

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

**Financial Statements and Reports of
Independent Auditors**

For the Fiscal Years Ended June 30, 2011 and 2010



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

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

MID COUNTY SERVICE DISTRICT NO. 14
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

	<u>Term Expires</u>
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 Mid County Service District No. 14 reported on herein.



Department of County Management
MULTNOMAH COUNTY OREGON

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

December 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 Mid County Service District No. 14, 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) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Mid County's MD&A can be found immediately following the independent auditors' report.

PROFILE OF THE DISTRICT

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

The District’s operating budget has stabilized with the substantial completion of municipal annexations. Operations were funded by charging user fees of \$48 per household for fiscal year 2011, an increase over the prior fiscal year amount of \$45 per household. This rate was presumed to be sufficient to match the District’s engineering, maintenance and operational demands. The fees are collected via special assessments that are added to property tax bills for properties served by the District.

Operating revenues in total generally follow population levels. Historically (over the last 10 years) operating revenues have increased approximately 7.6% annually and operating expenses have increased approximately 3.3% over the same time period. However, during fiscal year 2011, operating revenues increased by \$14,447 or 4.2% from the prior year. This increase was due to receiving additional revenue in fiscal year 2011 by the above increase of user fees for Mid County from \$45 per household to \$48 per household.

In fiscal year 2004, the District implemented a new capital asset initiative to replace 15% of their lights and poles that were past their life expectancy. Under this initiative the District began purchasing more lights and poles rather than leasing these assets from Portland General Electric and therefore reducing capital contributions. Since then the District continues to record capital contributions for light and poles and also purchase replacements, but at a scaled down rate. Over time the District anticipates that capital contributions will continue to decrease with the slowing of the economy as capital asset acquisitions slightly increase. In fiscal year 2006 management revised the estimates on the useful lives of the District’s lights and poles from 15 years to 30 years as new lights and poles are constructed from stronger more durable materials. The District continues to maintain a strong working capital position and has no long-term debt. Following is a summary of some key financial data which is 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	\$ 362,703	\$ 348,256	\$ 263,464	\$ 267,636	\$ 306,343
Depreciation expense	64,994	63,221	60,607	58,820	57,110
Operating loss	(64,165)	(55,494)	(156,045)	(108,494)	(47,249)
Change in net assets	(32,893)	12,061	(68,938)	(80,790)	50,606
Capital contributions	29,658	65,344	80,210	10,176	75,702
Net working capital	251,654	249,211	250,622	339,163	388,062
Total assets	1,807,304	1,814,278	1,803,106	1,906,714	1,958,800
Total net assets	1,757,627	1,790,520	1,778,459	1,847,397	1,928,187

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 cursive script that reads "Mindy Harris".

Mindy L. Harris
Chief Financial Officer

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

Board of County Commissioners
Mid County Service District No. 14

We have audited the accompanying basic financial statements of the Mid County Service District No. 14, 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 audit.

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 Mid County Service District No. 14 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 Mid County Service District No. 14'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 Mid County Service District No. 14. The introductory 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 Mid County Service District No. 14, we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 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 iii-iv of this report.

Financial Highlights

- Mid County's assets exceeded its liabilities at June 30, 2011, by \$1,757,627. Of this amount, \$251,654 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$32,893 in fiscal year 2011. This was primarily due to operating revenues being less than operating expenses by \$64,165. This is true even after adjusting the user fees from \$45 to \$48 per household in fiscal year 2011. In fiscal year 2010, total net assets increased by \$12,061 after adjusting the user fees from \$35 to \$45. There was also a \$65,344 contribution of new lights and poles from Portland General Electric (PGE) in fiscal year 2010 compared to only \$29,658 in 2011.

Overview of the Financial Statements

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

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

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

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

The main source of revenue, street lighting assessments, is collected through property taxes. The user charges were increased from the prior fiscal year at \$45 to \$48 per household for fiscal year 2011 generating \$362,703 in operating revenues.

