

Financial Statements and Reports of  
Independent Certified Public Accountants

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

June 30, 2003 and 2002

## **INTRODUCTORY SECTION**

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

BOARD OF COUNTY COMMISSIONERS\* AS OF JUNE 30, 2003  
501 SE Hawthorne, 6<sup>th</sup> floor  
Portland, Oregon 97214

|                                     | <u>Term Expires</u> |
|-------------------------------------|---------------------|
| Diane Linn, Chair of the Board      | December 31, 2006   |
| Serena Cruz, Commissioner           | December 31, 2006   |
| Lisa Naito, Commissioner            | December 31, 2004   |
| Lonnie Roberts, Commissioner        | December 31, 2004   |
| Maria Rojo de Steffey, Commissioner | December 31, 2004   |

REGISTERED AGENT

David A. Boyer

REGISTERED OFFICE

501 SE Hawthorne, 4<sup>th</sup> floor  
PO Box 14700  
Portland, Oregon 97293-0700

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

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
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**Finance, Budget and Tax Office**

**MULTNOMAH COUNTY OREGON**

**David A. Boyer, Chief Financial Officer**

**501 SE Hawthorne, Suite 400**

**Portland, Oregon 97214**

**(503) 988-3903 phone**

**(503) 988-3292 fax**

December 10, 2003

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

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, 2003 and 2002. This report includes the opinion of our independent auditors, Grant Thornton LLP, Certified Public Accountants.

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 maintains overall financial accountability for the District.

Generally Accepted Accounting Principles (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.

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.

The District is accounted for as an enterprise fund. Enterprise funds generate revenue for operations by charging user fees to recover all 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 13-15 for the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual and the Reconciliation of Budgetary Revenues and Expenditures to Proprietary Revenues and Expenses.

The District consists of approximately 561 households at June 30, 2003, which is a slight increase over the prior year of 560. In recent years slowed sub-division growth has contributed to the District's operating losses. Slower growth combined with decreases in interest income and increased utility costs have resulted in an overall decrease in the District's net assets at June 30, 2003. The District continues to maintain a strong working capital position. Following is a summary of some key financial data which is summarized from current and prior years' financial statements:

|                      | Year ended June 30, |             |             |             |             |
|----------------------|---------------------|-------------|-------------|-------------|-------------|
|                      | <u>2003</u>         | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> |
| Operating revenue    | \$ 256,103          | \$ 251,508  | \$ 251,649  | \$ 254,791  | \$ 244,209  |
| Depreciation expense | 40,274              | 39,070      | 33,474      | 28,374      | 28,374      |
| Operating loss       | (87,835)            | (54,674)    | (34,380)    | 12,642      | 20,252      |
| Change in net assets | (75,599)            | (29,592)    | 29,415      | 71,052      | 74,090      |
| Net working capital  | 347,869             | 454,016     | 494,122     | 941,233     | 841,807     |
| Total assets         | 1,473,489           | 1,578,629   | 2,081,995   | 1,585,289   | 1,457,743   |
| Total net assets     | 1,406,185           | 1,481,784   | 1,511,376   | 1,481,961   | 1,410,909   |

I would like to acknowledge the help of the Finance Division staff, especially Bill Moravics, Financial Specialist II, 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 Business and Community Services for their contributions during the year.

Respectfully submitted,

David A. Boyer  
Chief Financial Officer

## **FINANCIAL SECTION**

Independent Auditor's Report

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

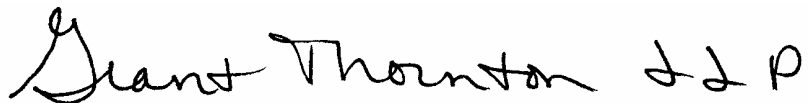
We have audited the accompanying basic financial statements of Dunthorpe-Riverdale Service District No. 1, a component unit of Multnomah County, Oregon, as of and for the years ended June 30, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of Dunthorpe-Riverdale Service District No. 1's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Dunthorpe-Riverdale Service District No. 1 as of June 30, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 4 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Dunthorpe-Riverdale Service District No. 1's basic financial statements. The introductory section and supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Portland, Oregon  
December 9, 2003

