

**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, 2016 and 2015**



Prepared by:

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

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**MID COUNTY SERVICE DISTRICT NO. 14**  
**(A component unit of Multnomah County, Oregon)**  
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## **INTRODUCTORY SECTION**

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**Department of County Management**

**MULTNOMAH COUNTY OREGON**

**501 SE Hawthorne Blvd, Suite 531**

**Portland, Oregon 97214**

**(503) 988-3786 phone**

**(503) 988-3292 fax**



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December 21, 2016

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

**INTRODUCTION**

We are pleased to submit the Financial Statements for Mid County Service District No. 14, Portland, Oregon (the District), for the fiscal years ended June 30, 2016 and 2015. This report includes the opinion of our independent auditors, Moss Adams LLP.

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

Accounting principles generally accepted in the United States of America (US GAAP) 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 the MD&A and should be read in conjunction with it. The 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 20-21 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 percent 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 \$50 per household to \$60, in 2012 and 2016 respectively.

In fiscal year 2004, the District implemented a new capital asset initiative to replace 15 percent 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 lights and poles and also purchases of 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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenue	\$ 453,148	\$ 453,567	\$ 452,303	\$ 377,655	\$ 380,098
Depreciation expense	66,288	66,288	66,287	66,120	65,721
Operating income/loss	124,200	50,721	31,154	(11,516)	(30,331)
Change in net position	126,787	53,100	32,895	15,999	(22,324)
Capital contributions	-	-	-	10,037	6,405
Net working capital	127,686	571,753	452,365	353,183	281,101
Total assets	2,000,373	1,863,719	1,809,108	1,782,756	1,785,214
Total net position	1,964,084	1,837,297	1,784,197	1,751,302	1,735,303

## AWARDS AND ACKNOWLEDGEMENTS

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joseph Mark Campbell". The signature is written in a cursive, flowing style.

Joseph Mark Campbell  
Chief Financial Officer

**MID COUNTY SERVICE DISTRICT NO. 14**  
**(A component unit of Multnomah County, Oregon)**  
**Principal Officers**

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BOARD OF COUNTY COMMISSIONERS\* AS OF JUNE 30, 2016

501 SE Hawthorne Blvd, 6<sup>th</sup> floor  
Portland, Oregon 97214

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

REGISTERED AGENT

Joseph Mark Campbell

REGISTERED OFFICE

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

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

## **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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## MOSS ADAMS<sub>LLP</sub>

### ***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, 2016 (and 2015), and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 11 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, 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 (Supplementary Information), as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**MOSS ADAMS** LLP*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016 on our consideration of 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 21, 2016 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 21, 2016

**Department of County Management**

**MULTNOMAH COUNTY OREGON**

**501 SE Hawthorne Blvd, Suite 531**

**Portland, Oregon 97214**

**(503) 988-3786 phone**

**(503) 988-3292 fax**



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**MANAGEMENT DISCUSSION AND ANALYSIS**

As management of Mid County Service District No. 14 (the District), we offer readers of the District’s basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1-3 of this report.

**Financial Highlights**

- Assets exceeded liabilities at June 30, 2016, by \$1,964,084. Of this amount, \$127,686 is unrestricted and \$1,836,398 represents net investment in capital assets.
- Total net position increased by \$126,787 in fiscal year 2016. This was primarily due to a decrease in operating expenses.

**Overview of the Financial Statements**

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

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

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

The District operates like a business receiving user charges for services rendered. It does not receive any funds from the State or the County other than street lighting assessments collected through property taxes; this is the main source of revenue. The District’s statute (ORS 451.500) projects that it collects fees necessary to prudently operate.

There was no change in user charges which were \$60 per household, from the prior fiscal year, which generated \$453,148 in operating revenues.

