

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

**Financial Statements and Reports of  
Independent Auditors**

**For the Fiscal Years Ended June 30, 2012 and 2011**



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



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



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

BOARD OF COUNTY COMMISSIONERS\* AS OF JUNE 30, 2012  
501 SE Hawthorne Blvd, 6<sup>th</sup> floor  
Portland, Oregon 97214

Term Expires

Jeff Cogen, Chair of the Board	December 31, 2014
Deborah Kafoury, Commissioner District 1	December 31, 2012
Loretta Smith, Commissioner District 2	December 31, 2014
Judy Shiprack, Commissioner District 3	December 31, 2012
Diane McKeel, Commissioner District 4	December 31, 2012

REGISTERED AGENT

Joseph Mark Campbell

REGISTERED OFFICE

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

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



**Department of County Management**  
**MULTNOMAH COUNTY OREGON**

**501 SE Hawthorne Blvd, Suite 531**  
**Portland, Oregon 97214**  
**(503) 988-3786 phone**  
**(503) 988-3292 fax**

December 13, 2012

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

## **INTRODUCTION**

We are pleased to submit the Basic Financial Statements for Dunthorpe-Riverdale Service District No. 1, Portland, Oregon (the District), for the fiscal years ended June 30, 2012 and 2011. This report includes the opinion of our independent auditors, Moss Adams LLP.

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

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

## **PROFILE OF THE DISTRICT**

Dunthorpe-Riverdale Service District No. 1 was organized in 1964 under the provisions of ORS 451. The District's purpose was to finance the construction and operation of sanitary sewer systems in the southwest areas of the County, bordering the Willamette River and a small portion of northern Clackamas County. By 1970 the District had eliminated a major source of pollution in the Willamette River. Administration of the District is managed by the Multnomah County Department of Community Services. The sewer lines are maintained through a contract with the City of Portland. Sewage flow treatment is performed at Portland's Tryon Creek station.

The District is accounted for as an enterprise fund. Enterprise funds generate revenue for operations by charging user fees to recover costs of providing goods and services to the public. The measurement focus is on a flow of economic resources and the accrual basis of accounting is used.



Under the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time the liabilities are incurred.

Oregon Budget Law requires the use of budgetary control. See pages 15-16 for the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.

### **FACTORS AFFECTING FINANCIAL CONDITION**

The District consists of approximately 592 households at June 30, 2012, including 18 in northern Clackamas County. District growth has stabilized due to substantial completion of municipal annexations. Operations are funded by user fees and connection charges sufficient to recover all costs of goods and services. The fees are collected via special assessments that are added to property tax bills for properties served by the District.

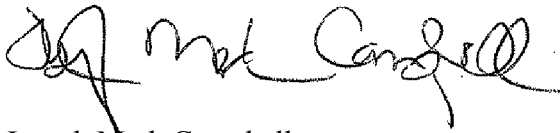
Prior to fiscal year 2005, slowed District development and increases in utility costs resulted in overall operating losses and decreases in net position. From fiscal year 2005 to 2012, it has been necessary to increase monthly per household rates from \$62 to \$122 to cover rising utility costs and provide for necessary capital improvements. This has resulted in overall operating gains and increases in net position. Despite the addition of a five year intergovernmental loan in fiscal year 2007, the District continues to maintain a strong net working capital position, with an increase in the current fiscal year primarily due to increased user rate revenue. Following is a summary of some key financial data which has been summarized from current and prior years' financial statements:

	Year Ended June 30,				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenue	\$ 837,554	\$ 816,245	\$ 809,012	\$ 713,307	\$ 627,039
Depreciation expense	73,198	67,530	64,288	63,666	62,070
Operating gain	330,435	331,729	307,263	274,240	174,171
Change in net position	335,978	339,916	366,331	266,877	175,364
Net working capital	908,720	764,707	465,395	424,354	235,710
Total assets	3,673,919	2,964,342	2,818,956	2,602,204	2,422,816
Total net position	3,207,124	2,871,146	2,531,230	2,164,899	1,898,022

## AWARDS AND ACKNOWLEDGEMENTS

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

Respectfully submitted,

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

Joseph Mark Campbell  
Chief Financial Officer

## **FINANCIAL SECTION**



## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying basic financial statements of the Dunthorpe-Riverdale Service District No. 1 (“the District”), a component unit of Multnomah County, Oregon, as of and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the District’s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 3 through 6 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section (Board of County Commissioners and transmittal letter) and supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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 introductory section (Board of County Commissioners and transmittal letter) is fairly stated in all material respects in relation to the basic financial statements as a whole. 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.