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

Net assets may serve over time as a useful indicator of a government's financial position. As noted earlier, Mid County's total assets exceeded liabilities by \$1,757,627 at the close of the most recent fiscal year. Included in this amount, the District had \$1,505,973 or 86% of total net assets invested in capital assets. The investment in capital assets is the District's street lighting system, with no related debt. The District uses these capital assets to provide services to its member households; consequently, these assets are not available for future spending.

Mid County's Net Assets June 30,

	2011	2010	2009
Current assets	\$ 301,331	\$ 272,969	\$ 275,269
Capital assets, net	1,505,973	1,541,309	1,527,837
Total assets	<u>1,807,304</u>	<u>1,814,278</u>	<u>1,803,106</u>
Current liabilities	<u>49,677</u>	<u>23,758</u>	<u>24,647</u>
Net assets:			
Invested in capital assets	1,505,973	1,541,309	1,527,837
Unrestricted	<u>251,654</u>	<u>249,211</u>	<u>250,622</u>
Total net assets	<u>\$ 1,757,627</u>	<u>\$ 1,790,520</u>	<u>\$ 1,778,459</u>

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

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

	2011	2010	2009
Revenues			
Operating revenues:			
Charges for services	\$ 362,703	\$ 348,256	\$ 263,464
Nonoperating revenues:			
Investment earnings	1,614	2,211	6,897
Total revenues	<u>364,317</u>	<u>350,467</u>	<u>270,361</u>
Expenses			
Operating expenses:			
District operating expenses	426,868	403,750	419,509
Total expenses	<u>426,868</u>	<u>403,750</u>	<u>419,509</u>
Loss before contributions	(62,551)	(53,283)	(149,148)
Capital contributions	29,658	65,344	80,210
Increase (decrease) in net assets	(32,893)	12,061	(68,938)
Beginning fund net assets	<u>1,790,520</u>	<u>1,778,459</u>	<u>1,847,397</u>
Ending fund net assets	<u>\$ 1,757,627</u>	<u>\$ 1,790,520</u>	<u>\$ 1,778,459</u>

The District's ending fund net assets decreased by \$32,893 during fiscal year 2011, increased by \$12,061 during 2010 and decreased by \$68,938 during fiscal year 2009 respectively. The primary reasons for the increase and decreases in fund net assets are:

- In fiscal year 2011 user fee charges were increased to \$48 per year per household, but a reduction in contributed assets helped decrease net assets by \$32,893. In fiscal year 2010 the fees were brought up to \$45 to meet rising operating expenses and helped create an increase in net assets of \$12,061. In fiscal year 2009 there was no change from 2008 in user fee charges of \$35. This was thought to be sufficient to cover operating expenses.
- Capital contributions continue, but at a reduced rate, as the District's growth has stabilized with the slowing of the economy and substantial completion of municipal annexations. In fiscal year 2011 the District had capital contributions of \$29,658 with a decrease in capital assets of \$35,336. In fiscal year 2010 capital contributions were \$65,344 with an increase in capital assets of \$13,472. In fiscal year 2009 capital contributions were \$80,210 with an increase of capital assets of \$19,603.
- Investment earnings decreased by \$597 in fiscal year 2011 from 2010 as rates continued to decline with a slower economy. Earnings decreased by \$4,686 in fiscal year 2010 from 2009. Earnings in fiscal year 2009 decreased by \$10,631 from 2008.
- Operating expenses increased by \$23,118 in fiscal year 2011 from 2010. They increased by \$43,379 in fiscal year 2009 from 2008. In those fiscal years 2011 and 2009, the largest increase was in repairs, maintenance and supplies of \$21,225 and \$26,381, respectively, on poles and light fixtures. In fiscal year 2010 expenses decreased by \$15,759 from 2009. The largest decrease was in repairs and maintenance of \$7,791, because of fewer repairs and more end of life light replacements. Also in fiscal year 2010 outside audit fees were lower by \$5,320.

