

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

**Financial Statements and Reports of
Independent Auditors**

For the Fiscal Years Ended June 30, 2014 and 2013



Prepared by:
Department of County Management
Joseph Mark Campbell, Chief Financial Officer
501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214

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

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

BOARD OF COUNTY COMMISSIONERS* AS OF JUNE 30, 2014
501 SE Hawthorne Blvd, 6th floor
Portland, Oregon 97214

Term Expires

Deborah Kafoury, Chair of the Board	December 31, 2018
Jules Bailey, Commissioner District 1	December 31, 2018
Loretta Smith, Commissioner District 2	December 31, 2018
Judy Shiprack, Commissioner District 3	December 31, 2016
Diane McKeel, Commissioner District 4	December 31, 2016

REGISTERED AGENT

Joseph Mark Campbell

REGISTERED OFFICE

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

* Governing body of Dunthorpe-Riverdale Service District No. 1 reported on herein.

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 3, 2014

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, 2014 and 2013. 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 with the sewer lines being 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 16-17 for the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.

FACTORS AFFECTING FINANCIAL CONDITION

The District consists of approximately 595 households at June 30, 2014, including 19 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.

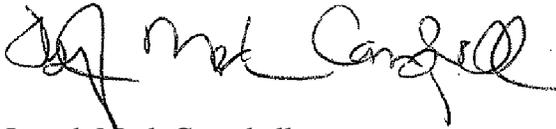
Over the last 5 years the District has increased monthly per household rates 14% from \$114 in 2010 to \$130 in 2014 to cover rising costs and provide for necessary capital improvements. The rate changes have resulted in overall operating gains and increases in net position. The District continues to maintain a strong net working capital position, with an increase in the current fiscal year primarily due to increased user rate revenue. The following is summarized key financial data from current and prior years' financial statements:

	Year Ended June 30,				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenue	\$ 876,926	\$ 852,571	\$ 837,554	\$ 816,245	\$ 809,012
Depreciation expense	75,624	75,623	73,198	67,530	64,288
Operating income	303,450	298,124	330,435	331,729	307,263
Change in net position	309,678	303,767	335,978	339,916	366,331
Net working capital	1,521,665	1,236,740	908,720	764,707	465,395
Total assets	3,820,569	3,622,644	3,673,919	2,964,342	2,818,956
Total net position	3,820,569	3,510,891	3,207,124	2,871,146	2,531,230

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, appearing to read "Joseph Mark Campbell". The signature is fluid and cursive, with a large initial "J" and "M".

Joseph Mark Campbell
Chief Financial Officer

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

The Board of County Commissions
Dunthorpe-Riverdale Service District No. 1

Report on the Financial Statements

We have audited the accompanying financial statements of the Dunthorpe-Riverdale District No. 1 ("the District"), a component unit of Multnomah County, Oregon as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Dunthorpe-Riverdale District No. 1 as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MOSS ADAMS_{LLP}

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section (Board of County Commissioners and transmittal letter) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014 on our consideration of the Dunthorpe-Riverdale District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

MOSS-ADAMS_{LLP}

provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dunthorpe-Riverdale District No. 1's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 18, 2014 on our consideration of the Dunthorpe-Riverdale Service District No. 1's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Eugene, Oregon
December 18, 2014

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 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, 2014. 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 ii-iv of this report.

Financial Highlights

- Dunthorpe-Riverdale's assets exceeded its liabilities at June 30, 2014, by \$3,820,569. Of this amount, \$1,521,665 is unrestricted and \$2,298,904 is for net investment in capital assets. This positive amount, from increased monthly user fees, represents an excess raised for future pump station repairs and improvements.
- The District's total net position increased by \$309,678 in fiscal year 2014 compared to a \$303,767 increase in fiscal year 2013. The overall increase is primarily due to the increases in monthly per household customer sewer user assessment fees. The monthly per household rate was \$122 in fiscal year 2012, \$125 in fiscal year 2013, and \$130 in fiscal year 2014. The user fee increases were necessary to assist with rising utility costs and required capital improvements over the last three fiscal years.
- Interest revenue was \$6,228 for fiscal year 2014 compared to \$5,643 for fiscal year 2013. As in 2013, the current year increase is due to higher cash balances of unspent user fees throughout the fiscal.
- The District expended \$100,377 on capital improvements, all were dedicated for the Riverview and Elk Rock pump stations in fiscal year 2014 as compared to \$51,370 in fiscal year 2013. These improvements are recorded in construction in progress in fiscal year 2014. In 2014, \$700,000 was budgeted for capital improvements of which only 14.3% (\$100,377) was expended. Due to delays, the majority of budgeted funds will be expended in fiscal year 2015 and 2016.

