

Financial Statements and Reports of
Independent Certified Public Accountants

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

June 30, 2005 and 2004

INTRODUCTORY SECTION

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

BOARD OF COUNTY COMMISSIONERS* AS OF JUNE 30, 2005
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, 2008
Lonnie Roberts, Commissioner	December 31, 2008
Maria Rojo de Steffey, Commissioner	December 31, 2008

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
Table of Contents

Introductory Section:	<u>Pages</u>
Title Page	i
Table of Contents	ii
Transmittal Letter	iii - iv
 Financial Section:	
Report of Independent Certified Public Accountants	1
Management Discussion and Analysis	2-4
Basic Financial Statements	
Statements of Net Assets	5
Statements of Revenues, Expenses and Changes in Fund Net Assets	6
Statements of Cash Flows	7
Notes to Basic Financial Statements	8-12
Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual	13-14
Reconciliation of Budgetary Revenues and Expenditures to Proprietary Revenues and Expenses	15
Schedules of Special Assessment Transactions	16-17
Reconciliation of Budgetary Revenues to Interest and Tax/Assessment Collections	18
 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	19-20
Report of Independent Certified Public Accountants on the District's Internal Control Structure Based on an Audit of Basic Financial Statements	21-22



Department of County Management
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

November 14, 2005

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, 2005 and 2004. 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 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.

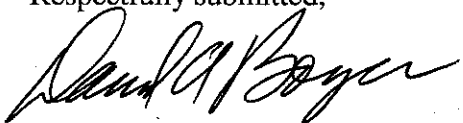
Oregon Budget Law requires the use of budgetary control. See pages 13-15 for the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual and the Reconciliation of Budgetary Revenues and Expenditures to Proprietary Revenues and Expenses.

The District consists of approximately 560 households at June 30, 2005. In prior years slowed subdivision growth combined with decreases in interest income and increases in utility costs resulted in the District's overall operating losses and decreases in net assets. However in fiscal year 2005, the service charge increased from \$50 to \$62 per month per household, resulting in increased operating revenues and an increase in net assets. 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>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Operating revenue	\$ 423,403	\$ 344,358	\$ 256,103	\$ 251,508	\$ 251,649
Depreciation expense	43,625	42,321	40,274	39,070	33,474
Operating gain (loss)	42,733	(10,981)	(87,835)	(54,674)	(34,380)
Change in net assets	59,222	(5,110)	(75,599)	(29,592)	29,415
Net working capital	351,469	251,178	347,869	454,016	494,122
Total assets	1,572,909	1,477,002	1,473,489	1,578,629	2,081,995
Total net assets	1,460,297	1,401,075	1,406,185	1,481,784	1,511,376

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 County Management 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 the business-type activities and the Dunthorpe-Riverdale Service District enterprise fund of Dunthorpe-Riverdale Service District No. 1, a component unit of Multnomah County, Oregon, as of and for the years ended June 30, 2005 and 2004, which collectively comprise the District's basic financial statements 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.

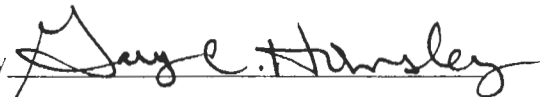
We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 also 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 business-type activities and the Dunthorpe-Riverdale Service District enterprise fund of Dunthorpe-Riverdale Service District No. 1 as of June 30, 2005 and 2004, 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.

GRANT THORNTON LLP

By 

Portland, Oregon
November 4, 2005

Suite 800
111 S.W. Columbia
Portland, OR 97201-5864
T 503.222.3562
F 503.295.0148
W www.grantthornton.com



Department of County Management
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

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, 2005. 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, 2005, by \$1,460,297. Of this amount, \$351,469 may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$59,222 compared to a \$5,110 decrease in 2004. The primary reason for the increase in the current year, in spite of increased utility costs, is the increase in customer sewer user assessment fees from \$50 to \$62 per month during 2005, which generated \$79,045 more revenue in 2005 compared to 2004.

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 or the County other than assessments collected through property taxes. The District's statute anticipates that it collects fees necessary to prudently operate.

The main source of revenue, sewer assessments, is collected through property taxes. The fees were increased to \$62 per month per household in 2005 and will generate approximately \$423,000 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 \$1,460,297 at the close of the most recent fiscal year.

At June 30, 2005, the District had \$1,108,828 or 76% 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, 2005

Current assets	\$ 464,081
Capital assets	1,108,828
Total assets	<u>1,572,909</u>
Current liabilities	<u>112,612</u>
Net assets:	
Invested in capital assets	1,108,828
Unrestricted net assets	351,469
Total net assets	<u><u>\$ 1,460,297</u></u>

At the end of the current fiscal year, the District is able to report positive balances in each net asset category 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, 2005

Charges for services	\$ 423,403
Depreciation expense	(43,625)
Other operating expenses	(337,045)
Operating gain	<u>42,733</u>
Investment earnings	10,368
Other revenue	112,504
Loss on disposal of capital assets	(106,383)
Changes in net assets	<u>59,222</u>
Beginning fund net assets	<u>1,401,075</u>
Ending fund net assets	<u><u>\$ 1,460,297</u></u>

The District's fund net assets increased by \$59,222 during the current fiscal year. The primary reasons for the increase in fund net assets are:

- Service charges increased from \$50 to \$62 per month per household generating \$79,045 more operating revenues in fiscal year 2005 than in fiscal year 2004.
- Investment earnings increased from \$5,871 in fiscal year 2004 to \$10,368 in fiscal year 2005, for a net increase of \$4,497, as a result of increasing interest rates.
- The District received a rebate in the amount of \$112,504 from the City of Portland Water Bureau in 2005 as an adjustment for revised capital infrastructure costs.