Capital assets. The District's investment in capital assets as of June 30, 2011, amounts to \$1,505,973 (net of accumulated depreciation). This entire investment in capital assets is the street lighting system. The net decrease in the District's investment in capital assets for the current fiscal year was \$35,336 or 2.3% due to capital contributions of only \$29,658, less depreciation of \$64,994. Additional information on the District's capital assets can be found in notes A.5 and C.3 on page 11 and 13 of this report.

Budgetary highlights. Total budgeted expenditures for the District were \$425,250 in fiscal year 2011 compared to actual expenditures of \$361,634. Actual expenditures were under budget by \$63,616. There were three primary reasons why actual expenditures were less than budget:

- Capital expenditures had a budget of \$25,000 for pole replacements but had only \$21,000 of actual expenditures due to having more pole replacements contributed by PGE of \$29,658. The \$21,000 was expensed to repairs, maintenance and supplies.
- Supplies and repairs had a budget of \$50,000 for painting and light fixture replacement but had only \$14,588 of actual expenditures due to the Fairview pole painting project being completed under budget by about \$10,500.
- Professional Services had a budget of \$25,000, but only \$16,400 of actual expenditures due to decreases of \$4,830 in the outside audit fee and \$1,980 in the internal reimbursement charge. This was due to a reduction in the number of hours necessary for completion, while the budget was based on higher amounts from fiscal year 2009.

Key Economic Factors and Budget Information for Next Year

The District completed a large capital pole and lighting replacement program over the prior five or six years, targeting depreciated fixtures that were past their life expectancy or in poor condition. The capital program has now slowed significantly, but will continue to address any additional individual street lights which have reached their life expectancy. In the fiscal year 2012 budget, the District is proposing \$50,000 for replacing these additional street lights.

The District's current assessment rate is \$48 per household. For fiscal year 2012 the District budget committee plans to increase the rate to \$50 per household. The rate should provide the District with necessary operating resources to match engineering, maintenance and operational demands for the period. The unrestricted fund balance is intended to fund future replacement of depreciated District facilities.

Requests for information

This financial report is designed to provide a general overview of Mid County's finances for all those with an interest in the 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 97293-0700

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

	June 30,	
	2011	2010
ASSETS		
Current assets:		
Cash and investments	\$ 284,067	\$ 255,732
Receivables (net of allowance for uncollectibles):		
Special assessments	17,264	17,237
Total current assets	301,331	272,969
Noncurrent assets:		
Capital assets	2,799,019	2,769,361
Accumulated depreciation	(1,293,046)	(1,228,052)
Total noncurrent assets	1,505,973	1,541,309
Total assets	1,807,304	1,814,278
LIABILITIES		
Current liabilities:		
Accounts payable	49,677	23,758
Total current liabilities	49,677	23,758
NET ASSETS		
Invested in capital assets	1,505,973	1,541,309
Unrestricted	251,654	249,211
Total net assets	\$ 1,757,627	\$ 1,790,520

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

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

	Years Ended June 30,	
	2011	2010
OPERATING REVENUES		
Street lighting assessments	\$ 362,570	\$ 341,008
Other revenues	133	7,248
Total operating revenues	<u>362,703</u>	<u>348,256</u>
OPERATING EXPENSES		
Cost of sales and services	324,077	307,749
Administration	37,797	32,780
Depreciation	64,994	63,221
Total operating expenses	<u>426,868</u>	<u>403,750</u>
Operating loss	(64,165)	(55,494)
NONOPERATING REVENUES		
Interest revenue	1,614	2,211
Loss before contributions	<u>(62,551)</u>	<u>(53,283)</u>
Capital contributions	29,658	65,344
Change in net assets	(32,893)	12,061
Total net assets - beginning	<u>1,790,520</u>	<u>1,778,459</u>
Total net assets - ending	<u>\$ 1,757,627</u>	<u>\$ 1,790,520</u>