The basic enterprise fund financial statements can be found on pages 12-19 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 15-19 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 20-23 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 \$1,964,084 at the close of the most recent fiscal year, an increase of \$126,787 over prior year. At June 30, 2016, the largest portion of net position, \$1,836,398, or 93.5 percent, is invested in capital assets. The investment in capital assets is the District’s street lighting system, with no related debt. These capital assets provide services to its member households; consequently, these assets are not available for future spending.

**Mid County Service District No. 14  
Net Position  
June 30,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 163,975	\$ 598,175	\$ 477,276
Capital assets, net	<u>1,836,398</u>	<u>1,265,544</u>	<u>1,331,832</u>
Total assets	<u>2,000,373</u>	<u>1,863,719</u>	<u>1,809,108</u>
Current liabilities	<u>36,289</u>	<u>26,422</u>	<u>24,911</u>
Net position:			
Net investment in capital assets	1,836,398	1,265,544	1,331,832
Unrestricted	<u>127,686</u>	<u>571,753</u>	<u>452,365</u>
Total net position	<u>\$ 1,964,084</u>	<u>\$ 1,837,297</u>	<u>\$ 1,784,197</u>

At the end of the current and prior fiscal years, the District reported positive balances in the above categories of net position.

**Mid County Service District No. 14**  
**Changes in Fund Net Position**  
**For the Year Ended June 30,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>			
Operating revenues:			
Charges for services	\$ 453,148	\$ 453,567	\$ 452,303
Non-operating revenues:			
Investment earnings	<u>2,587</u>	<u>2,379</u>	<u>1,741</u>
Total revenues	<u>455,735</u>	<u>455,946</u>	<u>454,044</u>
<b>Expenses</b>			
Operating expenses:			
District operating expenses	<u>328,948</u>	<u>402,846</u>	<u>421,149</u>
Total expenses	<u>328,948</u>	<u>402,846</u>	<u>421,149</u>
Increase in net position	<u>126,787</u>	<u>53,100</u>	<u>32,895</u>
Beginning fund net position	<u>1,837,297</u>	<u>1,784,197</u>	<u>1,751,302</u>
Ending fund net position	<u>\$ 1,964,084</u>	<u>\$ 1,837,297</u>	<u>\$ 1,784,197</u>

Ending fund net position increased by \$126,787 during fiscal year 2016, compared to increases of \$53,100 and increases of \$32,895 during fiscal years 2015 and 2014 respectively. The primary reasons for the increase in fund net position are:

- Investment earnings increased by \$208 in fiscal year 2016 in comparison to \$638 in 2015 as rates continue to rise due to the economy improving.
- Operating expenses decreased by \$73,898 in fiscal year 2016 from 2015, driven by a decrease in Portland General Electric (PGE) bills for energy and maintenance services for the District.

**Capital assets.** The investment in capital assets (net of accumulated depreciation) as of June 30, 2016, amounts to \$1,836,398 (net of accumulated depreciation). This entire investment in capital assets is the street lighting system. The net increase in the investment in capital assets for the current fiscal year was \$570,854 or 45 percent due to depreciation and a new project. The new project involves converting approximately 2,700 high pressure sodium street lights with energy efficient LED roadway street lights. Additional information on capital assets can be found in Note II.B. on page 18 of this report.

**Budgetary highlights.** Total budgeted expenditures were \$1,350,000 in fiscal year 2016 compared to actual expenditures of \$899,917. Actual expenditures were under budget by \$450,083. There were two primary reasons for actual expenditures being less than budgeted expenditures:

- Capital expenditures had a budget of \$1,075,000 for light and pole replacements for fiscal year 2016 of which only \$637,142 was added to Construction in Progress for the replacement program in FY16.
- Supplies and repairs had a budget of \$25,000 for replacing knocked down poles and street lights. Actual expenditures were \$9,731.

## **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 2017 budget, the District is proposing \$183,500 to replace assets which have reached maximum useful life and to develop a plan to replace 500 high pressure sodium ornamental street lights with the energy efficient Light Emitting Diode (LED) decorative luminaire solution.

