

**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, 2011 and 2010



Prepared by:
Department of County Management
Mindy Harris, 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, 2011
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, 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

Mindy L. Harris

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 21, 2011

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, 2011 and 2010. 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 591 households at June 30, 2011, including 16 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 assets. From fiscal year 2005 to 2011, it has been necessary to increase monthly per household rates from \$62 to \$119 to cover rising utility costs and provide for necessary capital improvements. This has resulted in overall operating gains and increases in net assets. 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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenue	\$ 816,245	\$ 809,012	\$ 713,307	\$ 627,039	\$ 574,225
Depreciation expense	67,530	64,288	63,666	62,070	56,369
Operating gain	331,729	307,263	274,240	174,171	168,977
Change in net assets	339,916	366,331	266,877	175,364	193,539
Net working capital	764,707	465,395	424,354	235,710	171,173
Total assets	2,964,342	2,818,956	2,602,204	2,422,816	2,504,135
Total net assets	2,871,146	2,531,230	2,164,899	1,898,022	1,722,658

Long-term financial planning. In fiscal year 2007, the District borrowed \$400,000 through an intergovernmental loan from the County's Risk Management Fund, an internal service fund. The proceeds from the loan were used to complete required capital maintenance at the Tryon Creek and Riverview pump stations. The loan was set up to be repaid over five years with the first payments being made in fiscal years 2008 and 2009. However, in 2010 two payments were made with the final payment made in 2011.

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 that reads "Mindy Harris". The signature is written in a cursive, flowing style.

Mindy L. Harris
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, a component unit of Multnomah County, as of and for the years ended June 30, 2011 and 2010. 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 audits 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 audits provide 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 Dunthorpe-Riverdale Service District No. 1 as of June 30, 2011 and 2010, 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.

Management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements that collectively comprise the Dunthorpe-Riverdale Service District No. 1's basic financial statements. The introductory and supplementary information sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Dunthorpe-Riverdale Service District No. 1. The introductory information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it. The supplementary information section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.



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

December 22, 2011



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 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, 2011. 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, 2011, by \$2,871,146. Of this amount, \$764,707 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 assets increased by \$339,916 in fiscal year 2011 compared to a \$366,331 increase in fiscal year 2010. The overall increase is primarily due to the increases in monthly per household customer sewer user assessment fees, from \$104 in fiscal year 2009 to \$114 in fiscal year 2010 and \$119 in fiscal year 2011. The user fee increases were necessary to assist with rising utility costs, required capital improvements, and principal and interest payments on the intergovernmental loan from fiscal year 2007.
- Interest revenue was \$3,458 for fiscal year 2011 compared to \$5,324 for fiscal year 2010. The decrease from 2010 is again due to lower interest rates throughout fiscal year 2011, although helped by the higher cash position from unspent increased user fees and the intergovernmental loan.
- The District expended \$18,951 on capital improvements to the Riverview and Elk Rock pump stations in fiscal year 2011 as compared to \$305,241 in fiscal year 2010. These improvements are recorded in capital assets in fiscal year 2011. In 2011, capital improvements were only a small percentage of what was budgeted, \$200,000, due to expenditures being put off until fiscal year 2012.

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 \$114 to \$119 per month per household and generated \$816,245 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 6-8 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 9-14 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 assets may serve over time as a useful indicator of a government's financial position. As noted earlier, Dunthorpe-Riverdale's total assets exceeded liabilities by \$2,871,146 at the close of the most recent fiscal year, an increase of \$339,916 over the prior year. At June 30, 2011, the District's largest portion of net assets, \$2,106,439 or 73%, is invested in capital assets. In fiscal year 2011 the total amount invested in capital assets decreased by \$48,579 and as a percentage of net assets by 12% compared to the prior year, mostly due to depreciation. In fiscal year 2010 the total amount invested in capital assets increased by \$240,953 but decreased as a percentage of net assets by 3% 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 Assets
June 30,**

