

**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, 2013 and 2012



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, 2013
501 SE Hawthorne Blvd, 6th floor
Portland, Oregon 97214

Term Expires

Jeff Cogen, Chair of the Board	December 31, 2014
Deborah Kafoury, Commissioner District 1	December 31, 2016
Loretta Smith, Commissioner District 2	December 31, 2014
Judy Shiprack, Commissioner District 3	December 31, 2016
Diane McKeel, Commissioner District 4	December 31, 2016

REGISTERED AGENT

Joseph Mark Campbell

REGISTERED OFFICE

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

* Governing body of 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



November 8, 2013

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, 2013 and 2012. 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 with the sewer lines being maintained through a contract with the City of Portland. Sewage flow treatment is performed at Portland's Tryon Creek station.

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

The District consists of approximately 593 households at June 30, 2013, including 19 in northern Clackamas County. District growth has stabilized due to substantial completion of municipal annexations. Operations are funded by user fees and connection charges sufficient to recover all costs of goods and services. The fees are collected via special assessments that are added to property tax bills for properties served by the District.

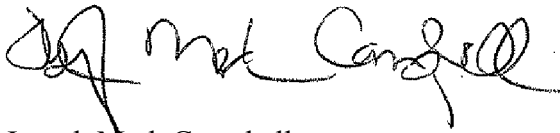
Prior to fiscal year 2005, slowed District development and increases in utility costs resulted in overall operating losses and decreases in net position. As a result, it has been necessary to increase monthly per household rates from \$62 in 2005 to \$125 in 2013 to cover rising costs and provide for necessary capital improvements. The rate changes have 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. The following is summarized key financial data from current and prior years' financial statements:

	Year Ended June 30,				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenue	\$ 852,571	\$ 837,554	\$ 816,245	\$ 809,012	\$ 713,307
Depreciation expense	75,623	73,198	67,530	64,288	63,666
Operating gain	298,124	330,435	331,729	307,263	274,240
Change in net position	303,767	335,978	339,916	366,331	266,877
Net working capital	1,236,740	908,720	764,707	465,395	424,354
Total assets	3,622,644	3,673,919	2,964,342	2,818,956	2,602,204
Total net position	3,510,891	3,207,124	2,871,146	2,531,230	2,164,899

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

Report on the Financial Statements

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, 2013 and 2012, 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 audit. We conducted our audit 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Dunthorpe-Riverdale Service District No. 1 as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MOSS ADAMS_{LLP}

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages through 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 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, based on our audit, the procedures performed as described above, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section (Board of County Commissioners and transmittal letter) are presented for purposes of additional analysis and are 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 November 8, 2013 on our consideration of the Dunthorpe-Riverdale Service District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dunthorpe-Riverdale Service District No. 1's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 8, 2013 on our consideration of the Dunthorpe-Riverdale Service District No. 1's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink that reads "James C. Lanzarotta".

James C. Lanzarotta, CPA
For Moss Adams LLP
Eugene, Oregon
November 8, 2013

Department of County Management
MULTNOMAH COUNTY OREGON

501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214
(503) 988-3786 phone
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MANAGEMENT)UDISCUSSION 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, 2013. 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, 2013, by \$3,510,891. Of this amount, \$1,236,740 is unrestricted. This positive amount, from increased monthly user fees, represents an excess raised for future pump station repairs and improvements.
- The District's total net position increased by \$303,767 in fiscal year 2013 compared to a \$335,978 increase in fiscal year 2012. The overall increase is primarily due to the increases in monthly per household customer sewer user assessment fees. The monthly per household rate was \$119 in fiscal year 2011, \$122 in fiscal year 2012, and \$125 in fiscal year 2013. The user fee increases were necessary to assist with rising utility costs and required capital improvements over the last three fiscal years.
- Interest revenue was \$5,643 for fiscal year 2013 compared to \$5,543 for fiscal year 2012. As in 2012, the current year increase is due to higher cash balances of unspent user fees throughout the fiscal.
- The District expended \$51,370 on capital improvements to the Riverview and Elk Rock pump stations in fiscal year 2013 as compared to \$265,163 in fiscal year 2012. These improvements are recorded in construction in progress in fiscal year 2013. In 2013, \$525,000 was budgeted for capital improvements of which only 9.8% (\$51,370) was expended. Due to delays, the majority of budgeted funds will be expended in fiscal year 2014.

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 \$122 to \$125 per month per household and generated \$852,571 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 8-10 of this report.

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

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

Financial Analysis of the District

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 \$3,510,891 at the close of the most recent fiscal year, an increase of \$303,767 over the prior year. At June 30, 2013, the District's largest portion of net position, \$2,274,151 or 65%, is invested in capital assets. The investment in capital assets represents the District's sanitary sewer system. The District uses these capital assets to provide services to its member households; consequently, these assets are not available for future spending.

