

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

**Financial Statements and Reports of
Independent Auditors**

For the Fiscal Years Ended June 30, 2015 and 2014



Prepared by:

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

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

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

BOARD OF COUNTY COMMISSIONERS* AS OF JUNE 30, 2015
501 SE Hawthorne Blvd, 6th floor
Portland, Oregon 97214

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

REGISTERED AGENT

Joseph Mark Campbell

REGISTERED OFFICE

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

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

Department of County Management

MULTNOMAH COUNTY OREGON

501 SE Hawthorne Blvd, Suite 531

Portland, Oregon 97214

(503) 988-3786 phone

(503) 988-3292 fax



December 23, 2015

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

INTRODUCTION

We are pleased to submit the Basic Financial Statements for Mid County Service District No. 14, Portland, Oregon (the District), for the fiscal years ended June 30, 2015 and 2014. This report includes the opinion of our independent auditors, Moss Adams LLP.

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

Accounting principles generally accepted in the United States of America (US GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Mid County's MD&A can be found immediately following the independent auditors' report.

PROFILE OF THE DISTRICT

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

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

Oregon Budget Law requires the use of budgetary control. See pages 16-17 for the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.

FACTORS AFFECTING FINANCIAL CONDITION

The District’s operating budget has stabilized with the substantial completion of municipal annexations. Operations were funded by charging user fees of \$60 per household for fiscal year 2015, remaining unchanged from the prior fiscal year. This rate was presumed to be sufficient to match the District’s engineering, maintenance and operational demands. The fees are collected via special assessments that are added to property tax bills for properties served by the District.

Operating revenues in total generally follow population levels. Historically (since 2011) operating revenues have increased approximately 6% on average and operating expenses have remained relatively constant over the same time period. This was due to an increase in tax collections driven by user fees increasing from \$48 per household to \$60, in 2011 and 2015 respectively.

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

	Year Ended June 30,				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenue	\$ 453,567	\$ 452,303	\$ 377,655	\$ 380,098	\$ 362,703
Depreciation expense	66,288	66,287	66,120	65,721	64,994
Operating income/loss	50,721	31,154	(11,516)	(30,331)	(64,165)
Change in net position	53,100	32,895	15,999	(22,324)	(32,893)
Capital contributions	-	-	10,037	6,405	29,658
Net working capital	571,753	452,365	353,183	281,101	251,654
Total assets	1,863,719	1,809,108	1,782,756	1,785,214	1,807,304
Total net position	1,837,297	1,784,197	1,751,302	1,735,303	1,757,627

AWARDS AND ACKNOWLEDGEMENTS

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joseph Mark Campbell". The signature is written in a cursive style with a large initial "J" and "M".

Joseph Mark Campbell
Chief Financial Officer

FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITORS

The Board of County Commissions
Mid County Service District No. 14

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of Mid County Service District No. 14 ("the District"), a component unit of Multnomah County, Oregon, as of and for the years ended June 30, 2015 and 2014, 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.

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 Mid County Service District No. 14 as of June 30, 2015 (and 2014), and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MOSS ADAMS_{LLP}

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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.

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.

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MOSS ADAMS_{LLP}

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015 on our consideration of Mid County Service District No. 14'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 Mid County Service District No. 14'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 23, 2015 on our consideration of Mid County Service District No. 14'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 23, 2015

Department of County Management

MULTNOMAH COUNTY OREGON

501 SE Hawthorne Blvd, Suite 531

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MANAGEMENT DISCUSSION AND ANALYSIS

As management of Mid County Service District No. 14, we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages ii-iv of this report.

Financial Highlights

- Mid County's assets exceeded its liabilities at June 30, 2015, by \$1,837,297. Of this amount, \$571,753 is unrestricted and \$1,265,544 represents net investment in capital assets.
- The District's total net position increased by \$53,100 in fiscal year 2015. This was primarily due to a decrease in operating expense.

Overview of the Financial Statements

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The main source of revenue, street lighting assessments, is collected through property taxes. There was no change in user charges, of \$60 per household, from the prior fiscal year generating \$453,567 in operating revenues.

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 11-15 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. Supplementary information can be found on pages 16-19 of this report.

