

Financial Statements and Reports of
Independent Certified Public Accountants

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

June 30, 2004 and 2003

INTRODUCTORY SECTION

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

BOARD OF COUNTY COMMISSIONERS* AS OF JUNE 30, 2004
501 SE Hawthorne, 6th 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, Suite 531
Portland, Oregon 97214-3501

* 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 531
Portland, Oregon 97214
(503) 988-3903 phone
(503) 988-3292 fax

December 15, 2004

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, 2004 and 2003. 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.

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

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 560 households at June 30, 2004. In recent years slowed subdivision 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, 2004. 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>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Operating revenue	\$ 344,358	\$ 256,103	\$ 251,508	\$ 251,649	\$ 254,791
Depreciation expense	42,321	40,274	39,070	33,474	28,374
Operating loss	(10,981)	(87,835)	(54,674)	(34,380)	12,642
Change in net assets	(5,110)	(75,599)	(29,592)	29,415	71,052
Net working capital	251,178	347,869	454,016	494,122	941,233
Total assets	1,477,002	1,473,489	1,578,629	2,081,995	1,585,289
Total net assets	1,401,075	1,406,185	1,481,784	1,511,376	1,481,961

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



Finance, Budget and Tax Office
MULTNOMAH COUNTY OREGON

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MANAGEMENT DISCUSSION AND ANALYSIS

As management of Dunthorpe-Riverdale Service District No. 1, we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2004. 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, 2004, by \$1,401,075. Of this amount, \$251,178 may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$5,110 compared to a \$75,599 decrease in 2003. The primary reason the decrease in the current year is only \$5,110 as compared to the \$75,599 decrease in net asset for 2003, in spite of increased utility costs, is the increase in customer sewer user assessment fees from \$39 to \$50 per month during 2004, which generated additional revenue of \$88,255 in 2004 than 2003.

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 were increased to \$50 per month per household and will generate approximately \$320,000 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 13-18 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, Dunthorpe-Riverdale's total assets exceeded liabilities by \$1,401,075 at the close of the most recent fiscal year.

At June 30, 2004, the District had \$1,149,897 or 82% 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, 2004

Current Assets	\$ 327,105
Capital assets	1,149,897
Total assets	<u>1,477,002</u>
Current liabilities	<u>75,927</u>
Net assets:	
Invested in capital assets	1,149,897
Unrestricted net assets	251,178
Total net assets	<u><u>\$ 1,401,075</u></u>

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

**Dunthorpe-Riverdale's Changes in Fund Net Assets
June 30, 2004**

Charges for services	\$ 344,358
Depreciation expense	(42,321)
Other operating expenses	(313,018)
Operating loss	(10,981)
Investment earnings	5,871
Changes in net assets	(5,110)
Beginning fund net assets	1,406,185
Ending fund net assets	<u>\$ 1,401,075</u>

The District's fund net assets decreased by \$5,110 during the current fiscal year. The primary reasons for the decrease in fund net assets are:

- Utility expenses increased \$14,501 from \$269,535 to \$284,036 in fiscal years 2003 and 2004, respectively, due to increased utility rates.
- Investment earnings decreased \$6,365 from \$12,236 to \$5,871, as a result of declining interest rates and a lower amount of cash and interest bearing investments.
- Depreciation expense increased \$2,047 from \$40,274 to \$42,321 due to new sewer system improvements.

Capital assets. The District's investment in capital assets as of June 30, 2004, amounts to \$1,149,897 (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 9% (\$91,581). Additional information on the District's capital assets can be found in notes A.7 and C.3 on page 9 and 11 of this report.

Cash. The District has cash with a financial institution. The District receives interest based on average monthly cash balances from the County's investments with the State Treasurer's investment pool.