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

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

	Years Ended June 30,	
	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 362,437	\$ 346,209
Payments to suppliers	(305,359)	(317,391)
Payments to County employees	(22,385)	(16,685)
Internal activity	(7,972)	(7,421)
Net cash provided by operating activities	<u>26,721</u>	<u>4,712</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	-	(11,349)
Net cash used by capital and related financing activities	<u>-</u>	<u>(11,349)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,614	2,211
Net cash provided by investing activities	<u>1,614</u>	<u>2,211</u>
Net increase (decrease) in cash and investments	28,335	(4,426)
Balances at beginning of the year	255,732	260,158
Balances at end of the year	<u>\$ 284,067</u>	<u>\$ 255,732</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (64,165)	\$ (55,494)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	64,994	63,221
Changes in assets and liabilities:		
Receivables, net	(27)	(2,126)
Accounts payable	25,919	(889)
Total adjustments	<u>90,886</u>	<u>60,206</u>
Net cash provided by operating activities	<u>\$ 26,721</u>	<u>\$ 4,712</u>
Noncash financing activities		
Contributions of capital assets	<u>\$ 29,658</u>	<u>\$ 65,344</u>

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

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2011 and 2010

Note A. Summary of significant accounting policies

1. Nature of business

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

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

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
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Notes to Basic Financial Statements
June 30, 2011 and 2010

business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
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Notes to Basic Financial Statements
June 30, 2011 and 2010

4. Receivables and payables

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

5. Capital assets

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

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

6. Net 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 debt directly related to its capital assets. All other net assets of the District are unrestricted.

7. Annexations and intergovernmental agreements

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

8. Use of estimates

In preparing the basic financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP), management is required to make estimates

MID COUNTY SERVICE DISTRICT NO. 14
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Notes to Basic Financial Statements
June 30, 2011 and 2010

and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note B. Stewardship, compliance, and accountability

1. Budgets

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

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 \$284,067 and \$255,732, respectively. This fund’s ending cash balance is pooled with the County’s cash, and represents a portion of the year-end bank balances.

2. Receivables

	June 30,	
	2011	2010
Street lighting assessments	\$ 18,371	\$ 18,182
Other assessments	133	55
Allowance for doubtful accounts	(1,240)	(1,000)
Receivables, net	\$ 17,264	\$ 17,237

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

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, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Street lights and poles	\$ 2,769,361	\$ 29,658	\$ -	\$ 2,799,019
Accumulated depreciation	(1,228,052)	(64,994)	-	(1,293,046)
Street lighting systems, net	<u>\$ 1,541,309</u>	<u>\$ (35,336)</u>	<u>\$ -</u>	<u>\$ 1,505,973</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Street lights and poles	\$ 2,692,668	\$ 76,693	\$ -	\$ 2,769,361
Accumulated depreciation	(1,164,831)	(63,221)	-	(1,228,052)
Street lighting systems, net	<u>\$ 1,527,837</u>	<u>\$ 13,472</u>	<u>\$ -</u>	<u>\$ 1,541,309</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 years 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.

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

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

the County. The County maintains an internal service fund, risk management fund, to account for and finance its risks of loss. The County established risk management programs for liability and workers' compensation, whereby premiums are calculated on payroll expenses in all funds and are paid into the risk management fund. The funds are available to pay claims, claim reserves, and reduce administrative costs of the program. These interfund premiums are used to offset the amount of claims expenditure reported in the risk management fund. As of June 30, 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