	2011	2010	2009
Current assets	\$ 857,903	\$ 663,938	\$ 688,139
Capital assets	2,106,439	2,155,018	1,914,065
Total assets	<u>2,964,342</u>	<u>2,818,956</u>	<u>2,602,204</u>
Current liabilities	93,196	198,543	263,785
Noncurrent liabilities	-	89,183	173,520
Total liabilities	<u>93,196</u>	<u>287,726</u>	<u>437,305</u>
Net assets:			
Invested in capital assets	2,106,439	2,155,018	1,914,065
Unrestricted net assets	764,707	376,212	250,834
Total net assets	<u>\$ 2,871,146</u>	<u>\$ 2,531,230</u>	<u>\$ 2,164,899</u>

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

	2011	2010	2009
Revenues			
Operating revenues:			
Charges for services	\$ 816,245	\$ 809,012	\$ 713,307
Nonoperating revenues:			
Investment earnings	3,458	5,324	11,536
Intergovernmental revenue	5,719	68,307	-
Total revenues	<u>825,422</u>	<u>882,643</u>	<u>724,843</u>
Expenses			
Operating expenses:			
District operating expenses	484,516	501,749	439,067
Nonoperating expenses:			
Interest expense	990	14,563	18,899
Total expenses	<u>485,506</u>	<u>516,312</u>	<u>457,966</u>
Increase in net assets	\$ 339,916	\$ 366,331	\$ 266,877
Beginning fund net assets	<u>2,531,230</u>	<u>2,164,899</u>	<u>1,898,022</u>
Ending fund net assets	<u>\$ 2,871,146</u>	<u>\$ 2,531,230</u>	<u>\$ 2,164,899</u>

The District's fund net assets increased by \$339,916 during the current fiscal year compared to an increase of \$366,331 in fiscal year 2010 and an increase of \$266,877 in fiscal year 2009. The primary reasons for the increases in fund net assets from fiscal years 2009 through 2011 are:

- Capital improvements to the Tryon Creek, Riverview and Elk Rock pump stations have increased capital assets in fiscal years 2009 through 2011 from \$3,214,399 to \$3,538,591.
- Operating revenues over the past three years have risen significantly as the monthly service charge has increased from \$104 per household to \$119 per household. The rate increases are to meet the costs of rising utility costs, capital improvements and debt service payments.

- 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 2009, 2010 and 2011 to \$11,536, \$5,324 and \$3,458 respectively as the interest rates continued falling throughout these years.

Long-term debt activity. In fiscal year 2007 the District received an intergovernmental loan from the County's Risk Management Fund for \$400,000. The District has utilized the entire amount towards completing necessary capital improvement projects. The total loan repayment was budgeted over five years at \$94,314 per year for principal and interest. All payments were made on time, in fiscal year 2008 and 2009 and two in fiscal year 2010. The fifth and final payment was made in fiscal year 2011. See Note C.5., Loans Payable, for repayment information.

Budgetary highlights. In fiscal year 2010 the District entered into an IGA with the City of Portland to share capital and maintenance costs at the Elk Rock pump station. The Elk Rock capacity needs to be increased sometime within the next 20 years. Due to limited funding, it was decided to extend the useful life of the station as long as possible. To accomplish this, a partial bypass from Elk Rock was installed to extend the useful life of the station. The District received \$68,307 of new revenue in fiscal year 2010 for this Elk Rock Bypass project. The bypass to the Tryon basin was installed along the edge of the Riverdale Elementary School property. The project was completed and the final billing occurred in fiscal year 2011. Upgrading of the Elk Rock pump station itself can now be delayed and overhead and maintenance costs will be lowered.

Budget Information for Next Year

The District's current assessment rate is \$119 per household per month. For fiscal year 2012 the District budget committee plans to increase the rate to \$122. The rate should provide the District with necessary operating resources to meet treatment, maintenance, and capital requirements for the period. The unrestricted fund balance of \$764,707 is intended to support the District's capital program.