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

	2013	2012	2011
Current assets	\$ 1,348,493	\$ 1,375,515	\$ 857,903
Capital assets	2,274,151	2,298,404	2,116,439
Total assets	<u>3,622,644</u>	<u>3,673,919</u>	<u>2,964,342</u>
Current liabilities	111,753	466,795	93,196
Total liabilities	<u>111,753</u>	<u>466,795</u>	<u>93,196</u>
Net position:			
Net investment in capital assets	2,274,151	2,298,404	2,106,439
Unrestricted net position	<u>1,236,740</u>	<u>908,720</u>	<u>764,707</u>
Total net position	<u>\$ 3,510,891</u>	<u>\$ 3,207,124</u>	<u>\$ 2,871,146</u>

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

	2013	2012	2011
Revenues			
Operating revenues:			
Charges for services	\$ 852,571	\$ 837,554	\$ 816,245
Non-operating revenues:			
Investment earnings	5,643	5,543	3,458
Intergovernmental revenue	-	-	5,719
Total revenues	<u>858,214</u>	<u>843,097</u>	<u>825,422</u>
Expenses			
Operating expenses:			
District operating expenses	554,447	507,119	484,516
Non-operating expenses:			
Interest expense	-	-	990
Total expenses	<u>554,447</u>	<u>507,119</u>	<u>485,506</u>
Increase in net position	\$ 303,767	\$ 335,978	\$ 339,916
Beginning fund net position	<u>3,207,124</u>	<u>2,871,146</u>	<u>2,531,230</u>
Ending fund net position	<u>\$ 3,510,891</u>	<u>\$ 3,207,124</u>	<u>\$ 2,871,146</u>

The District's fund net position increased by \$303,767 during the current fiscal year compared to an increase of \$335,978 in fiscal year 2012 and an increase of \$339,916 in fiscal year 2011. The primary reasons for the increases in fund position from fiscal years 2011 through 2013 are:

- Beginning in 2011, ongoing capital improvements to the Tryon Creek, Riverview and Elk Rock pump stations have increased construction in progress from \$0 in 2011 to \$73,956 in 2013.
- Operating revenues over the past three years have risen significantly as the monthly service charge has increased from \$119 per household to \$125 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 2011, 2012 and 2013 to \$3,458, \$5,543 and \$5,643 respectively as interest rates fell throughout these years.

Budgetary highlights. Total budgeted expenditures for the District were \$1,001,250 in fiscal year 2013 compared to actual expenditures of \$530,019. Actual expenditures were under budget by \$471,231. The primary reason for this includes:

- Capital expenditures had a budget of \$525,000 to complete the improvements to the Elk Rock pump station, respond to critical maintenance projects and start the construction of the new Riverview Pressure Main Replacement project. Total capital expenditures were only \$51,370. The new Riverview project will continue construction through fiscal years 2014 and 2015.

Budget Information for Next Year

The District's current assessment rate is \$125 per household per month. For fiscal year 2014 the District budget committee plans to increase the rate to \$130. 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 \$1,236,740, intended to support the District's capital program. This includes the new Riverview Pressure Main Replacement project mentioned above and addresses 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, 2013 amounts to \$2,274,151. This entire investment in capital assets is the sanitary sewer system. The net decrease in the District's investment in capital assets for the current fiscal year was \$24,253 or 1.1%. This includes current year capital additions of \$51,370 and depreciation of \$75,623. Additional information on the District's capital assets can be found in notes A.5 and C.3 on pages 12, 14 and 15 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

	June 30,	
	2013	2012
ASSETS		
Current assets:		
Cash and investments	\$ 1,286,092	\$ 1,314,252
Receivables (net of allowance for uncollectibles):		
Accounts	13,314	13,336
Special assessments	49,087	47,927
Total current assets	1,348,493	1,375,515
Construction in progress	73,956	22,586
Capital assets	3,781,168	3,781,168
Accumulated depreciation	(1,580,973)	(1,505,350)
Total assets	3,622,644	3,673,919
LIABILITIES		
Current liabilities:		
Accounts payable	111,753	466,795
Total current liabilities	111,753	466,795
NET POSITION		
Invested in capital assets	2,274,151	2,298,404
Unrestricted	1,236,740	908,720
Total net position	\$ 3,510,891	\$ 3,207,124

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

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

	Years Ended June 30,	
	2013	2012
OPERATING REVENUES		
Sewer user assessments	\$ 852,571	\$ 837,554
OPERATING EXPENSES		
Cost of sales and services	448,522	407,913
Administration	30,302	26,008
Depreciation	75,623	73,198
Total operating expenses	554,447	507,119
Operating income	298,124	330,435
NONOPERATING REVENUES		
Interest revenue	5,643	5,543
Total nonoperating revenues	5,643	5,543
Change in net position	303,767	335,978
Total net position - beginning	3,207,124	2,871,146
Total net position - ending	\$ 3,510,891	\$ 3,207,124

