

**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, 2016 and 2015



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

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DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
(A component unit of Multnomah County, Oregon)
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INTRODUCTORY SECTION

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Department of County Management

MULTNOMAH COUNTY OREGON

501 SE Hawthorne Blvd, Suite 531

Portland, Oregon 97214

(503) 988-3786 phone

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December 21, 2016

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, 2016 and 2015. 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 the MD&A and should be read in conjunction with it. The District'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 Chapter 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 19-20 for the *Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual*.

FACTORS AFFECTING FINANCIAL CONDITION

The District consists of approximately 569 households at June 30, 2016, 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 6.6 percent from \$122 in 2012 to \$130 in 2016 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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenue	\$ 898,641	\$ 900,304	\$ 876,926	\$ 852,571	\$ 837,554
Depreciation expense	75,623	75,623	75,624	75,623	73,198
Operating income	292,049	278,428	303,450	298,124	330,435
Change in net position	300,650	286,341	309,678	303,767	335,978
Net working capital	928,800	1,598,211	1,521,665	1,236,740	908,720
Total assets	4,752,765	4,116,468	3,820,569	3,622,644	3,673,919
Total net position	4,407,560	4,106,910	3,820,569	3,510,891	3,207,124

AWARDS AND ACKNOWLEDGEMENTS

I would like to acknowledge the help of the Finance & Risk Management Division staff, who contributed in the preparation of this report. I also want to thank the staff in the Department of Community Services for their contributions during the year.

Respectfully submitted,



Joseph Mark Campbell
Chief Financial Officer

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
(A component unit of Multnomah County, Oregon)
Principal Officers

BOARD OF COUNTY COMMISSIONERS* AS OF JUNE 30, 2016

501 SE Hawthorne Blvd, 6th floor
Portland, Oregon 97214

Title	Name	Term Expires
Chair of Board	Deborah Kafoury 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2018
Commissioner - District No. 1	Jules Bailey 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2018
Commissioner - District No. 2	Loretta Smith 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2018
Commissioner - District No. 3	Judy Shiprack 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2016
Commissioner - District No. 4	Diane McKeel 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2016

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

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of Dunthorpe-Riverdale District No. 1 ("the District"), a component unit of Multnomah County, Oregon, as of and for the years ended June 30, 2016 and 2015, 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 audits. We conducted our audits 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.

MOSS ADAMS_{LLP}

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, 2016 (and 2015), 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.

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 7 through 10 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 schedule of revenues, expenses, and changes in fund net position – budget and actual, schedules of special assessment transactions, and reconciliation of budgetary revenues to interest and tax/ assessment collections (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.

MOSS ADAMS LLP*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) is presented for purposes of additional analysis and is 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 21, 2016 on our consideration of 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 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 21, 2016 on our consideration of Dunthorpe-Riverdale 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.



James C. Lanzarotta, Partner
On behalf of Moss Adams LLP
Certified Public Accountants
Eugene, Oregon
December 21, 2016

Department of County Management

MULTNOMAH COUNTY OREGON

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MANAGEMENT DISCUSSION AND ANALYSIS

As management of Dunthorpe-Riverdale Service District No. 1 (the District), 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, 2016. 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 1-2 of this report.

Financial Highlights

- The District's assets exceeded its liabilities at June 30, 2016, by \$4,407,560. Of this amount, \$928,800 is unrestricted and \$3,478,760 represents net investment in capital assets. This positive amount represents an excess raised for future pump station repairs and improvements.
- The District's total net position increased by \$300,650 in fiscal year 2016 compared to a \$286,341 increase in fiscal year 2015. The overall change 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, \$130 in fiscal year 2014, and remained unchanged at \$130 in fiscal years 2015 and 2016. The user fee increases were necessary to assist with rising utility costs and required capital improvements.
- Interest revenue was \$8,601 for fiscal year 2016 compared to \$7,913 for fiscal year 2015. As in 2015, the current year increase is due to higher cash balances of unspent user fees throughout the fiscal year.
- The District budgeted \$1,125,000 and expended \$1,045,684 on project improvements in fiscal year 2016. In fiscal year 2016, all project improvements were dedicated for the Riverview project and miscellaneous pipe repairs as compared to \$285,418 during fiscal year 2015. In 2015, \$850,000 was budgeted for capital improvements; of which, only 33.6 percent, or \$285,418, was expended due to delays.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include: 1) fund financial statements, and 2) notes to the financial statements. This report also contains 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. The District 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 projects that it collects fees necessary to prudently operate.