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.

Enterprise funds. Dunthorpe-Riverdale is accounted for as an enterprise fund. 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 \$125 to \$130 per month per household and generated \$876,926 of revenue. Current sewer assessments are intended to meet anticipated treatment, maintenance and capital requirements for the upcoming year.

The basic enterprise fund financial statements can be found on pages 8-10 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 11-15 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 16-19 of this report.

Financial Analysis of the District

Net position may serve over time as a useful indicator of a government's financial condition. As noted earlier, Dunthorpe-Riverdale's total assets exceeded liabilities by \$3,820,569 at the close of the most recent fiscal year, an increase of \$309,678 over the prior year. At June 30, 2014, the District's largest portion of net position, \$2,298,904 or 60%, is net investment in capital assets. The investment in capital assets represents the District's sanitary sewer system. The District uses these capital assets to provide services to its member households; consequently, these assets are not available for future spending.

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

	2014	2013	2012
Current assets	\$ 1,521,665	\$ 1,348,493	\$ 1,375,515
Capital assets, net	2,298,904	2,274,151	2,298,404
Total assets	<u>3,820,569</u>	<u>3,622,644</u>	<u>3,673,919</u>
Current liabilities	-	111,753	466,795
Total liabilities	<u>-</u>	<u>111,753</u>	<u>466,795</u>
Net position:			
Net investment in capital assets	2,298,904	2,274,151	2,298,404
Unrestricted	<u>1,521,665</u>	<u>1,236,740</u>	<u>908,720</u>
Total net position	<u>\$ 3,820,569</u>	<u>\$ 3,510,891</u>	<u>\$ 3,207,124</u>

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

	2014	2013	2012
Revenues			
Operating revenues:			
Charges for services	\$ 876,926	\$ 852,571	\$ 837,554
Non-operating revenues:			
Investment earnings	6,228	5,643	5,543
Total revenues	<u>883,154</u>	<u>858,214</u>	<u>843,097</u>
Expenses			
Operating expenses:			
District operating expenses	573,476	554,447	507,119
Total expenses	<u>573,476</u>	<u>554,447</u>	<u>507,119</u>
Increase in net position	\$ 309,678	\$ 303,767	\$ 335,978
Beginning fund net position	<u>3,510,891</u>	<u>3,207,124</u>	<u>2,871,146</u>
Ending fund net position	<u>\$ 3,820,569</u>	<u>\$ 3,510,891</u>	<u>\$ 3,207,124</u>

The District's fund net position increased by \$309,678 during the current fiscal year compared to an increase of \$303,767 in fiscal year 2013 and an increase of \$335,978 in fiscal year 2012. The primary reasons for the increases in fund position from fiscal years 2012 through 2014 are:

- Ongoing capital improvements to the Tryon Creek, Riverview and Elk Rock pump stations have increased construction in progress from \$73,956 in 2013 to \$174,333 in 2014.
- Operating revenues over the past three years have risen significantly as the monthly service charge has increased from \$122 per household to \$130 per household. The rate increases were to meet the rising utility costs and capital improvements over the past three fiscal years.
- Interest earnings are slowly increasing as interest rates rebound from the decline in 2008. In fiscal years 2012, 2013 and 2014 interest increased 60.3%, 1.8% and 10.4% respectively.

Budgetary highlights. Total budgeted expenditures for the District were \$1,219,000 in fiscal year 2014 compared to actual expenditures of \$603,201. Actual expenditures were under budget by \$615,799. The primary reason for this includes:

- Capital expenditures had a budget of \$700,000 to complete the improvements to the Elk Rock pump station, respond to critical maintenance projects and start the construction of the Riverview Pressure Main Replacement project. Total capital expenditures for fiscal year 2014 were only \$100,377, bringing total capital outlay for this project to \$174,333 as of June 30, 2014. The Riverview project will continue construction through fiscal years 2015 and 2016.