The current assessment rate is \$60 per household per year. For fiscal year 2017, 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.

## **Requests for information**

This financial report is designed to provide a general overview of 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,	
	2016	2015
<b>ASSETS</b>		
Current assets (unrestricted):		
Cash and investments	\$ 135,241	\$ 570,808
Receivables:		
Special assessments, net	28,734	27,367
Total current assets	163,975	598,175
Noncurrent assets (restricted):		
Construction in progress	637,142	-
Other capital assets (net of accumulated depreciation)	1,199,256	1,265,544
Total noncurrent assets	1,836,398	1,265,544
Total assets	2,000,373	1,863,719
<b>LIABILITIES</b>		
Current liabilities (payable from unrestricted assets):		
Accounts payable	36,289	26,422
Total liabilities	36,289	26,422
<b>NET POSITION</b>		
Net investment in capital assets	1,836,398	1,265,544
Unrestricted	127,686	571,753
Total net position	\$ 1,964,084	\$ 1,837,297

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**

	<b>Years Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES</b>		
Charges for services:		
Street lighting assessments, current	\$ 446,650	\$ 446,577
Street lighting assessments, prior	6,498	6,990
Total operating revenues	<u>453,148</u>	<u>453,567</u>
<b>OPERATING EXPENSES</b>		
Cost of sales and services	242,983	312,930
Administration	19,677	23,628
Depreciation	66,288	66,288
Total operating expenses	<u>328,948</u>	<u>402,846</u>
Operating income	<u>124,200</u>	<u>50,721</u>
<b>NONOPERATING REVENUES</b>		
Interest revenue	2,587	2,379
Total nonoperating revenues	<u>2,587</u>	<u>2,379</u>
Change in net position	126,787	53,100
Total net position - beginning	<u>1,837,297</u>	<u>1,784,197</u>
Total net position - ending	<u>\$ 1,964,084</u>	<u>\$ 1,837,297</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**

	<b>Years Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 451,897	\$ 452,222
Payments to suppliers	(216,336)	(315,179)
Payments to County employees	(36,573)	(19,854)
Net cash provided by operating activities	<u>198,988</u>	<u>117,189</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(637,142)	-
Net cash used by capital and related financing activities	<u>(637,142)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,587	2,379
Net cash provided by investing activities	<u>2,587</u>	<u>2,379</u>
Net increase (decrease) in cash and investments	(435,567)	119,568
Balances at beginning of the year	570,808	451,240
Balances at end of the year	<u>\$ 135,241</u>	<u>\$ 570,808</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 124,200	\$ 50,721
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	66,288	66,288
Changes in assets and liabilities:		
Receivables, net	(1,367)	(1,331)
Accounts payable	9,867	1,511
Total adjustments	<u>74,788</u>	<u>66,468</u>
Net cash provided by operating activities	<u>\$ 198,988</u>	<u>\$ 117,189</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)**  
**Notes to the Basic Financial Statements**  
**June 30, 2016 and 2015**

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

**A. Reporting entity**

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 (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.

**MID COUNTY SERVICE DISTRICT NO. 14**  
**(A component unit of Multnomah County, Oregon)**  
**Notes to the Basic Financial Statements**  
**June 30, 2016 and 2015**

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

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

**C. Assets, liabilities, and net position or fund balances**

***Cash and investments***

The District's cash and investments are deposited in the County's Local Government Investment Pool (the Pool). 100 percent of the District's cash and investments are included in the Pool rather than specific, identifiable securities. The District's share of County pooled cash and investments can be drawn upon demand, and therefore, the entire amount on deposit with the County is considered cash equivalents. Interest earned on pooled investments is allocated monthly based on the average daily cash balance of the District in relation to total investments in the pool. It is not practical to determine the investment risk, collateral, or insurance coverage for the District's share of these pooled investments.

