

**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, 2023 and 2022



Prepared by:
Department of County Management
Eric J. Arellano, 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
Finance and Risk Management

Office of the Chief Financial Officer
501 SE Hawthorne Blvd. Suite 531
Portland, Oregon 97214

Eric Arellano
Chief Financial Officer

Phone: 503-988-6718
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December 12, 2023

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

INTRODUCTION

We are pleased to submit the Component Unit Financial Report (CUFR) for Dunthorpe-Riverdale Service District No. 1 of Multnomah County, Oregon, (the District), for the fiscal years ended June 30, 2023 and 2022. 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 Annual Comprehensive 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 (U.S. GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditor's report.

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 an intergovernmental agreement with the City of Portland Bureau of Environmental Services. Sewage flow treatment is performed at Portland's Tryon Creek Wastewater Treatment Plant.

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 21-22 for the *Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual*.

FACTORS AFFECTING FINANCIAL CONDITION

The District consists of approximately 571 households at June 30, 2023, which includes 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.

Prior to fiscal year 2020, the District's monthly per household rate had remained steady at \$130, and in fiscal year 2020, it increased 15.4 percent to \$150. In fiscal 2021, the rate increased by 13.3 percent to \$170. In fiscal 2022, the rate increased by 14.7 percent to \$195 where it has remained the same in FY23. The rate increases were necessary to meet capital projects identified in the District Facilities Improvement Plan. The District continues to maintain a strong working capital position while increasing its investment in capital assets. The following is summarized key financial data from current and prior years' financial statements:

	Year Ended June 30,				
	2023	2022	2021	2020	2019
Operating revenue	\$ 1,339,702	\$ 1,353,254	\$ 1,161,837	\$ 1,036,234	\$ 888,636
Depreciation expense	78,083	78,083	78,107	79,945	105,076
Operating income	550,170	235,697	400,571	328,953	91,793
Change in net position	628,352	251,686	419,536	358,431	120,444
Net working capital	2,500,582	2,299,575	1,855,341	1,277,022	923,524
Total assets	6,747,498	6,206,860	5,617,536	5,411,359	4,896,081
Total net position	6,334,277	5,705,925	5,454,239	5,034,703	4,676,272

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Eric J. Arellano
Chief Financial Officer



Cora Bell
Deputy Chief Financial Officer



Samina S. Gillum
Accounting Manager

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

BOARD OF COUNTY COMMISSIONERS* AS OF JUNE 30, 2023

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

Title	Name	Term Expires
Chair of Board	Jessica Vega Pederson 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2026
Commissioner - District No. 1	Sharon Meieran 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2024
Commissioner - District No. 2	Susheela Jayapal 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2026
Commissioner - District No. 3	Julia Brim-Edwards 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2024
Commissioner - District No. 4	Lori Stegmann 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2024

REGISTERED AGENT

Eric J. Arellano

REGISTERED OFFICE

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

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

FINANCIAL SECTION

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dunthorpe-Riverdale Service District No. 1 (the District), a component unit of Multnomah County, Oregon, which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Financial Reporting Entity

As discussed in Note 1, the financial statements present only the District and do not purport to, and do not, present fairly the financial position of Multnomah County, Oregon as of June 30, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The summary information for the schedule of revenues, expenditures, and changes in fund balances – budget and actual, schedule of revenues, expenditures, and changes in fund balances – budget and actual, schedules of special assessment transactions, and reconciliation of budgetary revenues to interest and tax/assessment collections (collectively, the supplementary information), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Reporting Required by *Minimum Standards for Audits of Oregon Municipal Corporations*

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 12, 2023, on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. 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.



Ashley Osten, Partner
For Moss Adams LLP
Portland, Oregon
December 12, 2023

MANAGEMENT'S 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, 2023. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the letter of transmittal, which can be found on pages 1-3 of this report.

Financial Highlights

- The District's assets exceeded its liabilities at June 30, 2023, by \$6,334,277. Of this amount, \$2,500,584 is unrestricted and \$3,833,693 represents 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 \$628,352 in fiscal year 2023 compared to a \$251,686 increase in fiscal year 2022. The overall change is due to the reduction in cost of sales for the year. The Elk Rock project moved from the planning phase to the design phase with costs added to construction in progress instead of being expensed as cost of sales.
- Interest revenue was \$78,182 for fiscal year 2023 compared to \$15,989 for fiscal year 2022. In 2023, the current year increase is due to significantly increased interest rates.