Capital assets. The District's investment in capital assets as of June 30, 2011 amounts to \$2,106,439. 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 \$48,579 or 2.3%. This includes current year capital additions of \$18,951 and depreciation of \$67,530. Additional information on the District's capital assets can be found in notes A.5 and C.3 on pages 11 and 13 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 Assets

	June 30,	
	2011	2010
ASSETS		
Current assets:		
Cash and investments	\$ 807,894	\$ 524,606
Receivables (net of allowance for uncollectibles):		
Accounts	11,581	100,712
Special assessments	38,428	38,620
Total receivables	50,009	139,332
Total current assets	857,903	663,938
Noncurrent assets:		
Capital assets:		
Construction in progress	-	305,241
Other capital assets	3,538,591	3,214,399
Other capital assets accumulated depreciation	(1,432,152)	(1,364,622)
Total noncurrent assets	2,106,439	2,155,018
Total assets	2,964,342	2,818,956
LIABILITIES		
Current liabilities:		
Accounts payable	93,196	184,455
Loans payable	-	14,088
Total current liabilities	93,196	198,543
Loans payable - noncurrent	-	89,183
Total liabilities	93,196	287,726
NET ASSETS		
Invested in capital assets	2,106,439	2,155,018
Unrestricted	764,707	376,212
Total net assets	\$ 2,871,146	\$ 2,531,230

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 Assets

	Years Ended June 30,	
	2011	2010
OPERATING REVENUES		
Sewer user assessments	\$ 816,245	\$ 809,012
OPERATING EXPENSES		
Cost of sales and services	382,219	395,132
Administration	34,767	42,329
Depreciation	67,530	64,288
Total operating expenses	484,516	501,749
Operating gain	331,729	307,263
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	3,458	5,324
Interest expense	(990)	(14,563)
Intergovernmental revenue	5,719	68,307
Total nonoperating revenues (expenses)	8,187	59,068
Change in net assets	339,916	366,331
Total net assets - beginning	2,531,230	2,164,899
Total net assets - ending	\$ 2,871,146	\$ 2,531,230

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,	
	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 905,593	\$ 711,659
Payments to suppliers	(481,410)	(367,187)
Payments to County employees	(19,133)	(62,562)
Internal activity	(7,727)	(7,421)
Net cash provided by operating activities	<u>397,323</u>	<u>274,489</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(18,951)	(305,241)
Interest on debt	(990)	(14,563)
Loan repayment	(103,271)	(150,000)
Capital grant proceeds	5,719	68,307
Net cash used by capital and related financing activities	<u>(117,493)</u>	<u>(401,497)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,458	5,324
Net cash provided by investing activities	<u>3,458</u>	<u>5,324</u>
Net increase (decrease) in cash and investments	283,288	(121,684)
Balances at beginning of the year	524,606	646,290
Balances at end of the year	<u>\$ 807,894</u>	<u>\$ 524,606</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 331,729	\$ 307,263
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	67,530	64,288
Changes in assets and liabilities:		
Receivables, net	89,323	(97,483)
Accounts payable	(91,259)	421
Total adjustments	<u>65,594</u>	<u>(32,774)</u>
Net cash provided by operating activities	<u>\$ 397,323</u>	<u>\$ 274,489</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, 2011 and 2010

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 Assets.

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 as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2011 and 2010

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.

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

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1

A Component Unit of Multnomah County, Oregon Notes to Basic Financial Statements June 30, 2011 and 2010

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.

6. Net assets

Net assets are reported on the Statement of Net Assets. Net assets invested in capital assets, represents total capital assets less accumulated depreciation. The District does not report any external debt directly related to its capital assets. All other net assets of the District are 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

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Notes to Basic Financial Statements
June 30, 2011 and 2010

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

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 assets 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, 2011 and 2010 the District's share of the County's cash and investment pool totaled \$807,894 and \$524,606, respectively.

2. Receivables

	June 30,	
	2011	2010
Special assessments:		
Sewer user assessments	\$ 40,503	\$ 40,720
Allowance for doubtful accounts	(2,075)	(2,100)
Total special assessments	38,428	38,620
Accounts:		
Receivables from pump maintenance	11,581	32,405
City of Portland IGA Elk Rock pump station	-	68,307
Total accounts	11,581	100,712
Total Receivables	\$ 50,009	\$ 139,332

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.