In the current year the fees remained the same, \$130 per month per household, and generated \$886,713 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 11-18 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 14-18 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 19-22 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, the District's total assets exceeded liabilities by \$4,407,560 at the close of the most recent fiscal year, an increase of \$300,650 over the prior year. At June 30, 2016, the District's largest portion of net position, \$3,478,760 or 78.9 percent, 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 Service District No. 1
Net Position
June 30,

	2016	2015	2014
Current assets	\$ 1,274,005	\$ 1,607,769	\$ 1,521,665
Capital assets, net	3,478,760	2,508,699	2,298,904
Total assets	<u>4,752,765</u>	<u>4,116,468</u>	<u>3,820,569</u>
Current liabilities	345,205	9,558	-
Total liabilities	<u>345,205</u>	<u>9,558</u>	<u>-</u>
Net position:			
Net investment in capital assets	3,478,760	2,508,699	2,298,904
Unrestricted	928,800	1,598,211	1,521,665
Total net position	<u>\$ 4,407,560</u>	<u>\$ 4,106,910</u>	<u>\$ 3,820,569</u>

Dunthorpe-Riverdale Service District No. 1
Changes in Fund Net Position
For the Year Ended June 30,

	2016	2015	2014
Revenues			
Operating revenues:			
Sewer assessments	\$ 886,713	\$ 881,403	\$ 876,358
Charges for services	9,428	11,401	-
Miscellaneous	2,500	7,500	568
Non-operating revenues:			
Investment earnings	8,601	7,913	6,228
Total revenues	<u>907,242</u>	<u>908,217</u>	<u>883,154</u>
Expenses			
Operating expenses:			
District operating expenses	606,592	621,876	573,476
Total expenses	<u>606,592</u>	<u>621,876</u>	<u>573,476</u>
Increase in net position	\$ 300,650	\$ 286,341	\$ 309,678
Beginning fund net position	4,106,910	3,820,569	3,207,124
Ending fund net position	<u>\$ 4,407,560</u>	<u>\$ 4,106,910</u>	<u>\$ 3,516,802</u>

The District's fund net position increased by \$300,650 during the current fiscal year compared to an increase of \$286,341 in fiscal year 2015 and an increase of \$309,678 in fiscal year 2014. The primary reasons for the increases in fund position from fiscal years 2014 through 2016 are:

- Ongoing capital improvements to the Tryon Creek, Riverview and Elk Rock pump station and miscellaneous pipe repairs have increased construction in progress from \$459,751 in 2015 to \$1,505,435 in 2016.

- Operating revenues over the past four years have risen 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 four fiscal years.
- Interest earnings are slowly increasing as interest rates rebound from the decline in 2008. In fiscal years 2014, 2015 and 2016 interest increased 10.4 percent, 27.1 and 8.7 percent respectively.

Budgetary highlights. Total budgeted expenditures for the District were \$1,730,000 in fiscal year 2016 compared to actual expenditures of \$1,576,936. Actual expenditures were under budget by \$153,064. The primary reason for this includes:

- The District completed the Riverview Force Main project late in fiscal year 2016. This will be capitalized in fiscal year 2017 once all invoices have been received. Total capital expenditures for fiscal year 2016 were \$1,045,684, bringing total construction in progress for this project to \$1,505,435 as of June 30, 2016.