James C. Lanzarotta, CPA  
For Moss Adams LLP  
Eugene, Oregon

December 13, 2012



**Department of County Management**

**MULTNOMAH COUNTY OREGON**

**501 SE Hawthorne Blvd, Suite 531**

**Portland, Oregon 97214**

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**MANAGEMENT DISCUSSION AND ANALYSIS**

As management of Dunthorpe-Riverdale Service District No. 1, we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages ii-iv of this report.

**Financial Highlights**

- Dunthorpe-Riverdale's assets exceeded its liabilities at June 30, 2012, by \$3,207,124. Of this amount, \$908,720 is unrestricted. This positive amount represents an excess raised for future pump station repairs and improvements from increased monthly user fees.
- The District's total net position increased by \$335,978 in fiscal year 2012 compared to a \$339,916 increase in fiscal year 2011. The overall increase is primarily due to the increases in monthly per household customer sewer user assessment fees, from \$114 in fiscal year 2010 to \$119 in fiscal year 2011 and \$122 in fiscal year 2012. The user fee increases were necessary to assist with rising utility costs and required capital improvements over the last three fiscal years. The user fee increases for fiscal years 2010 and 2011 assisted in paying the principal and interest payments on the intergovernmental loan from fiscal year 2007.
- Interest revenue was \$5,543 for fiscal year 2012 compared to \$3,458 for fiscal year 2011. The increase from 2011 is again due to higher cash balances throughout fiscal year 2012, from unspent increased user fees.
- The District expended \$265,163 on capital improvements to the Riverview and Elk Rock pump stations in fiscal year 2012 as compared to \$18,951 in fiscal year 2011. These improvements are recorded in capital assets in fiscal year 2012. In 2012, capital improvements were only 55% of what was budgeted, \$480,000, due to expenditures being delayed until fiscal year 2013.

**Overview of the Financial Statements**

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

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

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

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

The main source of revenue, sewer assessments, is collected through property taxes. In the current year the fees were raised from \$119 to \$122 per month per household and generated \$837,554 of revenue. Current sewer assessments are intended to meet anticipated treatment, maintenance and capital requirements for the upcoming year.

The basic enterprise fund financial statements can be found on pages 7-9 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 10-14 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 15-18 of this report.

## **Financial Analysis of the District**

Certain reclassifications were made to prior year's amounts in order to conform to the current year presentation.

Net position may serve over time as a useful indicator of a government's financial condition. As noted earlier, Dunthorpe-Riverdale's total assets exceeded liabilities by \$3,207,124 at the close of the most recent fiscal year, an increase of \$335,978 over the prior year. At June 30, 2012, the District's largest portion of net position, \$2,298,404 or 72%, is invested in capital assets. In fiscal year 2012 the total amount invested in capital assets increased by \$191,965 from but still decreased as a percentage of net position by 1.7% compared to the prior year. In fiscal year 2011 the total amount invested in capital assets decreased by \$48,579 and decreased as a percentage of net position by 11.8% compared to prior year. The investment in capital assets represents the District's sanitary sewer system. The District uses these capital assets to provide services to its member households; consequently, these assets are not available for future spending.



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

	2012	2011	2010
Current assets	\$ 1,375,515	\$ 857,903	\$ 663,938
Capital assets	2,298,404	2,106,439	2,155,018
Total assets	<u>3,673,919</u>	<u>2,964,342</u>	<u>2,818,956</u>
Current liabilities	466,795	93,196	198,543
Noncurrent liabilities	-	-	89,183
Total liabilities	<u>466,795</u>	<u>93,196</u>	<u>287,726</u>
Net position:			
Net investment in capital assets	2,298,404	2,106,439	2,155,018
Unrestricted net position	<u>908,720</u>	<u>764,707</u>	<u>376,212</u>
Total net position	<u>\$ 3,207,124</u>	<u>\$ 2,871,146</u>	<u>\$ 2,531,230</u>