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, Budget and Tax
501 SE Hawthorne Blvd, Suite 531
Portland, OR 97214-3501

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

	June 30	
	2004	2003
ASSETS		
Current assets:		
Cash	\$ 312,626	\$ 401,831
Receivables (net of allowance for uncollectibles):		
Accounts	172	909
Special assessments	14,307	12,433
Total current assets	327,105	415,173
Noncurrent assets:		
Capital assets	2,183,006	2,049,104
Accumulated depreciation	(1,033,109)	(990,788)
Total noncurrent assets	1,149,897	1,058,316
Total assets	1,477,002	1,473,489
LIABILITIES		
Current liabilities:		
Accounts payable	75,927	67,304
Total current liabilities	75,927	67,304
NET ASSETS		
Invested in capital assets	1,149,897	1,058,316
Unrestricted	251,178	347,869
Total net assets	\$ 1,401,075	\$ 1,406,185

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

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

	Years Ended June 30	
	2004	2003
OPERATING REVENUES		
Sewer user assessments	\$ 344,358	\$ 256,103
OPERATING EXPENSES		
Cost of sales and services	283,611	274,057
Administration	29,407	29,607
Depreciation	42,321	40,274
Total operating expenses	355,339	343,938
Operating loss	(10,981)	(87,835)
NONOPERATING REVENUES		
Interest revenue	5,781	12,236
Total nonoperating expenses	5,781	12,236
Change in fund net assets	(5,200)	(75,599)
Total fund net assets - beginning	1,406,185	1,481,784
Total fund net assets - ending	\$ 1,400,985	\$ 1,406,185

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

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

	Years ended June 30	
	2004	2003
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 343,645	\$ 257,226
Payments to suppliers	(287,595)	(314,371)
Payments to employees	(17,224)	(17,509)
Net cash provided by (used in) operating activities	38,826	(74,654)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(133,902)	(70,822)
Net cash used in capital and related financing activities	(133,902)	(70,822)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5,871	12,236
Net cash provided by investing activities	5,871	12,236
Net decrease in cash and cash equivalents	(89,205)	(133,240)
Balances at beginning of the year	401,831	535,071
Balances at end of the year	\$ 312,626	\$ 401,831
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (10,981)	\$ (87,835)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	42,321	40,274
Changes in assets and liabilities:		
Receivables, net	(1,137)	2,448
Accounts payable	8,623	(29,541)
Total adjustments	49,807	13,181
Net cash provided by (used in) operating activities	\$ 38,826	\$ (74,654)

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, 2004 and 2003

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 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.

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, 2004 and 2003

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

Cash includes cash with a bank. The District is allocated a portion of the County's investment earnings based on its proportionate monthly cash balance.

6. Receivables and Payables

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

7. Capital Assets

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 assets acquired through contributions is charged to net assets.

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2004 and 2003

Note A. Summary of Significant Accounting Policies - continued

8. Annexations and Intergovernmental Agreements

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

9. 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.

Note B. Stewardship, compliance, and accountability

1. 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.

Note C. Detailed notes on the Fund

1. Cash

The District's deposit is covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The District's cash at June 30, 2004 and 2003 totaled \$312,626 and \$401,831, respectively. The bank balances as of June 30, 2004 and 2003 were \$1,007,058 and \$7,119,699, respectively. This fund's ending cash balance is pooled with the County's cash, and represents a portion of the year-end bank balances.

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2004 and 2003

Note C. Detailed notes on the fund - continued

2. Receivables

	June 30,	
	2004	2003
Sewer user assessments	\$ 16,257	\$ 14,808
Allowance for doubtful accounts	(1,950)	(2,375)
Subtotal	14,307	12,433
Receivables from pump maintenance	166	821
Receivables from foreclosures	6	88
Receivables, net	<u>\$ 14,479</u>	<u>\$ 13,342</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.

3. Capital Assets

Capital assets are summarized as follows:

	June 30,	
	2004	2003
Sewer system at beginning of year	\$ 2,049,104	\$ 1,978,282
Additions	133,902	70,822
Total capital assets at end of year	2,183,006	2,049,104
Accumulated depreciation	(1,033,109)	(990,788)
Investment in capital assets	<u>\$ 1,149,897</u>	<u>\$ 1,058,316</u>

4. 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 \$12,032 and \$12,080 for fiscal 2004 and 2003, respectively, and are included in Administrative support on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1

**A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2004 and 2003**

Note D. Risk Management

As a component unit of the County, the District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County has established risk management programs for liability insurance coverage. The District is covered under the policies and programs insuring the County.

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.