Suite 800  
111 Southwest Columbia St.  
Portland, OR 97201  
T 503.222.3562  
F 503.295.0148  
W [www.grantthornton.com](http://www.grantthornton.com)





**Finance, Budget and Tax Office**  
**MULTNOMAH COUNTY OREGON**

**David A. Boyer, Chief Financial Officer**  
**501 SE Hawthorne, Suite 400**  
**Portland, Oregon 97214**  
**(503) 988-3903 phone**  
**(503) 988-3292 fax**

## **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, 2003. 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**

- Dunthorpe Riverdale's assets exceeded its liabilities at June 30, 2003, by \$1,406,185. Of this amount, \$347,869 may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$75,599. The primary reason for this decrease is increased utility costs without a corresponding increase in service charges.

### **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 are: 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.

**Proprietary funds.** Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to businesses found in the private sector. These funds are considered self-supporting in that the services rendered by them are generally financed through user charges or on a cost reimbursement basis. Of the two types of proprietary funds, Dunthorpe-Riverdale is accounted for as an enterprise fund.

**Enterprise Funds.** 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. 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. The fees are \$39 per month per household and generate approximately \$250,000 per year.

The basic enterprise fund financial statements can be found on pages 5-7 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 8-12 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 page 13-17 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, Dunthorpe-Riverdale's total assets exceeded liabilities by \$1,406,185 at the close of the most recent fiscal year.

At June 30, 2003, the District had \$1,058,316 or 75% of total net assets invested in capital assets. The investment in capital assets is the district's sanitary sewer 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.

#### **Dunthorpe-Riverdale's Net Assets June 30, 2003**

|                            |                            |
|----------------------------|----------------------------|
| Current Assets             | \$ 415,173                 |
| Capital assets             | 1,058,316                  |
| Total assets               | <u>1,473,489</u>           |
| Current liabilities        | <u>67,304</u>              |
| Net assets:                |                            |
| Invested in capital assets | 1,058,316                  |
| Unrestricted               | 347,869                    |
| Total net assets           | <u><u>\$ 1,406,185</u></u> |

At the end of the current fiscal year, the District is able to report positive balances in the above categories of net assets. The same situation held true for the prior fiscal year.

**Dunthorpe-Riverdale's Changes in Net Assets**  
**June 30, 2003**

|                          |                            |
|--------------------------|----------------------------|
| Charges for services     | \$ 256,103                 |
| Depreciation expense     | (40,274)                   |
| Other operating expenses | (303,664)                  |
| Operating loss           | <u>(87,835)</u>            |
| Investment earnings      | <u>12,236</u>              |
| Changes in net assets    | (75,599)                   |
| Beginning net assets     | <u>1,481,784</u>           |
| Ending net assets        | <u><u>\$ 1,406,185</u></u> |

The District's net assets decreased by \$75,599 during the current fiscal year. The primary reasons for the decrease in net assets are:

- Utility expenses increased \$23,183 from \$246,352 to \$269,535 in fiscal years 2002 and 2003, respectively, due to increased utility rates.
- Investment earnings decreased \$12,846 from \$25,082 to \$12,236, as a result of declining interest rates and a lower amount of cash and interest bearing investments.
- Depreciation expense increased \$1,204 from \$39,070 to \$40,274 due to new sewer system improvements.

**Capital assets.** The District's investment in capital assets as of June 30, 2003, amounts to \$1,058,316 (net of accumulated depreciation). This entire investment in capital assets is the sanitary sewer system. The net increase in the District's investment in capital assets for the current fiscal year was 3% (\$30,548). Additional information on the District's capital assets can be found in note A.7 on page 10 of this report.

