the fund and department level.

Note C. Detailed notes on the Fund

1. Cash and investments

The District's cash and investments reported on the statement of net assets represent the District's share of the County's cash and investment pool. The District's participation in the cash and investment pool is involuntary. Interest earnings from this pool are allocated to the District on a monthly basis. At June 30, 2007 and 2006 the District's share of the County's cash and investment pool totaled \$406,400 and \$372,476, respectively. This fund's ending cash balance is pooled with the County's cash, and represents a portion of the year-end bank balances.

2. Receivables

	June 30,	
	2007	2006
Street lighting assessments	\$ 13,957	\$ 13,810
Allowance for doubtful accounts	(1,720)	(1,840)
Subtotal	12,237	11,970
Receivables from foreclosures	38	27
Receivables, net	\$ 12,275	\$ 11,997

The allowance for doubtful accounts represents management's best estimate of receivable amounts that will not be collected. In determining the allowance, management considers historical write offs as well as current economic factors.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2007 and 2006

3. Capital assets

Capital assets are summarized as follows:

	June 30,	
	2007	2006
Street lights and poles at beginning of year	\$ 2,509,827	\$ 2,402,454
Additions	75,702	107,373
Total capital assets at end of year	2,585,529	2,509,827
Accumulated depreciation	(1,045,404)	(988,294)
Investment in capital assets	\$ 1,540,125	\$ 1,521,533

4. Transactions with Multnomah County

The County Department of Community Services provides operating management and planning for the District. General administrative functions are performed by other units of the County. All services are performed on an internal cost reimbursement basis. Reimbursements to the County were \$20,144 and \$13,850 for fiscal years 2007 and 2006, respectively, and are included in the financial statement line item for Administration on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

Note D. Risk management

As a component unit of the County, the District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County has established risk management programs for liability insurance coverage. The District is covered under the policies and programs insuring the County. The County maintains an internal service fund, risk management fund, to account for and finance its risks of loss. The County established risk management programs for liability and workers' compensation, whereby premiums are calculated on payroll expenses in all funds and are paid into the risk management fund. The funds are available to pay claims, claim reserves, and reduce administrative costs of the program. These interfund premiums are used to offset the amount of claims expenditure reported in the risk management fund. As of June 30, 2007, interfund premiums exceeded reimbursable expenditures. Settlements have not exceeded coverages for each of the past three fiscal years.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2007 and 2006

Note E. Pension plans

The District itself does not have any employees but is serviced by Multnomah County employees who are covered under the County's pension plans. The County's Comprehensive Annual Financial Report (CAFR) provides further details on these plans.

Note F. Commitments

As of the year ended June 30, 2007 the District has no significant commitments on future capital projects.

SUPPLEMENTARY INFORMATION

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon

The following Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual for the District is prepared on a budgetary basis which differs from accounting principles generally accepted in the United States of America and the accompanying component unit financial statements in the following respects:

- Street lighting assessment revenue is recognized as it becomes measurable and available;
- Capital outlay is reflected as an expenditure;
- Contributed capital, other than non-current assets, is reflected as revenue;
- Depreciation is not recorded; and,
- Expenses related to uncollectible accounts receivable are not recorded.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES				
Assessments - street lighting:				
Current	\$ 275,000	\$ 275,000	\$ 300,397	\$ 25,397
Prior	-	-	6,322	6,322
Interest	15,000	15,000	22,153	7,153
Other	-	-	43	43
Total revenues	290,000	290,000	328,915	38,915
EXPENDITURES				
Community services	386,250	386,250	296,603	89,647
Excess (deficiency) of revenues				
over (under) expenditures	(96,250)	(96,250)	32,312	128,562
Contingency	(25,000)	(25,000)	-	25,000
Net change in fund balances	(121,250)	(121,250)	32,312	153,562
Fund balances - beginning	339,725	339,725	346,419	6,694
Fund balances - ending	<u>\$ 218,475</u>	<u>\$ 218,475</u>	378,731	<u>\$ 160,256</u>
Reconciliation to GAAP basis:				
Invested in capital assets			1,540,125	
Deferred revenue on property taxes			11,051	
Allowance for uncollectible accounts, assessments			(1,720)	
Net Assets as reported on the Statement of Revenues,				
Expenses and Changes in Fund Net Assets, page 7			<u>\$ 1,928,187</u>	