Financial Analysis of the District

Net position may serve over time as a useful indicator of a government's financial condition. As noted earlier, Mid County's total assets exceeded liabilities by \$1,837,297 at the close of the most recent fiscal year, an increase of \$53,100 over prior year. At June 30, 2015, the District's largest portion of net position, \$1,265,544 or 69% is invested in capital assets. The investment in capital assets is the District's street lighting system, with no related debt. The District uses these capital assets to provide services to its member households; consequently, these assets are not available for future spending.

Mid County's Net Position June 30,

	2015	2014	2013
Current assets	\$ 598,175	\$ 477,276	\$ 384,637
Capital assets, net	1,265,544	1,331,832	1,398,119
Total assets	1,863,719	1,809,108	1,782,756
Current liabilities	26,422	24,911	31,454
Net position:			
Net investment in capital assets	1,265,544	1,331,832	1,398,119
Unrestricted	571,753	452,365	353,183
Total net position	\$ 1,837,297	\$ 1,784,197	\$ 1,751,302

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

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

	2015	2014	2013
Revenues			
Operating revenues:			
Charges for services	\$ 453,567	\$ 452,303	\$ 377,655
Non-operating revenues:			
Investment earnings	2,379	1,741	1,548
Miscellaneous revenue	-	-	15,930
Total revenues	<u>455,946</u>	<u>454,044</u>	<u>395,133</u>
Expenses			
Operating expenses:			
District operating expenses	402,846	421,149	389,171
Total expenses	<u>402,846</u>	<u>421,149</u>	<u>389,171</u>
Gain before contributions	53,100	32,895	5,962
Capital contributions	-	-	10,037
Increase in net position	53,100	32,895	15,999
Beginning fund net position	<u>1,784,197</u>	<u>1,751,302</u>	<u>1,735,303</u>
Ending fund net position	<u>\$ 1,837,297</u>	<u>\$ 1,784,197</u>	<u>\$ 1,751,302</u>

The District's ending fund net position increased by \$53,100 during fiscal year 2015, compared to increases of \$32,895 and increases of \$15,999 during fiscal years 2014 and 2013 respectively. The primary reasons for the increase in fund net position are:

- In fiscal year 2015, as in fiscal year 2014, user fees remained at \$60 per household. This reflects the increase from \$50 per household in 2013.
- The District continues to receive capital contributions but at a reduced rate, as the District's growth has stabilized with the slowing of the economy and substantial completion of municipal annexations. In fiscal years 2015 and 2014 the District's capital contributions were down to \$0 with a decrease in capital assets of \$66,288 and \$66,287 due to depreciation. In fiscal year 2013 capital contributions were \$10,037 with a decrease in capital assets of \$56,083.
- Investment earnings increased by \$638 in fiscal year 2015 in comparison to 2014 as rates rise due to the economy improving.
- Operating expenses decreased by \$18,303 in fiscal year 2015 from 2014, driven by a decrease in Portland General Electric (PGE) bills for energy and maintenance services for the district.

Capital assets. The District's investment in capital assets as of June 30, 2015, amounts to \$1,265,544 (net of accumulated depreciation). This entire investment in capital assets is the street lighting system. The net decrease in the District's investment in capital assets for the current fiscal year was \$66,288 or 4.9% due to depreciation. Additional information on the District's capital assets can be found in notes A.5 and C.3 on page 12, 14 and 15 of this report.

Budgetary highlights. Total budgeted expenditures for the District were \$431,250 in fiscal year 2015 compared to actual expenditures of \$336,545. Actual expenditures were under budget by \$94,705. There were two primary reasons for actual expenditures being less than budgeted expenditures:

- Capital expenditures had a budget of \$50,000 for light and pole replacements for fiscal year 2015. There were no pole replacements during the year. The District's capital program has slowed significantly in anticipation of new Light Emitting Diode (LED's) technology. The District is studying when to switch from the old High Pressure Sodium (HPS) street lights to the new LED's. In the meantime HPS street lights will still be used as replacements.
- Supplies and repairs had a budget of \$25,000 for replacing knocked down poles and street lights. Actual expenditures were approximately \$3,635.