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

	2012	2011	2010
<b>Revenues</b>			
Operating revenues:			
Charges for services	\$ 837,554	\$ 816,245	\$ 809,012
Nonoperating revenues:			
Investment earnings	5,543	3,458	5,324
Intergovernmental revenue	-	5,719	68,307
Total revenues	<u>843,097</u>	<u>825,422</u>	<u>882,643</u>
<b>Expenses</b>			
Operating expenses:			
District operating expenses	507,119	484,516	501,749
Nonoperating expenses:			
Interest expense	-	990	14,563
Total expenses	<u>507,119</u>	<u>485,506</u>	<u>516,312</u>
Increase in net position	\$ 335,978	\$ 339,916	\$ 366,331
Beginning fund net position	<u>2,871,146</u>	<u>2,531,230</u>	<u>2,164,899</u>
Ending fund net position	<u>\$ 3,207,124</u>	<u>\$ 2,871,146</u>	<u>\$ 2,531,230</u>

The District's fund net assets increased by \$335,978 during the current fiscal year compared to an increase of \$339,916 in fiscal year 2011 and an increase of \$366,331 in fiscal year 2010. The primary reasons for the increases in fund net assets from fiscal years 2010 through 2012 are:

- Capital improvements to the Tryon Creek, Riverview and Elk Rock pump stations have increased capital assets in fiscal years 2010 through 2012 from \$3,214,399 to \$3,781,168.
- Operating revenues over the past three years have risen significantly as the monthly service charge has increased from \$114 per household to \$122 per household. The rate increases were

to meet the rising utility costs and capital improvements over the past three fiscal years and the debt service payments in fiscal years 2010 and 2011.

- Investment earnings had remained stable in fiscal years 2007 and 2008 at \$24,562 and \$24,193 respectively due to higher interest rates. However, the earnings decreased sharply in fiscal years 2010, 2011 and 2012 to \$5,324, \$3,458 and \$5,543 respectively as the interest rates continued falling throughout these years. In fiscal year 2012, the average cash balance was considerably higher than fiscal year 2011, resulting in the increase in interest earnings.

**Budgetary highlights.** Total budgeted expenditures for the District were \$934,000 in fiscal year 2012 compared to actual expenditures of \$698,834. Actual expenditures were under budget by \$235,166. The primary reasons for this include:

- Capital expenditures had a budget of \$480,000 to complete the improvements to the Elk Rock pump station and respond to critical maintenance projects. Actual expenditures were only \$265,163. The District also started the design of the new Riverview Pressure Main Replacement project. This project will continue through fiscal year 2013 and 2014.
- Professional Services had a budget of \$25,000, but only \$7,755 of actual expenditures due to decreases in the outside audit fee and the internal reimbursement charge.

### **Budget Information for Next Year**

The District's current assessment rate is \$122 per household per month. For fiscal year 2013 the District budget committee plans to increase the rate to \$125. The rate should provide the District with necessary operating resources to meet treatment, maintenance, and capital requirements for the period. The District will continue to build the unrestricted fund balance of \$908,720, intended to support the District's capital program. This includes the new Riverview Pressure Main Replacement project mentioned above and addressing the pumping capacity at the Tryon Creek pump station in the future.

**Capital assets.** The District's investment in capital assets as of June 30, 2012 amounts to \$2,298,404. This entire investment in capital assets is the sanitary sewer system. The net increase in the District's investment in capital assets for the current fiscal year was \$191,965 or 9.1%. This includes current year capital additions of \$265,163 and depreciation of \$73,198. Additional information on the District's capital assets can be found in notes A.5 and C.3 on pages 11, 13 and 14 of this report.