Budget Information for Next Year

The District's current assessment rate is \$130 per household per month. For fiscal year 2015 the District budget committee plans no change to the rate. The rate should provide the District with necessary operating resources to meet treatment, maintenance, and capital requirements for the period. The District's total adopted fiscal year 2015 budget is \$2,307,000. The District will continue to build the unrestricted fund balance of \$1,521,665, intended to support the District's capital program. This includes the Riverview Pressure Main Replacement project mentioned above and addresses the pumping capacity at the Tryon Creek pump station in the future.

Capital assets. The District's investment in capital assets as of June 30, 2014 amounts to \$2,298,904. 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 \$24,753 or 1.1%. This includes current year capital additions of \$100,377 and depreciation of \$75,624. Additional information on the District's capital assets can be found in notes A.5 and C.3 on pages 12, 14 and 15 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
Statements of Net Position

	June 30,	
	2014	2013
ASSETS		
Current assets:		
Cash and investments	\$ 1,469,053	\$ 1,286,092
Receivables (net of allowance for uncollectibles):		
Accounts	277	13,314
Special assessments	52,335	49,087
Total current assets	1,521,665	1,348,493
Construction in progress	174,333	73,956
Capital assets	3,781,168	3,781,168
Accumulated depreciation	(1,656,597)	(1,580,973)
Total assets	3,820,569	3,622,644
LIABILITIES		
Current liabilities:		
Accounts payable		111,753
Total current liabilities	-	111,753
NET POSITION		
Net investment in capital assets	2,298,904	2,274,151
Unrestricted	1,521,665	1,236,740
Total net position	\$ 3,820,569	\$ 3,510,891

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
Statements of Revenues, Expenses and Changes in Fund Net Position

	Years Ended June 30,	
	2014	2013
OPERATING REVENUES		
Sewer user assessments	\$ 876,926	\$ 852,571
OPERATING EXPENSES		
Cost of sales and services	463,899	448,522
Administration	33,953	30,302
Depreciation	75,624	75,623
Total operating expenses	573,476	554,447
Operating income	303,450	298,124
NONOPERATING REVENUES		
Interest revenue	6,228	5,643
Total nonoperating revenues	6,228	5,643
Change in net position	309,678	303,767
Total net position - beginning	3,510,891	3,207,124
Total net position - ending	3,820,569	\$ 3,510,891

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
Statements of Cash Flows

	Years Ended June 30,	
	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 887,184	\$ 851,258
Payments to suppliers	(589,807)	(816,805)
Payments to County employees	(20,267)	(16,871)
Internal activity	-	(15)
Net cash provided by operating activities	<u>277,110</u>	<u>17,567</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(100,377)	(51,370)
Net cash used by capital and related financing activities	<u>(100,377)</u>	<u>(51,370)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	6,228	5,643
Net cash provided by investing activities	<u>6,228</u>	<u>5,643</u>
Net increase (decrease) in cash and investments	182,961	(28,160)
Balances at beginning of the year	1,286,092	1,314,252
Balances at end of the year	<u><u>1,469,053</u></u>	<u><u>\$ 1,286,092</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 303,450	\$ 298,124
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	75,624	75,623
Changes in assets and liabilities:		
Receivables, net	9,789	(1,138)
Accounts payable	(111,753)	(355,042)
Total adjustments	<u>(26,340)</u>	<u>(280,557)</u>
Net cash provided by operating activities	<u><u>\$ 277,110</u></u>	<u><u>\$ 17,567</u></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, 2014 and 2013

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 management of the District is handled by County management. 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 Position.

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise 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 non-operating revenues and expenses.

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.

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.

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2014 and 2013

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.

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

The District's capital asset is a sewer system consisting of sewer lines and pumping facilities and is stated at historical cost at time of acquisition, or fair value on date donated for donated assets. Sewer system assets with a cost greater than \$10,000 are capitalized. Sewer system assets are depreciated on the straight-line method with an estimated useful life of 50 years for sewer lines and pumping facilities. 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.

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2014 and 2013

6. Net position

Net position is reported on the Statement of Net Position. Within net position, the net investment in capital assets represents total capital assets less accumulated depreciation. The District does not report any external debt directly related to its capital assets. The remaining net position of the District is unrestricted.

7. Intergovernmental agreements

The City of Portland provides sewer line and pump maintenance, transportation and sewage treatment for the District. In fiscal year 2007 the District requested that the City of Portland 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.