Key Economic Factors and Budget Information for Next Year

The District completed a large capital pole and lighting replacement program over the prior six years, targeting depreciated fixtures that were past their life expectancy or in poor condition. The capital program has now slowed significantly, but will continue to address any additional individual street lights which have reached their life expectancy. In the fiscal year 2016 budget, the District is proposing \$1,075,000 for converting approximately 2,700 high pressure sodium street lights with energy efficient Light Emitting Diode (LED) roadway street lights.

The District's current assessment rate is \$60 per household per year. For fiscal year 2016 the District budget committee plans no change in this rate. The rate should provide the District with the necessary operating resources to match engineering, maintenance and operational demands for the period. The District will continue to build its unrestricted fund balance to fund future replacement of depreciated equipment and support the LED conversion project.

Requests for information

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

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

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

	June 30,	
	2015	2014
ASSETS		
Current assets:		
Cash and investments	\$ 570,808	\$ 451,240
Receivables (net of allowance for uncollectibles):		
Special assessments	27,367	26,036
Total current assets	598,175	477,276
Capital assets	2,823,006	2,823,006
Accumulated depreciation	(1,557,462)	(1,491,174)
Total assets	<u>1,863,719</u>	<u>1,809,108</u>
LIABILITIES		
Current liabilities:		
Accounts payable	26,422	24,911
Total liabilities	<u>26,422</u>	<u>24,911</u>
NET POSITION		
Net investment in capital assets	1,265,544	1,331,832
Unrestricted	571,753	452,365
Total net position	<u>\$ 1,837,297</u>	<u>\$ 1,784,197</u>

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

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

	Years Ended June 30,	
	2015	2014
OPERATING REVENUES		
Street lighting assessments	\$ 453,567	\$ 452,303
Total operating revenues	<u>453,567</u>	<u>452,303</u>
OPERATING EXPENSES		
Cost of sales and services	312,930	317,429
Administration	23,628	37,433
Depreciation	66,288	66,287
Total operating expenses	<u>402,846</u>	<u>421,149</u>
Operating income	<u>50,721</u>	<u>31,154</u>
NONOPERATING REVENUES		
Interest revenue	2,379	1,741
Total nonoperating revenues	<u>2,379</u>	<u>1,741</u>
Change in net position	53,100	32,895
Total net position - beginning	1,784,197	1,751,302
Total net position - ending	<u>\$ 1,837,297</u>	<u>\$ 1,784,197</u>

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

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

	Years Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 452,222	\$ 449,632
Payments to suppliers	(315,179)	(339,148)
Payments to County employees	(19,854)	(22,507)
Internal activity	-	(10)
Net cash provided by operating activities	<u>117,189</u>	<u>87,967</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net cash provided by capital and related financing activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,379	1,741
Net cash provided by investing activities	<u>2,379</u>	<u>1,741</u>
Net increase in cash and investments	119,568	89,708
Balances at beginning of the year	451,240	361,532
Balances at end of the year	<u><u>570,808</u></u>	<u><u>451,240</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 50,721	\$ 31,154
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	66,288	66,287
Changes in assets and liabilities:		
Receivables, net	(1,331)	(2,931)
Accounts payable	1,511	(6,543)
Total adjustments	<u>66,468</u>	<u>56,813</u>
Net cash provided by operating activities	<u><u>\$ 117,189</u></u>	<u><u>\$ 87,967</u></u>
Noncash financing activities		
Contributions of capital assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2015 and 2014

Note A. Summary of significant accounting policies

1. Nature of business

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

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

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

The District's basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The measurement focus is on the flow of economic resources. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position.

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

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). US GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements.

The accompanying basic financial statements have been prepared for purposes of Oregon statutory reporting requirements. The accompanying financial statements are structured into the fund type as described below.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2015 and 2014

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

3. Cash and investments

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

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

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

4. Receivables and payables

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

5. Capital assets

The District's capital assets are street lighting systems consisting of lights and poles. Capital assets are stated at historical cost at time of acquisition or fair value on date donated for donated assets. Street lighting systems with a value of greater than \$10,000 are capitalized. Normal maintenance and repairs are expensed as incurred. Expenditures for major additions, improvements and replacements are capitalized. Gain or loss on retirement or disposal is reflected in income.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2015 and 2014

Street lighting systems are depreciated on the straight-line method with an estimated useful life of 30 years. During fiscal year 2006 management revised the estimated useful lives of the District's lights and poles. Based on management's review the useful lives of the lights and poles were extended from 15 years to 30 years. In recent years the materials used in constructing the District's lights and poles have become more durable and are engineered to last longer than those previously built.