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Schedules of Special Assessment Transactions
For the Year Ended June 30, 2007

	Amounts Uncollected June 30, 2006	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2007
General Fund Special Assessment							
2006-2007	\$ -	\$ 314,471	\$ (7,693)	\$ 165	\$ (810)	\$ (297,610)	\$ 8,523
2005-2006	8,485	-	9	343	(494)	(5,335)	3,008
2004-2005	2,845	-	3	249	(141)	(1,564)	1,392
2003-2004	1,281	-	1	214	(86)	(941)	469
2002-2003	561	-	1	121	(57)	(500)	126
2001-2002	155	-	-	7	(39)	(48)	75
2000-2001	99	-	-	28	(21)	(74)	32
1999-2000	35	-	-	4	(8)	(9)	22
1998-1999	24	-	-	3	(4)	(7)	16
1997-1998 and prior years	325	-	-	43	(8)	(66)	294
	<u>\$ 13,810</u>	<u>\$ 314,471</u>	<u>\$ (7,679)</u>	<u>\$ 1,177</u>	<u>\$ (1,668)</u>	<u>\$ (306,154)</u>	<u>\$ 13,957</u>

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Schedules of Special Assessment Transactions
For the Year Ended June 30, 2006

	Amounts Uncollected June 30, 2005	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2006
General Fund Special Assessment							
2005-2006	\$ -	\$ 302,998	\$ (7,384)	\$ 188	\$ (1,389)	\$ (285,928)	\$ 8,485
2004-2005	8,665	-	16	362	(964)	(5,234)	2,845
2003-2004	2,728	-	11	218	(428)	(1,248)	1,281
2002-2003	1,489	-	8	216	(292)	(860)	561
2001-2002	642	-	3	138	(11)	(617)	155
2000-2001	152	-	-	12	1	(66)	99
1999-2000	61	-	-	16	(3)	(39)	35
1998-1999	29	-	-	3	-	(8)	24
1997-1998	36	-	-	3	-	(7)	32
1996-1997 and prior years	357	-	-	112	(11)	(165)	293
	<u>\$ 14,159</u>	<u>\$ 302,998</u>	<u>\$ (7,346)</u>	<u>\$ 1,268</u>	<u>\$ (3,097)</u>	<u>\$ (294,172)</u>	<u>\$ 13,810</u>

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Reconciliation of Budgetary Revenues to Interest and Tax/Assessment Collections
For the Years Ended June 30, 2007 and 2006

	Years Ended June 30	
	2007	2006
Revenues, per Schedule of Revenues, Expenditures, and		
Changes in Fund Balances - Budget and Actual:		
Current year special assessments	\$ 300,397	\$ 288,574
Prior years' special assessments	6,322	5,201
Sixty day tax/assessment accrual, net	(565)	397
Interest and Tax/Assessment Collections, per		
Schedule of Special Assessment Transactions	\$ 306,154	\$ 294,172

**REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
REQUIRED BY STATUTES**

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

Board of County Commissioners
Mid County Service District No. 14

We have audited the financial statements of the Mid County Service District No. 14 as of and for the year ended June 30, 2007, and have issued our report thereon dated November 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The amount and adequacy of collateral pledged by depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2007 and 2008.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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 that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's

internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Commissioners, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script, reading "James C. Lanzarotta".

James Lanzarotta, Partner
For Moss Adams LLP
Certified Public Accountants
Eugene, Oregon

November 21, 2007