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,	
	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 851,258	\$ 826,050
Payments to suppliers	(816,805)	(40,493)
Payments to County employees	(16,871)	(18,253)
Internal activity	(15)	(1,326)
Net cash provided by operating activities	<u>17,567</u>	<u>765,978</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(51,370)	(265,163)
Net cash used by capital and related financing activities	<u>(51,370)</u>	<u>(265,163)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5,643	5,543
Net cash provided by investing activities	<u>5,643</u>	<u>5,543</u>
Net increase (decrease) in cash and investments	(28,160)	506,358
Balances at beginning of the year	1,314,252	807,894
Balances at end of the year	<u>\$ 1,286,092</u>	<u>\$ 1,314,252</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 298,124	\$ 330,435
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	75,623	73,198
Changes in assets and liabilities:		
Receivables, net	(1,138)	(11,254)
Accounts payable	(355,042)	373,599
Total adjustments	<u>(280,557)</u>	<u>435,543</u>
Net cash provided by operating activities	<u>\$ 17,567</u>	<u>\$ 765,978</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, 2013 and 2012

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 management of the District is handled by County management. The District serves the residents within its geographical boundaries and is governed by a board comprised of the County's elected Board. The rates for user charges for the District are approved by the Board. The District is reported as an enterprise fund.

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

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

Proprietary 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 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 non-operating revenues and expenses.

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

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

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2013 and 2012

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, 2013 and 2012

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 that the City of Portland develop a Sanitary System Facilities Plan to help guide the District in making sound decisions for future management and improvement of the sanitary sewer system. The primary objective of the Plan is to evaluate the condition of the existing sanitary system, evaluate the capacity requirements of the system, and to project capital improvements to be included in the next 20 year planning horizon.

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

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

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2013 and 2012

proposed budget is presented to the County Board of Commissioners for approval. The Board holds public hearings and a final budget must be prepared and adopted no later than June 30.

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 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, 2013 and 2012 the District's share of the County's cash and investment pool totaled \$1,286,092 and \$1,314,252, respectively.

2. Receivables

	June 30,	
	2013	2012
Special assessments:		
Sewer user assessments	\$ 50,587	\$ 50,252
Allowance for doubtful accounts	(2,500)	(2,325)
Total special assessments	49,087	47,927
Accounts:		
Receivables from pump maintenance	13,314	13,336
Total Receivables	\$ 62,401	\$ 61,263

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, 2013 was as follows:

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
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Notes to Basic Financial Statements
June 30, 2013 and 2012

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer system	\$ 3,803,754	\$ 51,370	\$ -	\$ 3,855,124
Accumulated depreciation	(1,505,350)	(75,623)	-	(1,580,973)
Sewer system assets, net	<u>\$ 2,298,404</u>	<u>\$ (24,253)</u>	<u>\$ -</u>	<u>\$ 2,274,151</u>

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	<u>\$ 2,106,439</u>	<u>\$ 191,965</u>	<u>\$ -</u>	<u>\$ 2,298,404</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 \$7,778 and \$7,345 for fiscal 2013 and 2012, respectively, and are included in the financial statement line item for Administration on the Statement of Revenues, Expenses and Changes in Fund Net Position.

Note D. Risk management

As a component unit of the County, the District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County has established risk management programs for liability insurance coverage. The District is covered under the policies and programs insuring the County. The County maintains an internal service fund, 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, 2013, interfund premiums exceeded reimbursable expenditures. Settlements have not exceeded the District's coverage balance for each of the past three fiscal years.

