

Financial Statements and Reports of  
Independent Certified Public Accountants

**Dunthorpe-Riverdale Service  
District No. 1 – A Component Unit of  
Multnomah County, Oregon**

June 30, 2007 and 2006

## **INTRODUCTORY SECTION**

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**

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

Term Expires

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 Dunthorpe-Riverdale Service District No. 1 reported on herein.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
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**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 Dunthorpe-Riverdale Service District No. 1, 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) 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 MD&A and should be read in conjunction with it. Dunthorpe-Riverdale's MD&A can be found immediately following the independent auditors' report.

## **PROFILE OF THE DISTRICT**

Dunthorpe-Riverdale Service District No. 1 was organized in 1964 under the provisions of ORS 451. The District's purpose was to finance the construction and operation of sanitary sewer systems in the southwest areas of the County, bordering the Willamette River and a small portion of northern Clackamas County. By 1970 the District had eliminated a major source of pollution in the Willamette River. Administration of the District is managed by the Multnomah County Department of Community Services. The sewer lines are maintained through a contract with the City of Portland. Sewage flow treatment is performed at Portland's Tryon Creek station.

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 consists of approximately 582 households at June 30, 2007, including 14 in northern Clackamas County. District growth has stabilized due to substantial completion of municipal annexations. Operations are funded by user fees and connection charges sufficient to recover all costs of goods and services. The fees are collected via special assessments that are added to property tax bills for properties served by the District.

Prior to fiscal year 2005, slowed District development and increases in utility costs resulted in overall operating losses and decreases in net assets. Between fiscal year 2005 and the current fiscal year, it has been necessary to increase monthly per household rates from \$62 to \$80 to cover rising utility costs and provide for necessary capital improvements. This has resulted in overall operating gains and increases in net assets. Despite the current year addition of a five year intergovernmental loan, the District continues to maintain a strong net working capital position, with an increase in fiscal year 2007 primarily due to increased user rate revenue. Following is a summary of some key financial data which has been 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	\$ 574,225	\$ 455,363	\$ 423,403	\$ 344,358	\$ 256,103
Depreciation expense	56,369	47,616	43,625	42,321	40,274
Operating gain (loss)	168,977	48,204	42,733	(10,981)	(87,835)
Change in net assets	193,539	68,822	59,222	(5,110)	(75,599)
Net working capital	171,173	65,211	351,469	251,178	347,869
Total assets	2,504,135	1,737,776	1,572,909	1,477,002	1,473,489
Total net assets	1,722,658	1,529,119	1,460,297	1,401,075	1,406,185

**Long-term financial planning.** In fiscal year 2007, the District borrowed \$400,000 through an intergovernmental loan from the County's Risk Management Fund. The proceeds from the loan will be used to complete required capital maintenance at the Tryon Creek and Riverview pump stations. The loan will be repaid over five years with the first payment due in fiscal year 2008.

## 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 cursive script that reads "Mindy Harris".

Mindy L. Harris  
Chief Financial Officer

## **FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT**

Board of County Commissioners  
Dunthorpe-Riverdale Service District No. 1

We have audited the accompanying financial statements of the Dunthorpe-Riverdale Service District No. 1, 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 audits.

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 Dunthorpe-Riverdale Service District No. 1 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 Dunthorpe-Riverdale Service District No. 1'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 Dunthorpe-Riverdale Service District No. 1. 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**

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**MANAGEMENT DISCUSSION AND ANALYSIS**

As management of Dunthorpe-Riverdale Service District No. 1, 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-v of this report.