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 fund. 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 fiscal year 2022, the fees increased from the prior fiscal year, going from \$170 per month per household to \$195 and have remained the same for fiscal year 2023. Current and prior assessment fee collections in fiscal year ending June 30, 2023 generated \$1,328,783 of revenue, or a 0.3 percent decrease from the prior fiscal year.

The basic enterprise fund financial statements can be found on pages 13-20 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 16-20 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 21-24 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 \$6,334,277 at the close of the most recent fiscal year, an increase of \$628,352 over the prior year. At June 30, 2023, the District’s largest portion of net position, \$3,833,693 or 60.5 percent, is 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
Statement of Net Position
June 30,**

	2023	2022	2021
Current and other assets	\$ 2,913,805	\$ 2,800,510	\$ 2,018,638
Capital assets, net	3,833,693	3,406,350	3,598,898
Total assets	6,747,498	6,206,860	5,617,536
Current and other liabilities	413,221	500,935	163,297
Total liabilities	413,221	500,935	163,297
Net position:			
Investment in capital assets	3,833,693	3,406,350	3,598,898
Unrestricted	2,500,584	2,299,575	1,855,341
Total net position	\$ 6,334,277	\$ 5,705,925	\$ 5,454,239

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues			
Operating revenues:			
Sewer assessments	\$ 1,328,783	\$ 1,332,978	\$ 1,157,811
Intergovernmental charges for services	8,299	15,036	4,026
Miscellaneous	2,620	5,240	-
Non-operating revenues:			
Investment earnings	78,182	15,989	18,965
Total revenues	<u>1,417,884</u>	<u>1,369,243</u>	<u>1,180,802</u>
Expenses			
Operating expenses:			
District operating expenses	789,532	1,117,557	761,266
Total expenses	<u>789,532</u>	<u>1,117,557</u>	<u>761,266</u>
Increase in net position	628,352	251,686	419,536
Beginning net position	5,705,925	5,454,239	5,034,703
Ending net position	<u>\$ 6,334,277</u>	<u>\$ 5,705,925</u>	<u>\$ 5,454,239</u>

The District's net position increased by \$628,352 during the current fiscal year compared to an increase of \$251,686 in fiscal year 2022 and an increase of \$419,536 in fiscal year 2021. The primary reasons for the increases in net position from fiscal years 2021 through 2023 are:

- Capital improvements were focused at the Tryon Creek pump station. Design work on the pump station is largely suspended, until the City of Lake Oswego and the City of Portland decide on the future of the Tryon Creek treatment facility. With the delay at Tryon Creek pump station, the District has started on construction improvements at the Elk Rock pump station.
- Operating revenues from fiscal year 2019 through fiscal year 2022 rose as the monthly service charge increased from \$130 in fiscal year 2019 to \$150 in fiscal year 2020, \$170 in fiscal year 2021, and \$195 in fiscal 2022 per household. There was no increase in the rate in FY23. The rate is set to meet the planned capital improvement projects identified in the District's capital facility plan.
- The increase in operating expenses from fiscal year 2021 to fiscal year 2022 and then down again in fiscal year 2023 resulted from the capital projects of the District. In fiscal year 2021 the District's projects were on hold. In fiscal year 2022, the Elk Rock project became a priority but capital costs were minimal as it was in the planning stage and costs were expensed. In fiscal year 2023, the project moved to the design phase where costs were capitalized, not expensed.

Budgetary highlights. Total budgeted expenditures for the District were \$1,483,000 for fiscal year 2023 compared to actual expenditures of \$1,217,721. Actual expenditures were under budget by \$265,279. The primary reason for this includes:

- The District remains committed to meeting the requirements of an intergovernmental agreement with the City of Portland for treatment, maintenance and capital improvements. City of Portland identifies anticipated capital needs for the District when the budget is developed. The under budget in expenditures occurs when capital projects managed by the City of Portland are delayed.