### **Requests for Information**

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

Multnomah County  
Department of County Management  
501 SE Hawthorne Blvd, Suite 531  
Portland, OR 97214-3501

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

	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 1,314,252	\$ 807,894
Receivables (net of allowance for uncollectibles):		
Accounts	13,336	11,581
Special assessments	47,927	38,428
Total current assets	1,375,515	857,903
Construction in progress	22,586	-
Capital assets	3,781,168	3,538,591
Accumulated depreciation	(1,505,350)	(1,432,152)
Total assets	3,673,919	2,964,342
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	466,795	93,196
Total current liabilities	466,795	93,196
<b>NET POSITION</b>		
Invested in capital assets	2,298,404	2,106,439
Unrestricted	908,720	764,707
Total net position	\$ 3,207,124	\$ 2,871,146

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

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Statements of Revenues, Expenses and Changes in Fund Net Position**

	<b>Years Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>OPERATING REVENUES</b>		
Sewer user assessments	\$ 837,554	\$ 816,245
<b>OPERATING EXPENSES</b>		
Cost of sales and services	407,913	382,219
Administration	26,008	34,767
Depreciation	73,198	67,530
Total operating expenses	<u>507,119</u>	<u>484,516</u>
Operating income	<u>330,435</u>	<u>331,729</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest revenue	5,543	3,458
Interest expense	-	(990)
Intergovernmental revenue	-	5,719
Total nonoperating revenues	<u>5,543</u>	<u>8,187</u>
Change in net position	335,978	339,916
Total net position - beginning	2,871,146	2,531,230
Total net position - ending	<u><u>\$ 3,207,124</u></u>	<u><u>\$ 2,871,146</u></u>

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

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

	Years Ended June 30,	
	2012	2011
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 826,050	\$ 905,593
Payments to suppliers	(40,493)	(481,410)
Payments to County employees	(18,253)	(19,133)
Internal activity	(1,326)	(7,727)
Net cash provided by operating activities	<u>765,978</u>	<u>397,323</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(265,163)	(18,951)
Interest on debt	-	(990)
Loan repayment	-	(103,271)
Capital grant proceeds	-	5,719
Net cash used by capital and related financing activities	<u>(265,163)</u>	<u>(117,493)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	5,543	3,458
Net cash provided by investing activities	<u>5,543</u>	<u>3,458</u>
Net increase in cash and investments	506,358	283,288
Balances at beginning of the year	807,894	524,606
Balances at end of the year	<u>\$ 1,314,252</u>	<u>\$ 807,894</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 330,435	\$ 331,729
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	73,198	67,530
Changes in assets and liabilities:		
Receivables, net	(11,254)	89,323
Accounts payable	373,599	(91,259)
Total adjustments	<u>435,543</u>	<u>65,594</u>
Net cash provided by operating activities	<u>\$ 765,978</u>	<u>\$ 397,323</u>

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

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2012 and 2011**

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

**1. Nature of business**

Dunthorpe-Riverdale Service District No. 1 (the District) was organized in 1964 under the provisions of Oregon Revised Statutes (ORS) Chapter 451 to finance the construction and operation of sanitary sewer systems in the southwest unincorporated area of Multnomah County (the County), bordering the Willamette River and a small portion of northern Clackamas County. The Multnomah County Board of Commissioners is the governing body of the District, as provided for by ORS 451.485.

Dunthorpe-Riverdale is a blended component unit of Multnomah County and its financial activities are included in the basic financial statements of the County. The 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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary 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 nonoperating revenues and expenses.

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

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

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2012 and 2011**

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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 Multnomah County Board of Commissioners maintains overall financial accountability for the District, the financial statements of the District are included in the Comprehensive Annual Financial Report (CAFR) of the County, as an enterprise fund.

**3. Cash and investments**

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

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

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

**4. Receivables and payables**

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

**5. Capital assets**

The District's capital asset is a sewer system consisting of sewer lines and pumping facilities and is stated at historical cost at time of acquisition, or fair value on date donated for donated assets. Sewer system assets with a cost greater than \$10,000 are capitalized. Sewer system assets are depreciated on the straight-line method with an estimated useful life of 50 years for sewer lines and pumping facilities. Normal maintenance and repairs are expensed as incurred. Expenditures for major additions, improvements and replacements are capitalized. Gain or loss on retirement or disposal is reflected in income.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2012 and 2011**

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**6. Net position**

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

**7. Intergovernmental agreements**

The City of Portland provides sewer line and pump maintenance, transportation and sewage treatment for the District. In fiscal year 2007 the District requested the City of Portland to develop a Sanitary System Facilities Plan to help guide the District in making sound decisions for future management and improvement of the sanitary sewer system. The primary objective of the Plan is to evaluate the condition of the existing sanitary system, evaluate the capacity requirements of the system, and to project capital improvements to be included in the next 20 year planning horizon.