In fiscal year 2010 the District initiated an IGA with the City of Portland and Riverdale School District to share the capital and maintenance costs of a partial bypass from the Elk Rock pump station to the Tryon basin. The bypass was installed along the edge of the Riverdale Elementary School property. The project will prolong the useful life of the Elk Rock pump station and delay the necessary capacity improvement within the next 20 years. The project was completed with the final billing early in fiscal year 2011.

8. 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.

Note B. Stewardship, compliance, and accountability

Budgets

The District's budget is prepared and adopted in accordance with Oregon local budget law. Certain adjustments are necessary to reconcile from the budgetary basis to the US GAAP basis. 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

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2014 and 2013

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 position 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, 2014 and 2013 the District's share of the County's cash and investment pool totaled \$1,469,053 and \$1,286,092 respectively.

2. Receivables

	June 30,	
	2014	2013
Special assessments:		
Sewer user assessments	\$ 54,367	\$ 50,587
Allowance for doubtful accounts	(2,032)	(2,500)
Total special assessments	52,335	49,087
Accounts:		
Receivables from pump maintenance	277	13,314
Total Receivables	\$ 52,612	\$ 62,401

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.

3. Capital assets

Capital asset activity for the District for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer system	\$ 3,855,124	\$ 100,377	\$ -	\$ 3,955,501
Accumulated depreciation	(1,580,973)	(75,624)	-	(1,656,597)
Sewer system assets, net	\$ 2,274,151	\$ (24,753)	\$ -	\$ 2,298,904

Capital asset activity for the District for the year ended June 30, 2013 was as follows:

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
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Notes to Basic Financial Statements
June 30, 2014 and 2013

Capital asset activity for the District for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer system	\$ 3,803,754	\$ 51,370	\$ -	\$ 3,855,124
Accumulated depreciation	(1,505,350)	(75,623)	-	(1,580,973)
Sewer system assets, net	<u>\$ 2,298,404</u>	<u>\$ (24,253)</u>	<u>\$ -</u>	<u>\$ 2,274,151</u>

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 \$8,204 and \$7,778 for fiscal 2014 and 2013, respectively, and are included in the financial statement line item for Administration on the Statement of Revenues, Expenses and Changes in Fund Net Position.

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, 2014, interfund premiums exceeded reimbursable expenditures. Settlements have not exceeded the District's coverage balance 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.

SUPPLEMENTARY INFORMATION

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1

**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:

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

MULTNOMAH COUNTY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Dunthorpe-Riverdale Service District No. 1 Fund
For the Year Ended June 30, 2014
(amounts expressed in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Assessments - sewer:				
Current	\$ 856,000	\$ 856,000	\$ 860,430	\$ 4,430
Prior	10,500	10,500	14,244	3,744
Assessments - other	-	-	729	729
Charges for services	2,500	2,500	1,526	(974)
Interest	5,500	5,500	6,228	728
Total revenues	<u>874,500</u>	<u>874,500</u>	<u>883,157</u>	<u>8,657</u>
EXPENDITURES				
Community services	<u>1,219,000</u>	<u>1,219,000</u>	<u>603,201</u>	<u>615,799</u>
Excess (deficiency) of revenues over (under) expenditures	(344,500)	(344,500)	279,956	624,456
Contingency	<u>(50,000)</u>	<u>(50,000)</u>	-	50,000
Net change in fund balances	(394,500)	(394,500)	279,956	674,456
Fund balances - beginning	<u>1,007,700</u>	<u>1,007,700</u>	<u>1,195,854</u>	<u>188,154</u>
Fund balances - ending	<u>\$ 613,200</u>	<u>\$ 613,200</u>	<u>1,475,810</u>	<u>\$ 862,610</u>
Reconciliation to GAAP basis:				
Net investment in capital assets			2,298,904	
Deferred revenue on assessments			47,887	
Allowance for uncollectible accounts, assessments			<u>(2,032)</u>	
Net position as reported on the Statement of Revenues, Expenses and Changes in Fund Net Position, page 9			<u>\$ 3,820,569</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, 2014							
Amounts Uncollected June 30, 2013	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2014	
General Fund Special Assessment							
2013-2014	\$ -	\$ 902,556	\$ (23,102)	\$ 341	\$ (2,233)	\$ (855,153)	\$ 22,409
2012-2013	23,306	N/A	18	792	(837)	(10,327)	12,952
2011-2012	14,026	N/A	1	809	(232)	(4,454)	10,150
2010-2011	8,326	N/A	1	1,144	(86)	(4,387)	4,998
2009-2010	5,039	N/A	-	727	(66)	(2,459)	3,241
2008-2009	396	N/A	-	71	(37)	(195)	235
2007-2008	164	N/A	-	34	(15)	(82)	101
2006-2007	80	N/A	-	6	(5)	(13)	68
2005-2006	53	N/A	-	3	(3)	(6)	47
2004-2005 and prior years	197	N/A	-	28	(10)	(49)	166
	<u>\$ 51,587</u>	<u>\$ 902,556</u>	<u>\$ (23,082)</u>	<u>\$ 3,955</u>	<u>\$ (3,524)</u>	<u>\$ (877,125)</u>	<u>\$ 54,367</u>