6. Net position

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

7. Annexations and intergovernmental agreements

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

8. Use of estimates

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

Note B. Stewardship, compliance, and accountability

1. Budgets

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

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2015 and 2014

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

Note C. Detailed notes on the Fund

1. Cash and investments

The District's cash and investments reported on the statement of net 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, 2015 and 2014 the District's share of the County's cash and investment pool totaled \$570,808 and \$451,240, respectively. This fund's ending cash balance is pooled with the County's cash, and represents a portion of the year-end bank balances.

2. Receivables

	June 30,	
	2015	2014
Street lighting assessments	\$ 28,146	\$ 26,698
Other assessments	198	302
Allowance for doubtful accounts	(977)	(964)
Receivables, net	\$ 27,367	\$ 26,036

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

3. Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Street lights and poles	\$ 2,823,006	\$ -	\$ -	\$ 2,823,006
Accumulated depreciation	(1,491,174)	(66,288)	-	(1,557,462)
Street lighting systems, net	\$ 1,331,832	\$ (66,288)	\$ -	\$ 1,265,544

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2015 and 2014

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

	Beginning Balance	Increases	Decreases	Ending Balance
Street lights and poles	\$ 2,823,006	\$ -	\$ -	\$ 2,823,006
Accumulated depreciation	(1,424,887)	(66,287)	-	(1,491,174)
Street lighting systems, net	<u>\$ 1,398,119</u>	<u>\$ (66,287)</u>	<u>\$ -</u>	<u>\$ 1,331,832</u>

4. Transactions with Multnomah County

The County Department of Community Services provides operating management and planning for the District. General administrative functions are performed by other units of the County. All services are performed on an internal cost reimbursement basis. Reimbursements to the County were \$8,610 and \$8,204 for fiscal years 2015 and 2014, respectively, and are included in the financial statement line item for Administration on the Statement of Revenues, Expenses and Changes in Fund Net Position.

Note D. Risk management

As a component unit of the County, the District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County has established risk management programs for liability insurance coverage. The District is covered under the policies and programs insuring the County. The County maintains an internal service fund, risk management fund, to account for and finance its risks of loss. The County established risk management programs for liability and workers' compensation, whereby premiums are calculated on payroll expenses in all funds and are paid into the risk management fund. The funds are available to pay claims, claim reserves, and reduce administrative costs of the program. These interfund premiums are used to offset the amount of claims expenditure reported in the risk management fund. As of June 30, 2015, interfund premiums exceeded reimbursable expenditures. Settlements have not exceeded the District's coverage balance for each of the past three fiscal years.

Note E. Pension plans

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

SUPPLEMENTARY INFORMATION

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

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

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

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Current	\$ 445,000	\$ 445,000	\$ 445,230	\$ 230
Prior	5,000	5,000	6,990	1,990
Total revenues	<u>450,000</u>	<u>450,000</u>	<u>452,220</u>	<u>2,220</u>
EXPENDITURES				
Community services	431,250	431,250	336,545	94,705
Contingency	25,000	25,000	-	25,000
Excess (deficiency) of revenues over (under) expenditures	<u>(6,250)</u>	<u>(6,250)</u>	<u>115,675</u>	<u>121,925</u>
Interest	2,000	2,000	2,379	379
TRANSFERS				
Contingency	<u>(403,250)</u>	<u>(403,250)</u>	-	403,250
Total transfers	<u>(403,250)</u>	<u>(403,250)</u>	-	403,250
Net change in fund balances	<u>(407,500)</u>	<u>(407,500)</u>	118,054	525,554
Fund balances - beginning	407,500	407,500	429,546	22,046
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>547,600</u>	<u>\$ 547,600</u>
Reconciliation to GAAP Basis:				
Net investment in capital assets			1,265,544	
Deferred revenue on assessments			25,130	
Allowance for uncollectible accounts, assessments			<u>(977)</u>	
Net position as reported on the Statement of Revenues, Expenses and Changes in Fund Net Position, page 9.			<u>\$ 1,837,297</u>	