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

**8. Use of estimates**

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

**9. Reclassifications**

Certain amounts reported in prior years have been reclassified to conform to the current year presentation.

**Note B. Stewardship, compliance, and accountability**

**Budgets**

The District's budget is prepared and adopted in accordance with Oregon local budget law. Certain adjustments are necessary to reconcile from the budgetary basis to the US GAAP basis. All annual appropriations lapse at fiscal year end. During the month of February each year, the District submits requests for appropriations to the County Chair so that a budget may be prepared. By May 15, the proposed budget is presented to the County Board of Commissioners for approval. The Board holds



**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2012 and 2011**

public hearings and a final budget must be prepared and adopted no later than June 30.

The adopted budget is prepared by fund and department. The County's department managers may make transfers of appropriations within a department and fund. Transfers and changes (increases) of 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 represents 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, 2012 and 2011 the District's share of the County's cash and investment pool totaled \$1,314,252 and \$807,894, respectively.

**2. Receivables**

	June 30,	
	2012	2011
Special assessments:		
Sewer user assessments	\$ 50,252	\$ 40,503
Allowance for doubtful accounts	(2,325)	(2,075)
Total special assessments	47,927	38,428
Accounts:		
Receivables from pump maintenance	13,336	11,581
Total Receivables	\$ 61,263	\$ 50,009

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, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer system	\$ 3,538,591	\$ 265,163	\$ -	\$ 3,803,754
Accumulated depreciation	(1,432,152)	(73,198)	-	(1,505,350)
Sewer system assets, net	\$ 2,106,439	\$ 198,965	\$ -	\$ 2,298,404

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
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**Notes to Basic Financial Statements**  
**June 30, 2012 and 2011**

Capital asset activity for the District for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer system	\$ 3,519,640	\$ 18,951	\$ -	\$ 3,538,591
Accumulated depreciation	(1,364,622)	(67,530)	-	(1,432,152)
		\$		
Sewer system assets, net	<u>\$ 2,155,018</u>	<u>(48,579)</u>	<u>\$ -</u>	<u>\$ 2,106,439</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 \$7,345 and \$7,642 for fiscal 2012 and 2011, respectively, and are included in the financial statement line item for Administration on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

**Note D. Risk management**

As a component unit of the County, the District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County has established risk management programs for liability insurance coverage. The District is covered under the policies and programs insuring the County. The County maintains an internal service fund, the Risk Management Fund, to account for and finance its risks of loss. The County established risk management programs for liability and workers' compensation, whereby premiums are calculated on payroll expenses in all funds and are paid into the Risk Management Fund. The funds are available to pay claims, claim reserves, and reduce administrative costs of the program. These interfund premiums are used to offset the amount of claims expenditure reported in the Risk Management Fund. As of June 30, 2012, interfund premiums exceeded reimbursable expenditures. Settlements have not exceeded coverages for each of the past three fiscal years.

**Note E. Pension plans**

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

**SUPPLEMENTARY INFORMATION**



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

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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;
- Advances from other funds are not recorded;
- Special assessment and property tax revenue is recognized as it becomes measurable and available;
- Expenses related to uncollectible accounts receivable are not recorded.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Assessments - sewer:				
Current	\$ 801,600	\$ 801,600	\$ 799,583	\$ (2,017)
Prior	8,725	8,725	18,168	9,443
Assessments - other	-	-	162	162
Charges for services	2,500	2,500	9,488	6,988
Interest	3,750	3,750	5,543	1,793
Total revenues	<u>816,575</u>	<u>816,575</u>	<u>832,944</u>	<u>16,369</u>
<b>EXPENDITURES</b>				
Community services	934,000	934,000	698,834	235,166
Excess (deficiency) of revenues over (under) expenditures	(117,425)	(117,425)	134,110	251,535
Contingency	(50,000)	(50,000)	-	50,000
Net change in fund balances	(167,425)	(167,425)	134,110	301,535
Fund balances - beginning	712,000	712,000	734,203	22,203
Fund balances - ending	<u>\$ 544,575</u>	<u>\$ 544,575</u>	<u>868,313</u>	<u>\$ 323,738</u>
Reconciliation to GAAP basis:				
Invested in capital assets			2,298,404	
Deferred revenue on property taxes			42,732	
Allowance for uncollectible accounts, assessments			(2,325)	
Net Position as reported on the Statement of Revenues, Expenses and Changes in Fund Net Position, page 8			<u>\$ 3,207,124</u>	