**Financial Highlights**

- Dunthorpe-Riverdale's assets exceeded its liabilities at June 30, 2007, by \$1,722,658. Of this amount, \$242,487 is unrestricted and may be used for the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$193,539 in fiscal year 2007 compared to a \$68,822 increase in fiscal year 2006. The overall increase is primarily due to the increase in monthly per household customer sewer user assessment fees, from \$67 in fiscal year 2006 to \$80 in fiscal year 2007. The user fee increase was necessary to assist with rising utility costs and required capital improvements.
- Interest revenue was \$24,562 for fiscal year 2007 compared to \$20,618 for fiscal year 2006 due to an infusion of loan-related cash towards the end of the fiscal year as well as slightly higher interest rates throughout the year.
- The District expended \$472,632 on capital improvements to the Tryon Creek and Riverview pump stations in the current year compared to \$402,696 in the prior year. To facilitate additional necessary capital improvements to the same pump stations, the District has received a \$400,000 loan from the County's Risk Management Fund payable over the next five fiscal years.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Dunthorpe-Riverdale'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. Dunthorpe-Riverdale 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, sewer assessments, is collected through property taxes. In the current year the fees were raised from \$67 to \$80 per month per household and generated \$574,225 of revenue. Current sewer assessments are intended to meet anticipated treatment, maintenance, debt repayment and capital requirements for the upcoming year.

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, Dunthorpe-Riverdale's total assets exceeded liabilities by \$1,722,658 at the close of the most recent fiscal year, an increase of \$193,539 over the prior year. At June 30, 2007, the District's largest portion of net assets, \$1,480,171 or 86%, is invested in capital assets. This amount increased by \$16,263 over the prior year. The investment in capital assets is the District's sanitary sewer system, with related debt of \$400,000. The District uses these capital assets to provide services to its member households; consequently, these assets are not available for future spending. In fiscal year 2007 the District spent \$472,632 on capital improvements to the Tryon Creek and Riverview pump stations.

**Dunthorpe-Riverdale's Net Assets**  
**June 30,**

	2007	2006	2005
Current assets	\$ 623,964	\$ 273,868	\$ 464,081
Capital assets	1,880,171	1,463,908	1,108,828
Total assets	<u>2,504,135</u>	<u>1,737,776</u>	<u>1,572,909</u>
Current liabilities	<u>452,791</u>	<u>208,657</u>	<u>112,612</u>
Net assets:			
Invested in capital assets	1,480,171	1,463,908	1,108,828
Unrestricted net assets	<u>242,487</u>	<u>65,211</u>	<u>351,469</u>
Total net assets	<u>\$ 1,722,658</u>	<u>\$ 1,529,119</u>	<u>\$ 1,460,297</u>

At the end of the current and prior two fiscal years, the District is able to report positive balances in each net asset category in the schedule above.

**Dunthorpe-Riverdale's Changes in Fund Net Assets**  
**For the Year Ended June 30,**

	2007	2006	2005
<b>Revenues</b>			
Operating revenues:			
Charges for services	\$ 574,225	\$ 455,363	\$ 423,403
Nonoperating revenues:			
Investment earnings	24,562	20,618	10,368
Rebate revenue	-	-	112,504
Total revenues	<u>598,787</u>	<u>475,981</u>	<u>546,275</u>
<b>Expenses</b>			
Operating expenses:			
District operating expenses	405,248	407,159	380,670
Nonoperating expenses:			
Loss on disposal of capital assets	-	-	106,383
Total expenses	<u>405,248</u>	<u>407,159</u>	<u>487,053</u>
Increase in net assets	\$ 193,539	\$ 68,822	\$ 59,222
Beginning fund net assets	<u>1,529,119</u>	<u>1,460,297</u>	<u>1,401,075</u>
Ending fund net assets	<u>\$ 1,722,658</u>	<u>\$ 1,529,119</u>	<u>\$ 1,460,297</u>

The District's fund net assets increased by \$193,539 during the current fiscal year compared to an increase of \$68,822 in fiscal year 2006 and an increase of \$59,222 in fiscal year 2005. The primary reasons for the additional increases in fund net assets for fiscal years 2005 through 2007 are:

- Operating revenues have increased during the last three fiscal years with a significant increase of \$118,862 for fiscal year 2007 due to an increase in the monthly service charge per household from \$67 to \$80 per month.

- Investment earnings increased to \$24,562 for fiscal year 2007 from \$20,618 for fiscal year 2006 due to the receipt of loan-related cash and a slightly higher interest rate throughout the year.
- In fiscal year 2005 the District received a rebate in the amount of \$112,504 from the City of Portland Water Bureau as adjustment for revised capital infrastructure costs. This was a one-time only adjustment from the City. Related to the rebate revenue is the \$106,383 loss on disposal of capital assets the District recognized in fiscal year 2005.