**Cash and investments.** The District's cash is primarily pooled with the State Treasurer's investment pool, in order to obtain maximum return on investments.

**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 Finance  
PO Box 14700  
Portland, OR 97293-0700

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

|  | <u>June 30,</u> |              |
|--|-----------------|--------------|
|  | <u>2003</u>     | <u>2002</u>  |
| <b>ASSETS</b>                                      |                 |              |
| Current assets:                                    |                 |              |
| Cash and investments                               | \$ 401,831      | \$ 535,071   |
| Receivables (net of allowance for uncollectibles): |                 |              |
| Accounts   | 909             | 854          |
| Special assessments                                | 12,433          | 14,936       |
| Total current assets                               | 415,173         | 550,861      |
| Noncurrent assets:                                 |                 |              |
| Capital assets                                     | 2,049,104       | 1,978,282    |
| Less: accumulated depreciation                     | (990,788)       | (950,514)    |
| Total noncurrent assets                            | 1,058,316       | 1,027,768    |
| Total assets                                       | 1,473,489       | 1,578,629    |
| <b>LIABILITIES</b>                                 |                 |              |
| Current liabilities:                               |                 |              |
| Accounts payable                                   | 67,304          | 96,845       |
| Total current liabilities                          | 67,304          | 96,845       |
| <b>NET ASSETS</b>                                  |                 |              |
| Invested in capital assets                         | 1,058,316       | 1,027,768    |
| Unrestricted                                       | 347,869         | 454,016      |
| Total net assets                                   | \$ 1,406,185    | \$ 1,481,784 |

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 Net Assets**

|                              | <b>Years Ended June 30,</b> |              |
|------------------------------|-----------------------------|--------------|
|                              | <b>2003</b>                 | <b>2002</b>  |
| <b>OPERATING REVENUES</b>    |                             |              |
| Sewer user assessments       | \$ 256,103                  | \$ 251,508   |
| <b>OPERATING EXPENSES</b>    |                             |              |
| Cost of sales and services   | 274,057                     | 245,102      |
| Administration               | 29,607                      | 22,010       |
| Depreciation                 | 40,274                      | 39,070       |
| Total operating expenses     | 343,938                     | 306,182      |
| Operating loss               | (87,835)                    | (54,674)     |
| <b>NONOPERATING REVENUES</b> |                             |              |
| Interest revenue             | 12,236                      | 25,082       |
| Change in net assets         | (75,599)                    | (29,592)     |
| Total net assets - beginning | 1,481,784                   | 1,511,376    |
| Total net assets - ending    | \$ 1,406,185                | \$ 1,481,784 |

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**

|   | <b>Years ended June 30,</b> |                            |
|---|-----------------------------|----------------------------|
|   | <b>2003</b>                 | <b>2002</b>                |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  |                             |                            |
| Receipts from customers   | \$ 257,226                  | \$ 251,201                 |
| Payments to suppliers   | (314,371)                   | (729,449)                  |
| Payments to employees   | (17,509)                    | (13,183)                   |
| Internal activity - payments to other funds                                       | -                           | (17)                       |
| Net cash used in operating activities   | <u>(74,654)</u>             | <u>(491,448)</u>           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                   |                             |                            |
| Purchases of capital assets   | <u>(70,822)</u>             | <u>(49,584)</u>            |
| Net cash used in capital and related financing activities                         | <u>(70,822)</u>             | <u>(49,584)</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                             |                            |
| Interest received   | <u>12,236</u>               | <u>25,082</u>              |
| Net cash provided by investing activities   | <u>12,236</u>               | <u>25,082</u>              |
| Net decrease in cash and cash equivalents   | <u>(133,240)</u>            | <u>(515,950)</u>           |
| Balances at beginning of the year   | <u>535,071</u>              | <u>1,051,021</u>           |
| Balances at end of the year   | <u><u>\$ 401,831</u></u>    | <u><u>\$ 535,071</u></u>   |
| <b>Reconciliation of operating loss to net cash used in operating activities</b>  |                             |                            |
| Operating loss  | <u>\$ (87,835)</u>          | <u>\$ (54,674)</u>         |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                             |                            |
| Depreciation  | 40,274                      | 39,070                     |
| Changes in assets and liabilities:  |                             |                            |
| Receivables, net  | 2,448                       | (2,070)                    |
| Accounts payable  | <u>(29,541)</u>             | <u>(473,774)</u>           |
| Total adjustments   | <u>13,181</u>               | <u>(436,774)</u>           |
| Net cash used in operating activities   | <u><u>\$ (74,654)</u></u>   | <u><u>\$ (491,448)</u></u> |