Capital assets. The District’s investment in capital assets as of June 30, 2023 amounts to \$3,833,693. 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 \$427,343 or 12.5 percent. This includes current year capital increases of \$505,425 and depreciation of \$78,083. The increase is due to the District working with the Portland Bureau of Environmental Services on the capital replacement of the Elk Rock pump station. Cost estimates of the project pre-dated the COVID 19 pandemic and did not account for rapidly increasing construction costs. Additionally, during the project planning phase, costly service requirements were identified at this site. The pump station is now in a FEMA designated flood plain, and the pump station needs to store raw sewage for at least 2 hours for service response during storm events to not discharge sewage into the Willamette River. Additional information on the District’s capital assets can be found in *Note III.C. Capital assets*.

Budget Information for Next Year. The current service charge is \$195 per month for an individual home connection. For fiscal year 2024, the District budget was adopted with an 8 percent increase in the monthly service charge to \$210 per month. The current rate provides the District with necessary operating resources to meet treatment, maintenance, and capital requirements for the period. The District’s total adopted fiscal year 2024 budget is \$3,904,000. The District will continue to build the unrestricted net position of \$2,500,584, intended to support the District’s capital program and ongoing repairs and maintenance.

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,	
	2023	2022
ASSETS		
Current assets:		
Cash and investments	\$ 2,882,467	\$ 2,775,922
Receivables:		
Special assessments, net	31,338	24,588
Total current assets	2,913,805	2,800,510
Noncurrent assets:		
Capital assets:		
Construction in progress	934,378	428,952
Other capital assets (net of accumulated depreciation)	2,899,315	2,977,398
Total noncurrent assets	3,833,693	3,406,350
Total assets	6,747,498	6,206,860
LIABILITIES		
Current liabilities (payable from unrestricted assets):		
Accounts payable	413,221	500,935
Total liabilities	413,221	500,935
NET POSITION		
Investment in capital assets	3,833,693	3,406,350
Unrestricted	2,500,584	2,299,575
Total net position	\$ 6,334,277	\$ 5,705,925

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 Net Position

	<u>Years Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Sewer user assessments, current	\$ 1,319,060	\$ 1,320,321
Sewer user assessments, prior	9,723	12,657
Intergovernmental charges for services	8,299	15,036
Licenses and permits	2,620	5,240
Total operating revenues	<u>1,339,702</u>	<u>1,353,254</u>
OPERATING EXPENSES		
Cost of sales and services	683,393	979,171
Administration	28,056	60,303
Depreciation	78,083	78,083
Total operating expenses	<u>789,532</u>	<u>1,117,557</u>
Operating income	<u>550,170</u>	<u>235,697</u>
NONOPERATING REVENUES		
Interest revenue	78,182	15,989
Total nonoperating revenues	<u>78,182</u>	<u>15,989</u>
Change in net position	628,352	251,686
Total net position - beginning	<u>5,705,925</u>	<u>5,454,239</u>
Total net position - ending	<u><u>\$ 6,334,277</u></u>	<u><u>\$ 5,705,925</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)
Statements of Cash Flows

	<u>Years Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,332,951	\$ 1,350,673
Payments to suppliers	(799,163)	(701,836)
Net cash provided by operating activities	<u>533,788</u>	<u>648,837</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of (adjustments to) capital assets	(505,425)	114,465
Net cash provided by (used in) capital and related financing activities	<u>(505,425)</u>	<u>114,465</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	78,182	15,989
Net cash provided by investing activities	<u>78,182</u>	<u>15,989</u>
Net increase in cash and cash equivalents	106,545	779,291
Cash and cash equivalents - beginning	2,775,922	1,996,631
Cash and cash equivalents - ending	<u>\$ 2,882,467</u>	<u>\$ 2,775,922</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 550,170	\$ 235,697
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	78,083	78,083
Changes in assets and liabilities:		
Special assessments receivable, net	(6,750)	(2,581)
Accounts payable	(87,715)	337,638
Total adjustments	<u>(16,382)</u>	<u>413,140</u>
Net cash provided by operating activities	<u>\$ 533,788</u>	<u>\$ 648,837</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, 2023 and 2022

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, 2023 and 2022

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 Annual Comprehensive Financial Report (ACFR) of the County, as an enterprise fund.