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Schedules of Special Assessment Transactions

(unaudited)

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, 2015
General Fund Special Assessment							
2014-2015	\$ -	\$ 465,857	\$ (11,944)	\$ 247	\$ (1,242)	\$ (442,065)	\$ 10,853
2013-2014	11,891	N/A	16	400	(741)	(5,094)	6,472
2012-2013	6,106	N/A	2	343	(117)	(1,880)	4,454
2011-2012	4,674	N/A	1	501	(100)	(1,937)	3,139
2010-2011	2,461	N/A	-	299	(22)	(1,000)	1,738
2009-2010	1,475	N/A	-	44	(22)	(118)	1,379
2008-2009	91	N/A	-	18	(12)	(43)	54
2007-2008	44	N/A	-	5	(2)	(12)	35
2006-2007	39	N/A	-	4	(1)	(9)	33
2005-2006 and prior years	219	N/A	-	64	7	(104)	186
	<u>\$ 27,000</u>	<u>\$ 465,857</u>	<u>\$ (11,925)</u>	<u>\$ 1,925</u>	<u>\$ (2,252)</u>	<u>\$ (452,262)</u>	<u>\$ 28,343</u>

For the Year Ended June 30, 2014							
	Amounts Uncollected June 30, 2013	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2014
General Fund Special Assessment							
2013-2014	\$ -	\$ 464,007	\$ (11,807)	\$ 181	\$ (1,188)	\$ (439,302)	\$ 11,891
2012-2013	10,989	N/A	8	374	(395)	(4,870)	6,106
2011-2012	6,510	N/A	-	383	(110)	(2,109)	4,674
2010-2011	4,012	N/A	-	533	(40)	(2,044)	2,461
2009-2010	2,292	N/A	-	331	(30)	(1,118)	1,475
2008-2009	153	N/A	-	27	(14)	(75)	91
2007-2008	72	N/A	-	15	(7)	(36)	44
2006-2007	46	N/A	-	3	(3)	(7)	39
2005-2006	35	N/A	-	2	(2)	(4)	31
2004-2005 and prior years	221	N/A	-	43	(10)	(66)	188
	<u>\$ 24,330</u>	<u>\$ 464,007</u>	<u>\$ (11,799)</u>	<u>\$ 1,892</u>	<u>\$ (1,799)</u>	<u>\$ (449,631)</u>	<u>\$ 27,000</u>

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Reconciliation of Budgetary Revenues to Interest and Tax/Assessment Collections
For the Years Ended June 30, 2015 and 2014
(unaudited)

	Years Ended June 30,	
	<u>2015</u>	<u>2014</u>
Revenues, per Schedule of Revenues, Expenditures, and		
Changes in Fund Balances - Budget and Actual:		
Current year assessments - sewer	\$ 445,071	\$ 440,764
Prior year assessments - sewer	6,990	7,950
Tax title land sales	198	302
Assessment accrual, sixty day tax, net	(101)	446
Tax title accrual, sixty day tax, net	104	169
Interest and Tax/Assessment Collections, per		
Schedule of Special Assessment Transactions, see page 18	<u>\$ 452,262</u>	<u>\$ 449,631</u>

**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
 Mid County Service District No. 14

We have audited the basic financial statements of Mid County Service District No. 14 (the "District") as of and for the year ended June 30, 2015 and have issued our report thereon dated December 23, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-0000 to 1620-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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

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

MOSS ADAMS LLP

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

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



James C. Lanzarotta, Partner
On behalf of Moss Adams LLP
Certified Public Accountants
Eugene, Oregon
December 23, 2015

**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 Mid County Service District No. 14, (the District), a Component Unit of Multnomah County, Oregon, as of and for the year ended June 30, 2015 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 23, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

MOSS ADAMS_{LLP}

Purpose of this Report

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

Moss Adams, LLP

Eugene, Oregon
December 23, 2015