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

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2003 and 2002**

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**Note A – Summary of Significant Accounting Policies**

**1. Nature of Business**

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

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

**2. Basis of Accounting**

The basic financial statements are prepared on the accrual basis of accounting. 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. 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.

The financial statements of the District have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). 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.

**3. Fund Accounting**

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

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2003 and 2002**

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**Note A – Summary of Significant Accounting Policies - continued**

**4. Enterprise Fund**

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.

**5. Cash and Investments**

Cash is held by the County Finance Division and is commingled with the cash, time deposits and investment accounts of the County. The District is allocated investment earnings based on its proportionate cash balance monthly. See the Multnomah County June 30, 2003 CAFR for: basis of investments, types of investments and information regarding the risk categories of investments held.

**6. Receivables**

|                                       | June 30,         |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2003             | 2002             |
| Sewer user assessments                | \$ 14,808        | \$ 15,986        |
| Less: allowance for doubtful accounts | (2,375)          | (1,050)          |
| Subtotal                              | 12,433           | 14,936           |
| Receivables from pump maintenance     | 821              | 781              |
| Receivables from foreclosures         | 88               | 73               |
| Receivables, net                      | <u>\$ 13,342</u> | <u>\$ 15,790</u> |

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



**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2003 and 2002**

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**Note A – Summary of Significant Accounting Policies - continued**

**7. Capital Assets**

Capital assets are summarized as follows:

|                                     | June 30,            |                     |
|-------------------------------------|---------------------|---------------------|
|                                     | 2003                | 2002                |
| Sewer system at beginning of year   | \$ 1,978,282        | \$ 1,928,698        |
| Additions                           | 70,822              | 49,584              |
| Total capital assets at end of year | 2,049,104           | 1,978,282           |
| Less accumulated depreciation       | (990,788)           | (950,514)           |
| Investment in capital assets        | <u>\$ 1,058,316</u> | <u>\$ 1,027,768</u> |

Capital assets consist of sewer lines and pumping facilities and are stated at historical cost or estimated historical cost at time of acquisition, or fair value on date donated for donated assets. Capital assets valued at estimated historical costs are minor. 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.

Depreciation on property and equipment is provided on the straight-line method at rates based on the estimated lives of the related assets, which are 50 years for sewer lines and pumping facilities. Depreciation on capital assets is charged to net assets.

**8. Budgets**

The District's budget is prepared in accordance with Oregon local budget law. 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.

**9. Cash Flows**

For purposes of the statements of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2003 and 2002**

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**Note A – Summary of Significant Accounting Policies – continued**

**10. Transactions with Multnomah County**

The County Department of Business and 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 a cost reimbursement basis. Reimbursements to the County were \$12,080 and \$8,599 for fiscal 2003 and 2002, respectively, and are included in Administrative support on the Statement of Revenues, Expenses and Changes in Net Assets.

**11. Annexations and Intergovernmental Agreements**

The City of Portland provides sewer line and pump maintenance, transportation and sewage treatment for the District.

**12. Risk Management**

See note 4.A. - Risk Management in Multnomah County's June 30, 2003 Comprehensive Annual Financial Report for information pertaining to risk management activities.