Note E. Pension plans

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

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SUPPLEMENTARY INFORMATION

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

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

- Capital outlay is reflected as an expenditure;
- Contributed capital, other than non-current assets, is reflected as revenue;
- Depreciation is not recorded;
- 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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Assessments - sewer:				
Current	\$ 828,000	\$ 828,000	\$ 807,167	\$ (20,833)
Prior	9,500	9,500	20,039	10,539
Assessments - other	-	-	1,000	1,000
Charges for services	2,500	2,500	23,711	21,211
Interest	4,250	4,250	5,643	1,393
Total revenues	<u>844,250</u>	<u>844,250</u>	<u>857,560</u>	<u>13,310</u>
EXPENDITURES				
Community services	<u>1,001,250</u>	<u>1,001,250</u>	<u>530,019</u>	<u>471,231</u>
Excess (deficiency) of revenues over (under) expenditures	(157,000)	(157,000)	327,541	484,541
Contingency	<u>(50,000)</u>	<u>(50,000)</u>	-	<u>50,000</u>
Net change in fund balances	(207,000)	(207,000)	327,541	534,541
Fund balances - beginning	830,000	830,000	868,313	38,313
Fund balances - ending	<u>\$ 623,000</u>	<u>\$ 623,000</u>	<u>1,195,854</u>	<u>\$ 572,854</u>
Reconciliation to GAAP basis:				
Invested in capital assets			2,274,151	
Deferred revenue on property taxes			43,386	
Allowance for uncollectible accounts, assessments			<u>(2,500)</u>	
Net Position as reported on the Statement of Revenues, Expenses and Changes in Fund Net Position, page 9			<u>\$ 3,510,891</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, 2013							
Amounts Uncollected June 30, 2012	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2013	
General Fund Special Assessment							
2012-2013	\$ -	\$ 850,975	\$ (21,595)	\$ 349	\$ (2,796)	\$ (803,627)	\$ 23,306
2011-2012	25,724		23	862	(1,201)	(11,382)	14,026
2010-2011	12,998		7	924	(336)	(5,267)	8,326
2009-2010	8,430		1	1,154	(107)	(4,439)	5,039
2008-2009	2,179		1	733	(80)	(2,437)	396
2007-2008	351		1	99	(47)	(240)	164
2006-2007	134		-	31	(10)	(75)	80
2005-2006	63		-	7	(2)	(15)	53
2004-2005	84		-	5	(35)	(12)	42
2003-2004 and prior years	289		-	19	(122)	(31)	155
	<u>\$ 50,252</u>	<u>\$ 850,975</u>	<u>\$ (21,562)</u>	<u>\$ 4,183</u>	<u>\$ (4,736)</u>	<u>\$ (827,525)</u>	<u>\$ 51,587</u>

For the Year Ended June 30, 2012							
Amounts Uncollected June 30, 2011	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2012	
General Fund Special Assessment							
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	-	(12)	66
2002-2003 and prior years	232		-	14	-	(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>

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, 2013 and 2012

	Years Ended June 30,	
	2013	2012
Revenues, per Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
Current year assessments - sewer	\$ 807,167	\$ 799,582
Prior year assessments - sewer	20,039	18,168
Tax title land sales	1,000	162
Assessment accrual, sixty day tax, net	157	34
Clackamas county accrual, sixty day tax, net	-	247
Tax title accrual, sixty day tax, net	(838)	122
 Interest and Tax/Assessment Collections, per Schedule of Special Assessment Transactions		
	\$ 827,525	\$ 818,316

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

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

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

We have audited the basic financial statements of Dunthorpe-Riverdale Service District No. 1 (the "District") as of and for the year ended June 30, 2013 and have issued our report thereon dated November 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

OAR	Title	Instances of Non-Compliance Identified?
162-010-0030	General Requirements	None Noted
162-010-0050	Financial Statements	None Noted
162-010-0115	Required Supplementary Information (RSI)	None Noted
162-010-0120	Other Supplementary Information	None Noted
162-010-0130	Schedule of Revenues, Expenditures / Expenses, and Changes in Fund Balances, / Net Assets, Budget and Actual (Each Fund)	None Noted
162-010-0140	Schedule of Accountability for Independently Elected Officials	Not Applicable
162-010-0150	Schedule of Property Tax Transactions or Acreage Assessments	None Noted
162-010-0160	Schedule of Bonded or Long-Term Debt Transactions	Not Applicable
162-010-0170	Schedule of Future Requirements for Retirement of Bonded or Long-Term Debt	Not Applicable
162-010-0190	Other Financial or Statistical Information	None Noted
162-010-0200	Required Disclosures and Independent Auditors Comments	None Noted
162-010-0230	Accounting Records and Internal Control	None Noted
162-010-0240	Public Fund Deposits	None Noted
162-010-0250	Indebtedness	Not Applicable
162-010-0260	Budget	None Noted
162-010-0270	Insurance and Fidelity Bonds	None Noted
162-010-0280	Programs Funded from Outside Sources	Not Applicable
162-010-0295	Highway Funds	Not Applicable

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OAR	Title	Instances of Non-Compliance Identified?
162-010-0300	Investments	None Noted
162-010-0310	Public Contracts and Purchasing	None Noted
162-010-0315	State School Fund	Not Applicable
162-010-0316	Public Charter Schools	Not Applicable
162-010-0320	Other Comments and Disclosures	None Noted
162-010-0330	Extensions of Time to Deliver Audit Reports	Not Applicable

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

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 Lanzarotta, Partner
 For Moss Adams LLP
 Certified Public Accountants
 Eugene, Oregon
 November 8, 2013

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 Dunthorpe-Riverdale Service District No. 1, (the District), a Component Unit of Multnomah County, Oregon, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2013.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

MOSS ADAMS_{LLP}**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*.

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.



Eugene, Oregon
November 8, 2013