For the Year Ended June 30, 2013							
Amounts Uncollected June 30, 2012	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2013	
General Fund Special Assessment							
2012-2013	\$ -	\$ 850,975	\$ (21,595)	\$ 349	\$ (2,796)	\$ (803,627)	\$ 23,306
2011-2012	25,724	N/A	23	862	(1,201)	(11,382)	14,026
2010-2011	12,998	N/A	7	924	(336)	(5,267)	8,326
2009-2010	8,430	N/A	1	1,154	(107)	(4,439)	5,039
2008-2009	2,179	N/A	1	733	(80)	(2,437)	396
2007-2008	351	N/A	1	99	(47)	(240)	164
2006-2007	134	N/A	-	31	(10)	(75)	80
2005-2006	63	N/A	-	7	(2)	(15)	53
2004-2005	84	N/A	-	5	(35)	(12)	42
2003-2004 and prior years	289	N/A	-	19	(122)	(31)	155
	<u>\$ 50,252</u>	<u>\$ 850,975</u>	<u>\$ (21,562)</u>	<u>\$ 4,183</u>	<u>\$ (4,736)</u>	<u>\$ (827,525)</u>	<u>\$ 51,587</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, 2014 and 2013

	Years Ended June 30,	
	2014	2013
Revenues, per Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
Current year assessments - sewer	\$ 860,430	\$ 807,167
Prior year assessments - sewer	14,244	20,039
Tax title land sales	568	1,000
Assessment accrual, sixty day tax, net	1,451	157
Tax title accrual, sixty day tax, net	432	(838)
 Interest and Tax/Assessment Collections, per Schedule of Special Assessment Transactions, see page 18		
	\$ 877,125	\$ 827,525

**REPORTS OF INDEPENDENT AUDITORS
REQUIRED BY STATE STATUTES**

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER
 FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
 ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
 WITH OREGON MINIMUM AUDIT STANDARDS**

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

We have audited the basic financial statements of Dunthorpe-Riverdale Service District No. 1 (the "District") as of and for the year ended June 30, 2014 and have issued our report thereon dated December 18, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the 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 basic financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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.

OAR	Title	Instances of Non-Compliance Identified?
162-010-0230	Accounting Records and Internal Control	None Noted
162-010-0240	Public Fund Deposits	None Noted
162-010-0250	Indebtedness	Not Applicable
162-010-0260	Budget	None Noted
162-010-0270	Insurance and Fidelity Bonds	None Noted
162-010-0280	Programs Funded from Outside Sources	Not Applicable
162-010-0295	Highway Funds	Not Applicable
162-010-0300	Investments	None Noted
162-010-0310	Public Contracts and Purchasing	None Noted
162-010-0315	State School Fund	Not Applicable
162-010-0316	Public Charter Schools	Not Applicable
162-010-0320	Other Comments and Disclosures	None Noted

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

MOSS ADAMS LLP**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James C. Lanzarotta, Partner
For Moss Adams LLP
Certified Public Accountants
Eugene, Oregon
December 18, 2014

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

The Board of County Commissioners
Multnomah County, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Dunthorpe-Riverdale Service District No. 1, (the District), a Component Unit of Multnomah County, Oregon, as of and for the years ended June 30, 2014 and June 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

MOSS-ADAMS_{LLP}

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams, LLP

Eugene, Oregon
December 18, 2014