Information about the County's enterprise funds is included in the County's ACFR and may be obtained through the County's Finance and Risk Management Division at 501 SE Hawthorne Boulevard, Suite 531, Portland, OR 97214; or at: <https://multco.us/finance/financial-reports>.

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). All 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 ACFR and may be obtained through the County's Finance and 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 monthly utility charges from 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 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, 2023 and 2022

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 acquisition value on date donated for donated assets. Sewer system assets with a cost greater than \$10,000 and a useful life of three or more years 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 the *Statement of Revenues, Expenses and Changes in Net Position*.

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.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires 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 15th, 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 30th.

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. The adopted budget is available at:

<https://multco.us/budget/dunthorpe-riverdale-sanitary-service-district-no-1-budget>

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022, the District's share of the County's cash and investment pool totaled \$2,882,467 and \$2,775,922 respectively. The District's ending cash balance is pooled with the County's cash, and represents a portion of the year-end bank balances.

B. Receivables

	June 30,	
	2023	2022
Special assessments receivable:		
Sewer user assessments	\$ 33,696	\$ 27,726
Allowance for doubtful accounts	(2,358)	(3,138)
Total special assessments receivable	\$ 31,338	\$ 24,588

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, 2023 was as follows:

	Beginning Balance	Increases	Adjustments & Decreases	Ending Balance
Construction in progress	\$ 428,953	\$ 505,425	\$ -	\$ 934,378
Sewer system	5,316,158	-	-	5,316,158
Accumulated depreciation	(2,338,761)	(78,082)	-	(2,416,843)
Sewer system assets, net	\$ 3,406,350	\$ 427,343	\$ -	\$ 3,833,693

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2023 and 2022

Capital asset activity for the District for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Adjustments & Decreases	Ending Balance
Construction in progress	\$ 543,418	\$ -	\$ (114,465)	\$ 428,953
Sewer system	5,316,158	-	-	5,316,158
Accumulated depreciation	(2,260,678)	(78,083)	-	(2,338,761)
Sewer system assets, net	<u>\$ 3,598,898</u>	<u>\$ (78,083)</u>	<u>\$ (114,465)</u>	<u>\$ 3,406,350</u>

The District shares its capital plan for Tryon Creek and Elk Rock with the City of Portland. During the fiscal year 2018 the Tryon Creek Pump Station project began but was put on hold during the 2021 fiscal year in order to make the Elk Rock project a priority. The District's share of costs (78.3 percent) per the most recent estimate from late 2023 is that costs for the Elk Rock project will be \$8.9 million from FY24 to FY27. Construction on the Elk Rock pump station will begin in the third quarter of FY25 and continue through the first quarter of FY27.

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 \$28,056 and \$60,303 for fiscal 2023 and 2022, respectively, and are included in the financial statement line item for Administration on the *Statement of Revenues, Expenses and Changes in 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, 2023 and 2022, interfund premiums exceeded reimbursable expenses. Settlements have not exceeded the District's coverage balance for each of the past three fiscal years.

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2023 and 2022

B. Postemployment benefits and pension plans

The District itself does not have any employees but is serviced by Multnomah County employees who are covered under the County's other postemployment benefits (OPEB) and pension plans. These plans include the pension plan, OPEB-RHIA, and OPEB-County Plan. The County's Annual Comprehensive Financial Report (ACFR) provides further details on these plans. The ACFR is posted online at: <https://multco.us/finance/financial-reports>.

SUPPLEMENTARY INFORMATION SECTION

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
(A component unit of Multnomah County, Oregon)
Supplementary Information for the
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Current assessments	\$ 1,299,000	\$ 1,299,000	\$ 1,314,143	\$ 15,143
Prior assessments	8,000	8,000	9,723	1,723
Charges for services	-	-	8,299	8,299
Licenses and Permits	-	-	2,620	2,620
Interest	12,000	12,000	78,182	66,182
Total revenues	<u>1,319,000</u>	<u>1,319,000</u>	<u>1,412,967</u>	<u>93,967</u>
EXPENDITURES				
Current:				
Wastewater Management	1,433,000	1,433,000	1,217,721	215,279
Contingency	50,000	50,000	-	50,000
Total expenditures	<u>1,483,000</u>	<u>1,483,000</u>	<u>1,217,721</u>	<u>265,279</u>
Net change in fund balances	(164,000)	(164,000)	195,246	359,246
Fund balances - beginning	<u>1,744,000</u>	<u>1,744,000</u>	<u>2,272,125</u>	<u>528,125</u>
Fund balances - ending	<u><u>\$ 1,580,000</u></u>	<u><u>\$ 1,580,000</u></u>	<u><u>\$ 2,467,371</u></u>	<u><u>\$ 887,371</u></u>