SUPPLEMENTARY INFORMATION

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

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

- 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, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES				
Assessments - sewer				
Current year	\$ 317,440	\$ 317,440	\$ 324,349	\$ 6,909
Prior year	-	-	6,088	6,088
Assessments - other	-	-	2,355	2,355
Charges for services	5,000	5,000	10,000	5,000
Interest	13,000	13,000	5,871	(7,129)
Other	-	-	6	6
Total revenues	<u>335,440</u>	<u>335,440</u>	<u>348,669</u>	<u>13,229</u>
EXPENDITURES				
Business and Community services	624,085	624,085	447,345	176,740
Nondepartmental	<u>61,355</u>	<u>61,355</u>	<u>-</u>	<u>61,355</u>
Total expenditures	<u>685,440</u>	<u>685,440</u>	<u>447,345</u>	<u>238,095</u>
Excess (deficiency) of revenues over (under) expenditures	(350,000)	(350,000)	(98,676)	251,324
Fund balances - beginning	<u>350,000</u>	<u>350,000</u>	<u>338,035</u>	<u>(11,965)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,359</u>	<u>\$ 239,359</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, 2004

	<u>Revenues</u>	<u>Expenditures</u>
Dunthorpe Riverdale Operating Fund	\$ 348,669	447,345
Deferred revenue current year	13,770	-
Deferred revenue prior year	(12,210)	-
Depreciation expense	-	42,321
Capital outlay	-	(131,879)
Capitalized expense	-	(2,023)
Uncollectible prior year	-	(2,375)
Uncollectible current year	-	1,950
	<u> </u>	<u> </u>
Revenues and expenses - page 6	<u>\$ 350,229</u>	<u>355,339</u>

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**A Component Unit of****Multnomah County, Oregon****Schedule of Special Assessment Transactions****For the Year Ended June 30, 2004**

	Amounts Uncollected June 30, 2003	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2004
General Fund Special Assessment							
2003-2004	\$ -	\$ 341,868	\$ (8,245)	\$ 208	\$ (1,469)	\$ (322,094)	\$ 10,268
2002-2003	8,515		10	366	(741)	(4,937)	3,213
2001-2002	3,360		9	243	(428)	(1,495)	1,689
2000-2001	1,905		6	310	(233)	(1,291)	697
1999-2000	696		4	156	(43)	(661)	152
1998-1999	125		6	(97)	69	(27)	76
1997-1998	82		2	(48)	31	(11)	56
1996-1997	26		-	(16)	17	(6)	21
1995-1996	13		-	1	(2)	(2)	10
1994-1995 and prior years	86		-	13	(1)	(22)	76
	<u>\$ 14,808</u>	<u>\$ 341,868</u>	<u>\$ (8,208)</u>	<u>\$ 1,136</u>	<u>\$ (2,800)</u>	<u>\$ (330,546)</u>	<u>\$ 16,258</u>

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**A Component Unit of****Multnomah County, Oregon****Schedule of Special Assessment Transactions****For the Year Ended June 30, 2003**

	Amounts Uncollected June 30, 2002	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2003
General Fund Special Assessment							
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	2,035			319	(300)	(1,358)	696
1998-1999	761			165	(185)	(616)	125
1997-1998	202			20	(120)	(20)	82
1996-1997	52			4	3	(33)	26
1995-1996	15			-	(1)	(1)	13
1994-1995	11			-	(1)	(2)	8
1993-1994 and prior years	88			11	(4)	(17)	78
	<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>

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, 2004 and 2003

	Years ended June 30	
	2004	2003
Revenues, per Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
Current year assessments - sewer	\$ 324,349	\$ 241,542
Prior year assessments - sewer	6,088	5,760
Sixty day tax/assessment accrual, net	<u>109</u>	<u>(36)</u>
Interest and Tax/Assessment Collections, per Schedule of Special Assessment Transactions	\$ <u>330,546</u>	\$ <u>247,266</u>

**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, 2004, and have issued our report thereon dated December 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants 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).

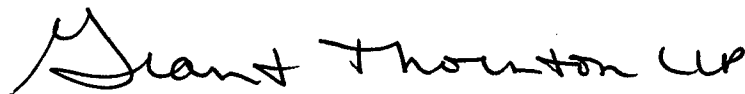
Budget - Relating to the preparation, adoption and execution of the annual budget for the current fiscal year and the preparation and adoption of the budget for the next succeeding fiscal year (see ORS 294.305 to 294.565).

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. 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.

Portland, Oregon
December 3, 2004

A handwritten signature in black ink, appearing to read "Grant Thornton LLP", is written in a cursive, flowing style.

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, 2004 and have issued our report thereon dated December 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants 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, 2004, 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.

Portland, Oregon
December 3, 2004

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