**Budgetary highlights.** In fiscal years 2006 and 2007 the District budgeted \$200,000 each year for an intergovernmental loan from the County's Risk Management Fund for a total of \$400,000. Due to positive cash flows throughout fiscal year 2006, the District was able to postpone the loan until fiscal year 2007 whereupon the District received the full \$400,000. It is the intent of the District to utilize the entire amount towards completing necessary capital improvement projects.

**Capital assets.** The District's investment in capital assets as of June 30, 2007 amounts to \$1,480,171 (net of related debt and accumulated depreciation). This entire investment in capital assets is the sanitary sewer system. The net increase in the District's investment in capital assets for the current fiscal year was only 1% or \$16,263. Although there was capital expenses of \$472,632 and depreciation expense of \$56,369, there was also related debt of \$400,000. Additional information on the District's capital assets can be found in notes A.5 and C.3 on pages 11 and 13 of this report.

### **Requests for Information**

This financial report is designed to provide a general overview of Dunthorpe-Riverdale'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 97214-3501

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Statement of Net Assets**

	<b>June 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 585,826	\$ 254,400
Receivables (net of allowance for uncollectibles):		
Accounts	18,029	2,500
Special assessments	20,109	16,968
Total receivables	38,138	19,468
Total current assets	623,964	273,868
Noncurrent assets:		
Capital assets	3,054,769	2,582,137
Accumulated depreciation	(1,174,598)	(1,118,229)
Total noncurrent assets	1,880,171	1,463,908
Total assets	2,504,135	1,737,776
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	381,477	208,657
Due to other funds	71,314	-
Total current liabilities	452,791	208,657
Noncurrent liabilities:		
Advances from other funds	328,686	-
Total current liabilities	781,477	208,657
<b>NET ASSETS</b>		
Invested in capital assets	1,480,171	1,463,908
Unrestricted	242,487	65,211
Total net assets	\$ 1,722,658	\$ 1,529,119

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

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**

	<b>Years Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>OPERATING REVENUES</b>		
Sewer user assessments	\$ 574,225	\$ 455,363
<b>OPERATING EXPENSES</b>		
Cost of sales and services	312,834	322,111
Administration	36,045	37,432
Depreciation	56,369	47,616
Total operating expenses	405,248	407,159
Operating gain	168,977	48,204
<b>NONOPERATING REVENUES</b>		
Interest revenue	24,562	20,618
Change in net assets	193,539	68,822
Total net assets - beginning	1,529,119	1,460,297
Total net assets - ending	\$ 1,722,658	\$ 1,529,119

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

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Statement of Cash Flows**

	<b>Years Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 555,875	\$ 457,928
Payments to suppliers	(140,581)	(226,945)
Payments to County employees	(15,521)	(22,803)
Internal activity	(20,277)	(13,850)
Net cash provided by operating activities	<u>379,496</u>	<u>194,330</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(472,632)	(402,696)
Advances from other funds	400,000	-
Net cash provided by (used in) capital and related financing activities	<u>(72,632)</u>	<u>(402,696)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	24,562	20,618
Net cash provided by investing activities	<u>24,562</u>	<u>20,618</u>
Net increase (decrease) in cash and investments	331,426	(187,748)
Balances at beginning of the year	254,400	442,148
Balances at end of the year	<u>\$ 585,826</u>	<u>\$ 254,400</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>		
Operating income	\$ 168,977	\$ 48,204
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	56,369	47,616
Changes in assets and liabilities:		
Receivables, net	(18,670)	2,465
Accounts payable	172,820	96,045
Total adjustments	<u>210,519</u>	<u>146,126</u>
Net cash provided by operating activities	<u>\$ 379,496</u>	<u>\$ 194,330</u>

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

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2007 and 2006**

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**Note A. Summary of significant accounting policies**

**1. Nature of business**

Dunthorpe-Riverdale Service District No. 1 (the District) was organized in 1964 under the provisions of Oregon Revised Statutes (ORS) Chapter 451 to finance the construction and operation of sanitary sewer systems in the southwest unincorporated area of Multnomah County (the County), bordering the Willamette River and a small portion of northern Clackamas County. The Multnomah County Board of Commissioners is the governing body of the District, as provided for by ORS 451.485.