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

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

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

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 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 - street lighting:				
Current	\$ 358,000	\$ 358,000	\$ 353,698	\$ (4,302)
Prior	6,000	6,000	8,154	2,154
Assessments - other	-	-	133	133
Interest	2,500	2,500	1,614	(886)
Total revenues	<u>366,500</u>	<u>366,500</u>	<u>363,599</u>	<u>(2,901)</u>
EXPENDITURES				
Community services	<u>425,250</u>	<u>425,250</u>	<u>361,634</u>	<u>63,616</u>
Excess (deficiency) of revenues over (under) expenditures	(58,750)	(58,750)	1,965	60,715
Contingency	<u>(25,000)</u>	<u>(25,000)</u>	-	25,000
Net change in fund balances	(83,750)	(83,750)	1,965	85,715
Fund balances - beginning	221,344	221,344	235,908	14,564
Fund balances - ending	<u>\$ 137,594</u>	<u>\$ 137,594</u>	<u>237,873</u>	<u>\$ 100,279</u>
Reconciliation to GAAP basis:				
Invested in capital assets			1,505,973	
Deferred revenue on property taxes			15,021	
Allowance for uncollectible accounts, assessments			<u>(1,240)</u>	
Net Assets as reported on the Statement of Revenues, Expenses and Changes in Fund Net Assets, page 7			<u>\$ 1,757,627</u>	

MID COUNTY SERVICE DISTRICT NO. 14
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	\$ -	\$ 373,841	\$ (9,293)	\$ 175	\$ (2,535)	\$ (351,684)	\$ 10,504
2009-2010	11,106		13	436	(775)	(6,175)	4,605
2008-2009	3,884		3	351	(174)	(2,045)	2,019
2007-2008	1,741		0	344	(26)	(1,360)	699
2006-2007	829		0	268	(32)	(921)	144
2005-2006	131		0	33	(9)	(93)	62
2004-2005	92		0	11	(11)	(27)	65
2003-2004	57		0	20	(1)	(23)	53
2002-2003	45		0	3	(4)	(7)	37
2001-2002 and prior years	352		0	71	(5)	(102)	316
	<u>\$ 18,237</u>	<u>\$ 373,841</u>	<u>\$ (9,277)</u>	<u>\$ 1,712</u>	<u>\$ (3,572)</u>	<u>\$ (362,437)</u>	<u>\$ 18,504</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	\$ -	\$ 350,577	\$ (8,555)	\$ 162	\$ (1,452)	\$ (329,626)	\$ 11,106
2008-2009	9,710	-	7	372	(517)	(5,688)	3,884
2007-2008	3,391	-	2	283	(156)	(1,779)	1,741
2006-2007	1,754	-	2	256	(101)	(1,082)	829
2005-2006	669	-	1	181	(11)	(709)	131
2004-2005	148	-	1	13	4	(74)	92
2003-2004	88	-	1	2	(2)	(32)	57
2002-2003	57	-	-	(5)	4	(11)	45
2001-2002	45	-	-	5	(2)	(10)	38
2000-2001 and prior years	329	-	-	31	(1)	(45)	314
	<u>\$ 16,191</u>	<u>\$ 350,577</u>	<u>\$ (8,541)</u>	<u>\$ 1,300</u>	<u>\$ (2,234)</u>	<u>\$ (339,056)</u>	<u>\$ 18,237</u>

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Reconciliation of Budgetary Revenues to Interest and Tax/Assessment Collections
For the Years Ended June 30, 2011 and 2010

	Years Ended June 30,	
	2011	2010
Revenues, per Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
Current year assessments - sewer	\$ 353,698	\$ 331,769
Prior year assessments - sewer	8,154	8,095
Tax title land sales	133	95
Assessment accrual, sixty day tax, net	529	(848)
Tax title accrual, sixty day tax, net	(77)	(55)
 Interest and Tax/Assessment Collections, per Schedule of Special Assessment Transactions		
	\$ 362,437	\$ 339,056

**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
Mid County Service District No. 14

We have audited the financial statements of the Mid County Service District No. 14 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 of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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:

- 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 Lanzarotta, Partner
For Moss Adams LLP
Certified Public Accountants
Eugene, Oregon

December 22, 2011