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

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

***Receivables and payables***

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

***Net position***

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

**MID COUNTY SERVICE DISTRICT NO. 14**  
**(A component unit of Multnomah County, Oregon)**  
**Notes to the Basic Financial Statements**  
**June 30, 2016 and 2015**

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***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. Expenses for major additions, improvements and replacements are capitalized. Gain or loss on retirement or disposal is reflected in income.

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.

***Annexations and intergovernmental agreements***

In 1983, the Board 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.

***Use of estimates***

The preparation of the financial statements in conformity with U.S. GAAP requires management 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 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.

The budget committee of the District consists of the members of the Board and residents of the District appointed by the Board. During the month of February each year, the District submits requests for appropriations to the County Chair so that a budget may be prepared. By May 15, the proposed budget is presented to the Board for approval. The Board holds public hearings and a final budget must be prepared and adopted no later than June 30.

**MID COUNTY SERVICE DISTRICT NO. 14**  
**(A component unit of Multnomah County, Oregon)**  
**Notes to the Basic Financial Statements**  
**June 30, 2016 and 2015**

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 III. Detailed notes on the Fund**

**A. Cash and investments**

The District's cash and investments reported on the Statement of Net Position represent the District's share of the County's cash and investment pool. The District's participation in the cash and investment pool is involuntary. Interest earnings from this pool are allocated to the District on a monthly basis. At June 30, 2016 and 2015 the District's share of the County's cash and investment pool totaled \$135,241 and \$570,808, respectively. This fund'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,	
	2016	2015
Street lighting assessments	\$ 29,596	\$ 28,146
Other assessments	-	198
Allowance for doubtful accounts	(862)	(977)
Receivables, net	\$ 28,734	\$ 27,367

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

**C. Capital assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Construction in progress	\$ -	\$ 637,142	\$ -	\$ 637,142
Street lights and poles	2,823,006	-	-	2,823,006
Accumulated depreciation	(1,557,462)	(66,288)	-	(1,623,750)
Street lighting systems, net	\$ 1,265,544	\$ 570,854	\$ -	\$ 1,836,398

**MID COUNTY SERVICE DISTRICT NO. 14**  
**(A component unit of Multnomah County, Oregon)**  
**Notes to the Basic Financial Statements**  
**June 30, 2016 and 2015**

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

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

**D. Transactions with Multnomah County**

The County Department of Community Services provides operating management and planning for the District. General administrative functions are performed by other units of the County. All services are performed on an internal cost reimbursement basis. Reimbursements to the County were \$9,139 and \$8,610 for fiscal years 2016 and 2015, respectively, and are included in the financial statement line item for Administration on the Statement of Revenues, Expenses and Changes in Fund Net Position.

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

**Note IV. Pension plans**

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

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**SUPPLEMENTARY INFORMATION SECTION**

**MID COUNTY SERVICE DISTRICT NO. 14**  
**(A component unit of Multnomah County, Oregon)**  
**Supplementary Information**

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

- 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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
Current assessments	\$ 445,000	\$ 445,000	\$ 444,820	\$ (180)
Prior assessments	6,000	6,000	6,498	498
Interest	2,000	2,000	2,587	587
Total revenues	<u>453,000</u>	<u>453,000</u>	<u>453,905</u>	<u>905</u>
<b>EXPENDITURES</b>				
Current:				
Community services	1,325,000	1,325,000	899,917	425,083
Contingency	25,000	25,000	-	25,000
Total expenditures	<u>1,350,000</u>	<u>1,350,000</u>	<u>899,917</u>	<u>450,083</u>
Revenues over (under) expenditures	(897,000)	(897,000)	(446,012)	450,988
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	371,000	371,000	-	(371,000)
Total other financing sources (uses)	<u>371,000</u>	<u>371,000</u>	<u>-</u>	<u>(371,000)</u>
Net change in fund balances	(526,000)	(526,000)	(446,012)	79,988
Fund balances - beginning	<u>526,000</u>	<u>526,000</u>	<u>547,600</u>	<u>21,600</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>101,588</u>	<u>\$ 101,588</u>
Reconciliation to GAAP Basis:				
Allowance for uncollectible accounts, assessments			(862)	
Capital assets, net of accumulated depreciation and amortization			1,836,398	
Assessment revenues that were not available to fund current expenditures and therefore were not reported in the budgetary basis schedule			<u>26,960</u>	
Net position as reported on the Statement of Revenues, Expenses and Changes in Fund Net Position			<u>\$ 1,964,084</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, 2016**