Dunthorpe-Riverdale 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.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2007 and 2006**

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**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.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2007 and 2006**

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**Note A. Summary of significant accounting policies – continued**

**4. Receivables and payables**

The District's receivables are sewer user assessments which are collected through the County's property tax system. The District's payables are all monthly utility charges to the City of Portland for sewage treatment. 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 consist of sewer lines and pumping facilities and are stated at historical cost or estimated historical cost at time of acquisition, or fair value on date donated 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 of the related assets, which are 50 years for sewer lines and pumping facilities.

**6. Intergovernmental agreements**

The City of Portland provides sewer line and pump maintenance, transportation and sewage treatment for the District.

**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.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2007 and 2006**

**Note B. Stewardship, compliance, and accountability**

**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 \$585,826 and \$254,400, respectively.

**2. Receivables**

	June 30,	
	2007	2006
Special assessments:		
Sewer user assessments	\$ 22,259	\$ 19,438
Allowance for doubtful accounts	(2,150)	(2,470)
Total special assessments	20,109	16,968
Accounts:		
Receivables from pump maintenance	17,963	2,460
Receivables from foreclosures	66	40
Total accounts	18,029	2,500
Total Receivables	\$ 38,138	\$ 19,468

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.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2007 and 2006**

**Note C. Detailed notes on the Fund - continued**

**3. Capital assets**

Capital assets are summarized as follows:

	June 30,	
	2007	2006
Sewer system at beginning of year	\$ 2,582,137	\$ 2,179,441
Additions	472,632	402,696
Total capital assets at end of year	3,054,769	2,582,137
Accumulated depreciation	(1,174,598)	(1,118,229)
Investment in capital assets	\$ 1,880,171	\$ 1,463,908

**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 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.

**5. Long-term debt**

Loans Payable

The District has entered into a loan with the primary government for the purpose of making capital improvements. The loan obligations outstanding at year-end are as follows:

Purpose	Interest Rates	Amount
Business-type activities	5.75%	\$400,000

Annual debt service requirements to maturity for long-term loans outstanding at year-end are as follows:

Year Ending June 30	Principal	Interest
2008	\$ 71,314	\$ 23,000
2009	75,415	18,899
2010	79,751	14,563
2011	84,337	9,977
2012	89,183	5,131
Total	\$ 400,000	\$ 71,570

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2007 and 2006**

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**Note C. Detailed notes on the Fund - continued**

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2007 was as follows:

Business-type Activities	Beginning Balance	Additions	Adjustments & Reductions	Ending Balance	Due Within One Year
Loans Payable	\$ -	\$ 400,000	\$ -	\$400,000	\$ 71,314

**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, the 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.

**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 year-end June 30, 2007 the District received an advance from the County's Risk Management Fund to assist with necessary capital improvements. The District is committed to repay the advance to the County's Risk Management Fund over the next five years beginning in fiscal year 2008. The terms of the agreement require annual payments of \$94,314 which includes both principal and 5.75% interest.

This past year the District requested the City of Portland to develop a Sanitary System Facilities Plan to help guide the District in making sound decisions for future management and improvement of the sanitary sewer system. The primary objective of the Plan is to evaluate the condition of the existing sanitary system, evaluate the capacity requirements of the system, and to project capital improvements to be included in the next 20 year planning horizon.

**SUPPLEMENTARY INFORMATION**

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**

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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:

- Special assessment and property tax 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.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**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**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Assessments - sewer:				
Current	\$ 530,500	\$ 530,500	\$ 534,698	\$ 4,198
Prior	-	-	9,136	9,136
Charges for services	2,500	2,500	28,930	26,430
Interest	10,000	10,000	24,562	14,562
Other	-	-	66	66
Total revenues	<u>543,000</u>	<u>543,000</u>	<u>597,392</u>	<u>54,392</u>
<b>EXPENDITURES</b>				
Community services	<u>943,000</u>	<u>943,000</u>	<u>821,831</u>	<u>121,169</u>
Deficiency of revenues under expenditures	<u>(400,000)</u>	<u>(400,000)</u>	<u>(224,439)</u>	<u>(66,777)</u>
<b>OTHER FINANCING SOURCES</b>				
Issuance of debt	<u>200,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total other financing source	<u>200,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Contingency	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>
Net change in fund balances	<u>(225,000)</u>	<u>(25,000)</u>	<u>175,561</u>	<u>200,561</u>
Fund balances - beginning	<u>225,000</u>	<u>25,000</u>	<u>51,518</u>	<u>26,518</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>227,079</u>	<u>\$ 227,079</u>
Reconciliation to GAAP basis:				
Invested in capital assets			1,480,171	
Deferred revenue on property taxes			17,558	
Allowance for uncollectible accounts, assessments			<u>(2,150)</u>	
Net Assets as reported on the Statement of Revenues, Expenses and Changes in Fund Net Assets, page 7			<u>\$ 1,722,658</u>	