Budget Information for Next Year

For fiscal year 2017 the District budget committee proposed to lower the current assessment rate from \$130 per individual household per month connection to \$105 per month. The proposed 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 2017 budget is \$1,584,500. The District will continue to build the unrestricted fund balance of \$928,800, intended to support the District's capital program and ongoing repairs and maintenance.

Capital assets. The District's investment in capital assets as of June 30, 2016 amounts to \$3,478,760. 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 \$970,061 or 38.7 percent. This includes current year capital additions of \$1,045,684 and depreciation of \$75,623. Additional information on the District's capital assets can be found in Note III.C. on pages 17-18 of this report.

Requests for Information

This financial report is designed to provide a general overview of the District'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,	
	2016	2015
ASSETS		
Current assets:		
Cash and investments	\$ 1,217,401	\$ 1,553,441
Receivables:		
Accounts, net	584	461
Special assessments, net	56,020	53,867
Total current assets	1,274,005	1,607,769
Noncurrent assets:		
Capital assets:		
Construction in progress	1,505,435	459,751
Other capital assets (net of accumulated depreciation)	1,973,325	2,048,948
Total noncurrent assets	3,478,760	2,508,699
Total assets	4,752,765	4,116,468
LIABILITIES		
Current liabilities:		
Accounts payable	345,205	9,558
Total liabilities	345,205	9,558
NET POSITION		
Net investment in capital assets	3,478,760	2,508,699
Unrestricted	928,800	1,598,211
Total net position	\$ 4,407,560	\$ 4,106,910

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,	
	2016	2015
OPERATING REVENUES		
Sewer user assessments, current	\$ 873,616	\$ 867,416
Sewer user assessments, prior	13,097	13,987
Charges for services	9,428	11,401
Miscellaneous	2,500	7,500
Total operating revenues	<u>898,641</u>	<u>900,304</u>
OPERATING EXPENSES		
Cost of sales and services	512,426	523,328
Administration	18,543	22,925
Depreciation	75,623	75,623
Total operating expenses	<u>606,592</u>	<u>621,876</u>
Operating income	<u>292,049</u>	<u>278,428</u>
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	8,601	7,913
Total nonoperating revenues	<u>8,601</u>	<u>7,913</u>
Change in net position	300,650	286,341
Total net position - beginning	<u>4,106,910</u>	<u>3,820,569</u>
Total net position - ending	<u>\$ 4,407,560</u>	<u>\$ 4,106,910</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)
Statements of Cash Flows

	<u>Years Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 896,148	\$ 898,621
Payments to suppliers	(191,715)	(505,523)
Payments to County employees	(3,390)	(31,205)
Net cash provided by operating activities	<u>701,043</u>	<u>361,893</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(1,045,684)	(285,418)
Net cash used by capital and related financing activities	<u>(1,045,684)</u>	<u>(285,418)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	8,601	7,913
Net cash provided by investing activities	<u>8,601</u>	<u>7,913</u>
Net increase in cash and investments	(336,040)	84,388
Balances at beginning of the year	1,553,441	1,469,053
Balances at end of the year	<u>\$ 1,217,401</u>	<u>\$ 1,553,441</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 292,049	\$ 278,428
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	75,623	75,623
Changes in assets and liabilities:		
Receivables, net	(2,276)	(1,716)
Accounts payable	335,647	9,558
Total adjustments	<u>408,994</u>	<u>83,465</u>
Net cash provided by operating activities	<u>\$ 701,043</u>	<u>\$ 361,893</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, 2016 and 2015

Note I. Summary of significant accounting policies

A. Reporting Entity

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 (the Board) is the governing body of the District, as provided for by ORS 451.485.

The District 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.

B. 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 (U.S. GAAP). U.S. 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, 2016 and 2015

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 Board 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.