	<b>Amounts Uncollected June 30, 2015</b>	<b>Levy/ Assessments as Extended by Assessor</b>	<b>Discounts Allowed</b>	<b>Interest Received</b>	<b>Cancellations and Adjustments</b>	<b>Interest and Tax/ Assessment Collections</b>	<b>Amounts Uncollected June 30, 2016</b>
<b>General Fund Special Assessment</b>							
2015-2016	\$ -	\$ 465,195	\$ (12,034)	\$ 188	\$ (1,173)	\$ (442,212)	\$ 9,964
2014-2015	10,853	N/A	11	370	(421)	(4,875)	5,938
2013-2014	6,472	N/A	-	381	(22)	(2,126)	4,705
2012-2013	4,454	N/A	-	420	(13)	(1,657)	3,204
2011-2012	3,139	N/A	-	269	(7)	(914)	2,487
2010-2011	1,738	N/A	-	34	(6)	(93)	1,673
2009-2010	1,379	N/A	-	24	(5)	(57)	1,341
2008-2009	54	N/A	-	7	(1)	(15)	45
2007-2008	35	N/A	-	4	-	(8)	31
2006-2007 and prior years	219	N/A	-	12	(2)	(21)	208
	<u>\$ 28,343</u>	<u>\$ 465,195</u>	<u>\$ (12,023)</u>	<u>\$ 1,709</u>	<u>\$ (1,650)</u>	<u>\$ (451,978)</u>	<u>\$ 29,596</u>

**For the Year Ended June 30, 2015**

	<b>Amounts Uncollected June 30, 2014</b>	<b>Levy/ Assessments as Extended by Assessor</b>	<b>Discounts Allowed</b>	<b>Interest Received</b>	<b>Cancellations and Adjustments</b>	<b>Interest and Tax/ Assessment Collections</b>	<b>Amounts Uncollected June 30, 2015</b>
<b>General Fund Special Assessment</b>							
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>

**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, 2016 and 2015**  
**(unaudited)**

	<b>Years Ended June 30,</b>	
	<u>2016</u>	<u>2015</u>
<b>Revenues, per Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:</b>		
Current year assessments - sewer	\$ 444,901	\$ 445,071
Prior year assessments - sewer	6,498	6,990
Tax title land sales	-	198
Assessment accrual, sixty day tax, net	381	(101)
Tax title accrual, sixty day tax, net	<u>198</u>	<u>104</u>
<b>Interest and Tax/Assessment Collections, per Schedule of Special Assessment Transactions</b>	<u>\$ 451,978</u>	<u>\$ 452,262</u>

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

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

Board of County Commissioners  
 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, 2016 and have issued our report thereon dated December 21, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

**Compliance**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-000 to 162-010-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2016 and 2017.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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

## MOSS ADAMS<sub>LLP</sub>

### Internal Control Over Financial Reporting

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

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

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

### Purpose of this Report

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



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

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

The Board of County Commissioners  
 Multnomah County, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Multnomah County Library District, (the District), a Component Unit of Multnomah County, Oregon, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2016.

**Internal Control Over Financial Reporting**

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

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

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

## MOSS ADAMS<sub>LLP</sub>

### **Purpose of this Report**

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

*Moss Adams, LLP*

Eugene, Oregon  
December 21, 2016