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Schedules of Special Assessment Transactions**

**For the Year Ended June 30, 2012**

	<u>Amounts Uncollected June 30, 2011</u>	<u>Levy/ Assessments as Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Interest Received</u>	<u>Cancellations and Adjustments</u>	<u>Interest and Tax/ Assessment Collections</u>	<u>Amounts Uncollected June 30, 2012</u>
<b>General Fund Special Assessment</b>							
2011-2012	\$ -	\$ 849,273	\$ (21,373)	\$ 357	\$ (6,733)	\$ (796,332)	\$ 25,192
2010-2011	22,789		129	881	1,104	(11,374)	13,529
2009-2010	10,128		96	875	1,930	(4,599)	8,430
2008-2009	5,245		1	1,039	(63)	(4,042)	2,180
2007-2008	1,605		1	505	(49)	(1,710)	352
2006-2007	249		-	63	(9)	(170)	133
2005-2006	94		-	16	(5)	(41)	64
2004-2005	89		-	5	2	(12)	84
2003-2004	72		-	6	0	(12)	66
2002-2003 and prior years	232		-	14	0	(24)	222
	<u>\$ 40,503</u>	<u>\$ 849,273</u>	<u>\$ (21,146)</u>	<u>\$ 3,761</u>	<u>\$ (3,823)</u>	<u>\$ (818,316)</u>	<u>\$ 50,252</u>

**For the Year Ended June 30, 2011**

	<u>Amounts Uncollected June 30, 2010</u>	<u>Levy/ Assessments as Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Interest Received</u>	<u>Cancellations and Adjustments</u>	<u>Interest and Tax/ Assessment Collections</u>	<u>Amounts Uncollected June 30, 2011</u>
<b>General Fund Special Assessment</b>							
2010-2011	\$ -	\$ 825,267	\$ (20,633)	\$ 375	\$ (5,441)	\$ (776,779)	\$ 22,789
2009-2010	24,542		28	960	(1,705)	(13,697)	10,128
2008-2009	10,090		8	912	(453)	(5,312)	5,245
2007-2008	3,996		1	789	(61)	(3,120)	1,605
2006-2007	1,438		0	465	(55)	(1,599)	249
2005-2006	197		0	50	(14)	(139)	94
2004-2005	127		0	15	(16)	(37)	89
2003-2004	78		0	3	(2)	(7)	72
2002-2003	47		0	3	(4)	(7)	39
2001-2002 and prior years	205		0	13	(5)	(20)	193
	<u>\$ 40,720</u>	<u>\$ 825,267</u>	<u>\$ (20,596)</u>	<u>\$ 3,585</u>	<u>\$ (7,756)</u>	<u>\$ (800,717)</u>	<u>\$ 40,503</u>

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Reconciliation of Budgetary Revenues to Interest and Tax/Assessment Collections**  
**For the Years Ended June 30, 2012 and 2011**

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	<b>Years Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Revenues, per Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:</b>		
Current year assessments - sewer	\$ 799,582	\$ 781,350
Prior year assessments - sewer	18,168	18,546
Tax title land sales	162	284
Assessment accrual, sixty day tax, net	34	833
Clackamas county accrual, sixty day tax, net	247	(133)
Tax title accrual, sixty day tax, net	122	(163)
 <b>Interest and Tax/Assessment Collections, per Schedule of Special Assessment Transactions</b>		
	\$ 818,316	\$ 800,717



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



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

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

We have audited the financial statements of the Dunthorpe-Riverdale Service District No. 1 as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of 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 financial statements are free from 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 and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-0000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of authorized 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 2012 and 2013.
- 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 Oregon Municipal Corporations, prescribed by the Secretary of State.

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

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of County Commissioners, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



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

December 13, 2012