C. Assets, deferred outflows, liabilities, deferred inflows, and net position or fund balances

Cash and investments

The District's cash and investments are deposited in the County's Local Government Investment Pool (the Pool). 100 percent of the District's cash and investments are included in the 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 CAFR and may be obtained through the County's Finance & Risk Management Division at 501 SE Hawthorne Boulevard, Suite 531, Portland, OR 97214; or at: <https://multco.us/finance/financial-reports>.

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 assessments receivable, which is management's best estimate of amounts that will not be collected.

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.

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2016 and 2015

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.

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.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note II. Stewardship, compliance, and accountability

A. Budgetary information

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 U.S. 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 Board for approval. The Board holds public hearings and a final budget must be prepared and adopted no later than June 30.

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2016 and 2015

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 III. Detailed notes on the fund

A. 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, 2016 and 2015 the District's share of the County's cash and investment pool totaled \$1,217,401 and \$1,553,441 respectively. This funds ending cash balance is pooled with the County's cash, and represents a portion of the year-end bank balances.

B. Receivables

	June 30,	
	2016	2015
Special assessments:		
Sewer user assessments	\$ 57,736	\$ 55,866
Allowance for doubtful accounts	(1,716)	(1,999)
Total special assessments	56,020	53,867
Accounts:		
Receivables from pump maintenance	584	461
Total Receivables	\$ 56,604	\$ 54,328

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.

C. Capital assets

Capital asset activity for the District for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Construction in progress	\$ 459,751	\$ 1,045,684	\$ -	\$ 1,505,435
Sewer system	3,781,168	-	-	3,781,168
Accumulated depreciation	(1,732,220)	(75,623)	-	(1,807,843)
Sewer system assets, net	\$ 2,508,699	\$ 970,061	\$ -	\$ 3,478,760

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2016 and 2015

Capital asset activity for the District for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Construction in progress	\$ 174,333	\$ 285,418	\$ -	\$ 459,751
Sewer system	3,781,168	-	-	3,781,168
Accumulated depreciation	(1,656,597)	(75,623)	-	(1,732,220)
Sewer system assets, net	<u>\$ 2,298,904</u>	<u>\$ 209,795</u>	<u>\$ -</u>	<u>\$ 2,508,699</u>

D. 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 \$9,693 and \$8,713 for fiscal 2016 and 2015, 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 IV. Other Information

A. 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 reported in the Risk Management Fund. As of June 30, 2016, interfund premiums exceeded reimbursable expenses. Settlements have not exceeded the District's coverage balance for each of the past three fiscal years.

B. 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 CAFR provides further details on these plans. The CAFR is posted online at: <https://multco.us/finance/financial-reports>.

SUPPLEMENTARY INFORMATION SECTION

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DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
(A component unit of Multnomah County, Oregon)
Supplementary Information
June 30, 2016

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.

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Current assessments	\$ 865,000	\$ 865,000	\$ 870,457	\$ 5,457
Prior assessments	12,500	12,500	13,097	597
Charges for services	2,500	2,500	9,428	6,928
Interest	4,000	4,000	8,601	4,601
Miscellaneous	-	-	2,500	2,500
Total revenues	<u>884,000</u>	<u>884,000</u>	<u>904,083</u>	<u>20,083</u>
EXPENDITURES				
Current:				
Community services	1,680,000	1,680,000	1,576,936	103,064
Contingency	50,000	50,000	-	50,000
Total expenditures	<u>1,730,000</u>	<u>1,730,000</u>	<u>1,576,936</u>	<u>153,064</u>
Net change in fund balances	(846,000)	(846,000)	(672,853)	173,147
Fund balances - beginning	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,550,738</u>	<u>(49,262)</u>
Fund balances - ending	<u>\$ 754,000</u>	<u>\$ 754,000</u>	877,885	<u>\$ 123,885</u>
Reconciliation to GAAP Basis:				
Allowance for uncollectible accounts, assessments			(1,716)	
Capital assets, net of accumulated depreciation and amortization			3,478,760	
Assessment revenues that were not available to fund current expenditures and therefore were not reported in the budgetary basis schedule			<u>52,631</u>	
Net position as reported on the Statement of Revenues, Expenses and Changes in Fund Net Position			<u>\$ 4,407,560</u>	