Reconciliation to full accrual basis:

Capital assets, net of accumulated depreciation	3,833,693
Allowance for uncollectible accounts, assessments	(2,358)
Assessment revenues that were not available to fund current expenditures and therefore were not reported in the budgetary basis schedule	<u>35,571</u>
Net position as reported on the Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 6,334,277</u></u>

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
(A component unit of Multnomah County, Oregon)
Schedules of Special Assessment Transactions
June 30, 2023 and 2022

For the Year Ended June 30, 2023							
General Fund Special Assessment	Amounts Uncollected June 30, 2022	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2023
2022-2023	\$ -	\$ 1,370,603	\$ (34,750)	\$ 279	\$ (7,592)	\$ (1,309,507)	\$ 19,033
2021-2022	15,212	N/A	55	451	747	(9,501)	6,964
2020-2021	5,689	N/A	15	290	(851)	(1,576)	3,567
2019-2020	3,138	N/A	6	464	(272)	(1,754)	1,582
2018-2019	1,215	N/A	7	266	(211)	(980)	297
2017-2018 and prior years	2,472	N/A	-	97	(48)	(268)	2,253
	<u>\$ 27,726</u>	<u>\$ 1,370,603</u>	<u>\$ (34,667)</u>	<u>\$ 1,847</u>	<u>\$ (8,227)</u>	<u>\$ (1,323,586)</u>	<u>\$ 33,696</u>

For the Year Ended June 30, 2022							
General Fund Special Assessment	Amounts Uncollected June 30, 2021	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2022
2021-2022	\$ -	\$ 1,368,410	\$ (35,158)	\$ 440	\$ (4,914)	\$ (1,313,566)	\$ 15,212
2020-2021	15,478	N/A	18	649	(1,729)	(8,727)	5,689
2019-2020	5,934	N/A	3	535	(264)	(3,070)	3,138
2018-2019	2,979	N/A	1	550	(77)	(2,238)	1,215
2017-2018	1,063	N/A	-	317	(10)	(1,097)	273
2016-2017 and prior years	2,436	N/A	-	175	(15)	(397)	2,199
	<u>\$ 27,890</u>	<u>\$ 1,368,410</u>	<u>\$ (35,136)</u>	<u>\$ 2,666</u>	<u>\$ (7,009)</u>	<u>\$ (1,329,095)</u>	<u>\$ 27,726</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,	
	2023	2022
Revenues, per Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
Current year assessments - sewer	\$ 1,314,143	\$ 1,316,909
Prior year assessments - sewer	9,723	8,855
Assessment accrual, sixty-day tax, net	(280)	3,331
Interest and Tax/Assessment Collections, per Schedule of Special Assessment Transactions	\$ 1,323,586	\$ 1,329,095

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AUDIT COMMENTS AND DISCLOSURES

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Report of Independent Auditors Required by Oregon State Regulations

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

We have audited, 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 and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Oregon Secretary of State the basic financial statements 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, 2023 and have issued our report thereon dated December 12, 2023.

Compliance

As part of obtaining reasonable assurance about whether the District's basic 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 (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 to 162-010-0330, of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to, the following:

- Accounting records and internal control
- Public fund deposits
- Budget
- Insurance and fidelity bonds
- Programs funded from outside sources
- Investments
- Public contracts and purchasing

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of ORS as specified in OAR 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. 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 or significant deficiencies 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. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of County Commissioners and management of Dunthorpe-Riverdale Service District No. 1 and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Ashley Osten, Partner
for Moss Adams LLP
Portland, Oregon
December 12, 2023

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
Dunthorpe-Riverdale Service District No. 1

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 year ended June 30, 2023, 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 12, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Portland, Oregon
December 12, 2023