**13. Use of Estimates**

In preparing the basic financial statements in conformity with generally accepted accounting principles, 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.

**14. Reclassifications**

Certain reclassifications were made to the 2002 financial statements to conform to the current year presentation.

**Note B – Pension Plans**

See note 4.F. – Employee retirement systems, pension plans and deferred compensation plan in Multnomah County's June 30, 2003 Comprehensive Annual Financial Report for information pertaining to pension plans.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Notes to Basic Financial Statements**  
**June 30, 2003 and 2002**

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**Note C – Excess of expenditures over appropriations**

During the fiscal year ended June 30, 2003, Dunthorpe-Riverdale Service District had an over expenditure in the Department of Business and Community Services in the amount of \$53,161. This over expenditure was due to unscheduled emergency maintenance to repair the sewer system owned by the District.

## **SUPPLEMENTARY INFORMATION**

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

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

- Special assessment and property tax revenue is recognized as it becomes measurable and available;
- Capital outlay is reflected as an expenditure;
- Contributed capital, other than non-current assets, is reflected as revenue;
- Depreciation is not recorded; and,
- 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, 2003**

|                                 | <b>Budgeted Amounts</b> |                | <b>Actual</b>     | <b>Variance with</b> |
|---------------------------------|-------------------------|----------------|-------------------|----------------------|
|                                 | <b>Original</b>         | <b>Final</b>   | <b>Amounts</b>    | <b>Final Budget</b>  |
|                                 |                         |                |                   | <b>Favorable</b>     |
|                                 |                         |                |                   | <b>(Unfavorable)</b> |
| <b>REVENUES</b>                 |                         |                |                   |                      |
| Assessments - sewer             |                         |                |                   |                      |
| Current year                    | \$ 248,000              | \$ 248,000     | \$ 241,542        | \$ (6,458)           |
| Prior year                      | -                       | -              | 5,760             | 5,760                |
| Assessments - other             | -                       | -              | 2,426             | 2,426                |
| Charges for services            | 10,000                  | 10,000         | 7,500             | (2,500)              |
| Interest                        | 37,500                  | 37,500         | 12,236            | (25,264)             |
| Other                           | -                       | -              | 88                | 88                   |
| Total revenues                  | <u>295,500</u>          | <u>295,500</u> | <u>269,552</u>    | <u>(25,948)</u>      |
| <b>EXPENDITURES</b>             |                         |                |                   |                      |
| Business and Community services | 320,000                 | 320,000        | 373,161           | (53,161)             |
| Nondepartmental                 | <u>454,396</u>          | <u>454,396</u> | <u>-</u>          | <u>454,396</u>       |
| Total expenditures              | <u>774,396</u>          | <u>774,396</u> | <u>373,161</u>    | <u>401,235</u>       |
| Excess (deficiency) of revenues |                         |                |                   |                      |
| over (under) expenditures       | (478,896)               | (478,896)      | (103,609)         | 375,287              |
| Fund balances - beginning       | <u>478,896</u>          | <u>478,896</u> | <u>441,644</u>    | <u>(37,252)</u>      |
| Fund balances - ending          | <u>\$ -</u>             | <u>\$ -</u>    | <u>\$ 338,035</u> | <u>\$ 338,035</u>    |

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A Component Unit of**  
**Multnomah County, Oregon**  
**Reconciliation of Budgetary Revenues and Expenditures to Proprietary Revenues and Expenses**  
**For the Year Ended June 30, 2003**

|                                    | <u>Revenues</u>   | <u>Expenditures</u> |
|------------------------------------|-------------------|---------------------|
| Dunthorpe Riverdale Operating Fund | \$ 269,552        | \$ 373,161          |
| Deferred revenue current year      | 12,210            | -                   |
| Deferred revenue prior year        | (13,423)          | -                   |
| Depreciation expense               | -                 | 40,274              |
| Capital outlay                     | -                 | (70,822)            |
| Uncollectible prior year           | -                 | (1,050)             |
| Uncollectible current year         | -                 | 2,375               |
|                                    | <u>          </u> | <u>          </u>   |
| Revenues and expenses - page 6     | <u>\$ 268,339</u> | <u>343,938</u>      |