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
(A component unit of Multnomah County, Oregon)
Schedules of Special Assessment Transactions
(unaudited)
June 30, 2016 and 2015

For the Year Ended June 30, 2016							
	Amounts Uncollected June 30, 2015	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2016
General Fund Special Assessment							
2015-2016	\$ -	\$ 909,728	\$ (23,656)	\$ 356	\$ (2,221)	\$ (865,356)	\$ 18,851
2014-2015	20,235	N/A	20	695	(791)	(9,161)	10,998
2013-2014	12,216	N/A	1	717	(41)	(3,998)	8,895
2012-2013	9,447	N/A	-	890	(27)	(3,513)	6,797
2011-2012	6,909	N/A	-	569	(15)	(1,930)	5,533
2010-2011	3,445	N/A	-	73	(12)	(200)	3,306
2009-2010	3,029	N/A	-	52	(12)	(126)	2,943
2008-2009	138	N/A	-	18	(3)	(40)	113
2007-2008	83	N/A	-	9	-	(18)	74
2006-2007 and prior years	242	N/A	-	17	(1)	(32)	226
	<u>\$ 55,744</u>	<u>\$ 909,728</u>	<u>\$ (23,635)</u>	<u>\$ 3,396</u>	<u>\$ (3,123)</u>	<u>\$ (884,374)</u>	<u>\$ 57,736</u>

For the Year Ended June 30, 2015							
	Amounts Uncollected June 30, 2014	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							
2014-2015	\$ -	\$ 903,958	\$ (23,300)	\$ 395	\$ (2,264)	\$ (858,554)	\$ 20,235
2013-2014	22,409	N/A	29	747	(1,389)	(9,580)	12,216
2012-2013	12,952	N/A	5	727	(249)	(3,988)	9,447
2011-2012	10,150	N/A	1	1,058	(210)	(4,090)	6,909
2010-2011	4,998	N/A	-	641	(47)	(2,147)	3,445
2009-2010	3,241	N/A	-	96	(49)	(259)	3,029
2008-2009	235	N/A	-	46	(32)	(111)	138
2007-2008	101	N/A	-	12	(3)	(27)	83
2006-2007	68	N/A	-	8	(2)	(16)	58
2005-2006 and prior years	213	N/A	-	34	(5)	(58)	184
	<u>\$ 54,367</u>	<u>\$ 903,958</u>	<u>\$ (23,265)</u>	<u>\$ 3,764</u>	<u>\$ (4,250)</u>	<u>\$ (878,830)</u>	<u>\$ 55,744</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, 2016 and 2015
(unaudited)

	Years Ended June 30,	
	2016	2015
Revenues, per Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
Current year assessments - sewer	\$ 868,320	\$ 866,714
Prior year assessments - sewer	12,597	13,987
Tax title land sales	-	372
Assessment accrual, sixty day tax, net	3,085	(2,439)
Tax title accrual, sixty day tax, net	372	196
Interest and Tax/Assessment Collections, per Schedule of Special Assessment Transactions, see page 21	\$ 884,374	\$ 878,830

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

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**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, 2016 and have issued our report thereon dated December 21, 2016. 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 Oregon 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 of 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, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-000 to 162-010-330, 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 use of various 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 2016 and 2017.
- 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 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
On behalf of Moss Adams LLP
Certified Public Accountants
Eugene, Oregon
December 21, 2016

**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 the business-type activities of Dunthorpe-Riverdale Service District No. 1, (the District), a Component Unit of Multnomah County, Oregon, as of and for the year ended June 30, 2016 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 21, 2016.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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.

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 21, 2016