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June 30, 2011 and 2010

3. Capital assets

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>

Capital asset activity for the District for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer system	\$ 3,214,399	\$ 305,241	\$ -	\$ 3,519,640
Accumulated depreciation	(1,300,334)	(64,288)	-	(1,364,622)
Sewer system assets, net	<u>\$ 1,914,065</u>	<u>\$ 240,953</u>	<u>\$ -</u>	<u>\$ 2,155,018</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 \$7,642 and \$7,421 for fiscal 2011 and 2010, respectively, and are included in the financial statement line item for Administration on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

5. Long-term debt

Loans Payable

In fiscal year 2007 the District received a loan for \$400,000 from the County's Risk Management Fund to assist with necessary capital improvements. The loan required annual payments of \$94,314 for principal and interest at 5.75%. The term of the loan was five years and the first two payments were made in fiscal years 2008 and 2009. In fiscal year 2010 two more payments were made. The final payment was made in fiscal year 2011.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Adjustments & Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities</u>					
Loans Payable	<u>\$ 103,271</u>	<u>\$ -</u>	<u>\$ 103,271</u>	<u>\$ -</u>	<u>\$ -</u>

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
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Notes to Basic Financial Statements
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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, 2011, 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

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, 2011

	<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	\$ 792,250	\$ 792,250	\$ 781,350	\$ (10,900)
Prior	10,000	10,000	18,546	8,546
Assessments - other	-	-	284	284
Charges for services	2,500	2,500	15,745	13,245
Intergovernmental	-	-	5,719	5,719
Interest	8,000	8,000	3,458	(4,542)
Total revenues	<u>812,750</u>	<u>812,750</u>	<u>825,102</u>	<u>12,352</u>
EXPENDITURES				
Community services	<u>757,500</u>	<u>757,500</u>	<u>540,223</u>	<u>217,277</u>
Excess (deficiency) of revenues over (under) expenditures	55,250	55,250	284,879	229,629
Contingency	<u>(50,000)</u>	<u>(50,000)</u>	-	50,000
Net change in fund balances	5,250	5,250	284,879	279,629
Fund balances - beginning	345,000	345,000	449,324	104,324
Fund balances - ending	<u>\$ 350,250</u>	<u>\$ 350,250</u>	<u>734,203</u>	<u>\$ 383,953</u>
Reconciliation to GAAP basis:				
Invested in capital assets			2,106,439	
Deferred revenue on property taxes			32,579	
Allowance for uncollectible accounts, assessments			<u>(2,075)</u>	
Net Assets as reported on the Statement of Revenues, Expenses and Changes in Fund Net Assets, page 7			<u>\$ 2,871,146</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, 2011							
	Amounts Uncollected June 30, 2010	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2011
General Fund Special Assessment							
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>

For the Year Ended June 30, 2010							
	Amounts Uncollected June 30, 2009	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2010
General Fund Special Assessment							
2009-2010	\$ -	\$ 794,351	\$ (19,514)	\$ 355	\$ (3,193)	\$ (747,457)	\$ 24,542
2008-2009	25,223	-	19	968	(1,344)	(14,776)	10,090
2007-2008	7,782	-	5	650	(359)	(4,082)	3,996
2006-2007	3,044	-	3	443	(174)	(1,878)	1,438
2005-2006	999	-	2	271	(17)	(1,058)	197
2004-2005	205	-	1	18	6	(103)	127
2003-2004	120	-	1	3	(3)	(43)	78
2002-2003	59	-	-	(5)	4	(11)	47
2001-2002	46	-	-	5	(2)	(11)	38
2000-2001 and prior years	172	-	-	8	(1)	(12)	167
	<u>\$ 37,650</u>	<u>\$ 794,351</u>	<u>\$ (19,483)</u>	<u>\$ 2,716</u>	<u>\$ (5,083)</u>	<u>\$ (769,431)</u>	<u>\$ 40,720</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, 2010 and 2011

	Years Ended June 30,	
	2011	2010
Revenues, per Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
Current year assessments - sewer	\$ 781,350	\$ 752,270
Prior year assessments - sewer	18,546	18,428
Tax title land sales	284	224
Assessment accrual, sixty day tax, net	833	(1,255)
Clackamas county accrual, sixty day tax, net	(133)	(115)
Tax title accrual, sixty day tax, net	(163)	(121)
 Interest and Tax/Assessment Collections, per Schedule of Special Assessment Transactions		
	\$ 800,717	\$ 769,431

**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, 2011, and have issued our report thereon dated December 22, 2011. 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 2011 and 2012.
- 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 22, 2011