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Schedules of Special Assessment Transactions**  
**For the Year Ended June 30, 2007**

	<b>Amounts Uncollected June 30, 2006</b>	<b>Levy/ Assessments as Extended by Assessor</b>	<b>Discounts Allowed</b>	<b>Interest Received</b>	<b>Cancellations and Adjustments</b>	<b>Interest and Tax/ Assessment Collections</b>	<b>Amounts Uncollected June 30, 2007</b>
<b>General Fund Special Assessment</b>							
2006-2007	\$ -	\$ 559,967	\$ (13,778)	\$ 287	\$ (1,406)	\$ (530,282)	\$ 14,788
2005-2006	12,677	-	13	513	(738)	(7,971)	4,494
2004-2005	3,934	-	4	345	(197)	(2,162)	1,924
2003-2004	1,762	-	1	294	(118)	(1,294)	645
2002-2003	578	-	1	124	(58)	(515)	130
2001-2002	159	-	-	7	(40)	(49)	77
2000-2001	128	-	-	37	(28)	(95)	42
1999-2000	46	-	-	5	(10)	(12)	29
1998-1999	31	-	-	4	(5)	(10)	20
1997-1998 and prior years	123	-	-	10	(5)	(18)	110
	<u>\$ 19,438</u>	<u>\$ 559,967</u>	<u>\$ (13,759)</u>	<u>\$ 1,626</u>	<u>\$ (2,605)</u>	<u>\$ (542,408)</u>	<u>\$ 22,259</u>

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Schedules of Special Assessment Transactions**  
**For the Year Ended June 30, 2006**

	<u>Amounts Uncollected June 30, 2005</u>	<u>Levy/ Assessments as Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Interest Received</u>	<u>Cancellations and Adjustments</u>	<u>Interest and Tax/ Assessment Collections</u>	<u>Amounts Uncollected June 30, 2006</u>
<b>General Fund Special Assessment</b>							
2005-2006	\$ -	\$ 464,007	\$ (11,371)	\$ 281	\$ (2,076)	\$ (438,164)	\$ 12,677
2004-2005	11,980	-	22	501	(1,333)	(7,236)	3,934
2003-2004	3,750	-	15	299	(587)	(1,715)	1,762
2002-2003	1,535	-	8	222	(300)	(887)	578
2001-2002	660	-	4	142	(12)	(635)	159
2000-2001	196	-	-	16	1	(85)	128
1999-2000	79	-	-	21	(3)	(51)	46
1998-1999	38	-	-	4	(1)	(10)	31
1997-1998	46	-	-	4	(1)	(8)	41
1996-1997 and prior years	97	-	-	15	(3)	(27)	82
	<u>\$ 18,381</u>	<u>\$ 464,007</u>	<u>\$ (11,322)</u>	<u>\$ 1,505</u>	<u>\$ (4,315)</u>	<u>\$ (448,818)</u>	<u>\$ 19,438</u>

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**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**

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	<b>Years Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>Revenues, per Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:</b>		
Current year assessments - sewer	\$ 534,698	\$ 440,167
Prior year assessments - sewer	9,136	6,848
Sixty day tax/assessment accrual, net	(1,426)	243
Other - overpayment refund	-	1,560
<b>Interest and Tax/Assessment Collections, per Schedule of Special Assessment Transactions</b>	<b>\$ 542,408</b>	<b>\$ 448,818</b>

**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  
Dunthorpe-Riverdale Service District No. 1

We have audited the financial statements of the Dunthorpe-Riverdale Service District No. 1 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.



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

November 21, 2007