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**

A Component Unit of

Multnomah County, Oregon

**Schedules of Special Assessment Transactions**

For the years ended June 30, 2002 and 2003

**Fiscal Year 2003**

|  | <b>Amounts<br/>Uncollected<br/>June 30, 2002</b> | <b>Levy/<br/>Assessments<br/>as Extended<br/>by Assessor</b> | <b>Discounts<br/>Allowed</b> | <b>Interest<br/>Received</b> | <b>Cancellations<br/>and<br/>Adjustments</b> | <b>Interest<br/>and Tax/<br/>Assessment<br/>Collections</b> | <b>Amounts<br/>Uncollected<br/>June 30, 2003</b> |
|--|--|--|------------------------------|------------------------------|--|---|--|
| <b>General Fund Special Assessment</b> |  |  |                              |                              |  |   |  |
| 2002-2003                              | \$ -   | \$ 254,598   | \$ (6,036)                   | \$ 157                       | \$ (1,338)                                   | \$ (238,866)  | \$ 8,515   |
| 2001-2002                              | 8,786  | -  | -                            | 303                          | (1,512)                                      | (4,217)   | 3,360  |
| 2000-2001                              | 4,036  | -  | -                            | 352                          | (347)  | (2,136)   | 1,905  |
| 1999-2000 and prior years              | 3,164  | -  | -                            | 519                          | (608)  | (2,047)   | 1,028  |
|  | <u>\$ 15,986</u>                                 | <u>\$ 254,598</u>  | <u>\$ (6,036)</u>            | <u>\$ 1,331</u>              | <u>\$ (3,805)</u>                            | <u>\$ (247,266)</u>   | <u>\$ 14,808</u>                                 |

**Fiscal Year 2002**

|  | <b>Amounts<br/>Uncollected<br/>June 30, 2001</b> | <b>Levy/<br/>Assessments<br/>as Extended<br/>by Assessor</b> | <b>Discounts<br/>Allowed</b> | <b>Interest<br/>Received</b> | <b>Cancellations<br/>and<br/>Adjustments</b> | <b>Interest<br/>and Tax/<br/>Assessment<br/>Collections</b> | <b>Amounts<br/>Uncollected<br/>June 30, 2002</b> |
|--|--|--|------------------------------|------------------------------|--|---|--|
| <b>General Fund Special Assessment</b> |  |  |                              |                              |  |   |  |
| 2001-2002                              | \$ -   | \$ 253,231   | \$ (5,895)                   | \$ 146                       | \$ (1,327)                                   | \$ (237,369)  | \$ 8,786   |
| 2000-2001                              | 9,194  | -  | -                            | 326                          | (696)  | (4,788)   | 4,036  |
| 1999-2000                              | 3,930  | -  | -                            | 294                          | (295)  | (1,895)   | 2,034  |
| 1998-1999 and prior years              | 2,947  | -  | -                            | 467                          | (60)   | (2,224)   | 1,130  |
|  | <u>\$ 16,071</u>                                 | <u>\$ 253,231</u>  | <u>\$ (5,895)</u>            | <u>\$ 1,233</u>              | <u>\$ (2,378)</u>                            | <u>\$ (246,276)</u>   | <u>\$ 15,986</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, 2003 and 2002**

|  | <b>Years ended June 30,</b> |                          |
|--|-----------------------------|--------------------------|
|  | <b>2003</b>                 | <b>2002</b>              |
| <b>Revenues, per Schedule of Revenues,<br/>Expenditures, and Changes in Fund<br/>Balances - Budget and Actual:</b> |                             |                          |
| Current year assessments - sewer   | \$ 241,542                  | \$ 238,708               |
| Prior year assessments - sewer   | 5,760                       | 7,847                    |
| <b>Subtract:</b>   |                             |                          |
| Sixty day tax/assessment accrual, net  | <u>(36)</u>                 | <u>(279)</u>             |
| <b>Interest and Tax/Assessment Collections,<br/>per Schedule of Special Assessment<br/>Transactions</b>            | <b>\$ <u>247,266</u></b>    | <b>\$ <u>246,276</u></b> |

**REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
REQUIRED BY STATUTES**

Report of Independent Certified Public Accountants on the District's  
Compliance and Certain Items Based on an Audit of Basic  
Financial Statements Performed in Accordance  
with Oregon Auditing Standards

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

We have audited the basic financial statements of Dunthorpe-Riverdale Service District No. 1 as of and for the year ended June 30, 2003, and have issued our report thereon dated December 9, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to Dunthorpe-Riverdale Service District No. 1 is the responsibility of District's management. As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. Certain areas covered, as required by Oregon Administrative Rules 162-10-230 through 162-10-320, included but were not limited to the following:

Accounting and Internal Control Structure - Our report on the accounting and internal control structure is presented separately under this cover.

Programs Funded from Outside Sources – Pertaining to programs funded with state and federal revenues, if any.

Financial Reporting Requirements - Whether financial reports and related data filed with other governmental agencies in conjunction with programs funded wholly or partially by such agencies were in agreement with or supported by the accounting records.

## Compliance with Legal or Other Requirements

Accounting Records – Pertaining to the condition and adequacy of accounting records.

Collateral - Pertaining to the amount and adequacy of collateral pledged by depositories to secure the deposit of public funds (see requirements for public fund deposits as specified in Oregon Revised Statutes (ORS) 295).

Insurance - Relating to insurance and fidelity bond coverage.

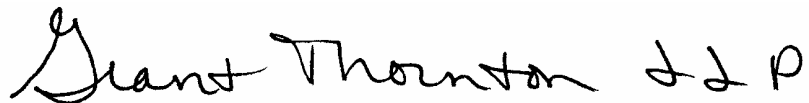
Investments - Pertaining to the investment of public funds (see ORS Chapter 294.035 to 294.046).

Budget - Relating to the preparation, adoption and execution of the annual budget for the current fiscal year and the preparation and adoption of the budget for the next succeeding fiscal year (see ORS 294.305 to 294.565).

Public Contracts and Purchasing - Pertaining to (as contained in ORS Chapter 279) the awarding of public contracts and the construction of public improvements.

The results of our tests indicate that, with respect to the items tested, Dunthorpe-Riverdale Service District No. 1 complied, in all material respects, with the provisions referred to above except the District had an overexpenditure as listed in Note C of Notes to Basic Financial Statements. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

This report is intended solely for the use of management, the Board of County Commissioners and the Secretary of State, Division of Audits, of the State of Oregon and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Portland, Oregon  
December 9, 2003

Report of Independent Certified Public Accountants  
on the District's Internal Control Structure Based on  
an Audit of Basic Financial Statements

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

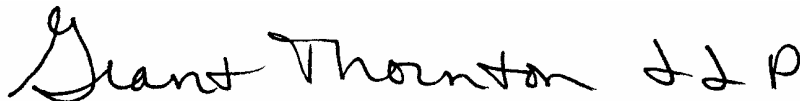
We have audited the basic financial statements of the Dunthorpe-Riverdale Service District No. 1 as of and for the year ended June 30, 2003 and have issued our report thereon dated December 9, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The management of the Dunthorpe-Riverdale Service District No. 1 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the basic financial statements of Dunthorpe-Riverdale Service District No. 1, for the year ended June 30, 2003, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. Those standards define a material weakness as a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the use of management, the Board of County Commissioners and the Secretary of State, Division of Audits, of the State of Oregon and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Portland, Oregon  
December 9, 2003