Capital assets. The District's investment in capital assets as of June 30, 2005, amounts to \$1,108,828 (net of accumulated depreciation). This entire investment in capital assets is the sanitary sewer system. The net decrease in the District's investment in capital assets for the current fiscal year was 3.6% or (\$41,069) primarily due to an increase in depreciation expense. 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 and cash equivalents. 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
Department of County Management
501 SE Hawthorne Blvd, Suite 531
Portland, OR 97214-3501

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

	June 30	
	2005	2004
ASSETS		
Current assets:		
Cash	\$ 442,148	\$ 312,626
Receivables (net of allowance for uncollectibles):		
Accounts	6,122	172
Special assessments	15,811	14,307
Total current assets	464,081	327,105
Noncurrent assets:		
Capital assets	2,179,441	2,183,006
Accumulated depreciation	(1,070,613)	(1,033,109)
Total noncurrent assets	1,108,828	1,149,897
Total assets	1,572,909	1,477,002
LIABILITIES		
Current liabilities:		
Accounts payable	112,612	75,927
Total current liabilities	112,612	75,927
NET ASSETS		
Invested in capital assets	1,108,828	1,149,897
Unrestricted	351,469	251,178
Total net assets	\$ 1,460,297	\$ 1,401,075

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	
	2005	2004
OPERATING REVENUES		
Sewer user assessments	\$ 423,403	\$ 344,358
OPERATING EXPENSES		
Cost of sales and services	304,036	283,611
Administration	33,009	29,407
Depreciation	43,625	42,321
Total operating expenses	380,670	355,339
Operating gain (loss)	42,733	(10,981)
NONOPERATING REVENUES		
Interest revenue	10,368	5,871
Other revenue	112,504	-
Loss on disposal of capital assets	(106,383)	-
Total nonoperating expenses	16,489	5,871
Change in net assets	59,222	(5,110)
Total net assets - beginning	1,401,075	1,406,185
Total net assets - ending	\$ 1,460,297	\$ 1,401,075

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	
	2005	2004
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 415,329	\$ 343,645
Payments to suppliers	(282,516)	(287,595)
Payments to employees	(17,224)	(17,224)
Net cash provided by operating activities	115,589	38,826
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(108,939)	(133,902)
Rebate from City of Portland Water Bureau	112,504	-
Net cash provided by (used in) capital and related financing activities	3,565	(133,902)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	10,368	5,871
Net cash provided by investing activities	10,368	5,871
Net increase (decrease) in cash and cash equivalents	129,522	(89,205)
Balances at beginning of the year	312,626	401,831
Balances at end of the year	\$ 442,148	\$ 312,626
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 42,733	\$ (10,981)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	43,625	42,321
Changes in assets and liabilities:		
Receivables, net	(7,454)	(1,137)
Accounts payable	36,685	8,623
Total adjustments	72,856	49,807
Net cash provided by operating activities	\$ 115,589	\$ 38,826

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, 2005 and 2004

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, 2005 and 2004

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 Cash Equivalents

The District's cash and cash equivalents are comprised of cash on hand and demand deposits with banks. 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, 2005 and 2004

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 and Cash Equivalents

The District's cash and cash equivalents are 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 and cash equivalents at June 30, 2005 and 2004 totaled \$442,148 and \$312,626, respectively. The County's bank balances as of June 30, 2005 and 2004 were \$902,506 and \$1,007,058, 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, 2005 and 2004

Note C. Detailed notes on the fund - continued

2. Receivables

	June 30,	
	2005	2004
Sewer user assessments	\$ 18,381	\$ 16,257
Allowance for doubtful accounts	(2,570)	(1,950)
Subtotal	15,811	14,307
Receivables from pump maintenance	5,920	166
Receivables from foreclosures	202	6
Receivables, net	<u>\$ 21,933</u>	<u>\$ 14,479</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,	
	2005	2004
Sewer system at beginning of year	\$ 2,183,006	\$ 2,049,104
Additions	108,939	133,902
Disposals	(112,504)	-
Total capital assets at end of year	2,179,441	2,183,006
Accumulated depreciation	(1,070,613)	(1,033,109)
Investment in capital assets	<u>\$ 1,108,828</u>	<u>\$ 1,149,897</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 an internal cost reimbursement basis. Reimbursements to the County were \$13,400 and \$12,032 for fiscal 2005 and 2004, respectively, and are included in Administration 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, 2005 and 2004

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, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES				
Assessments - sewer				
Current year	\$ 401,000	\$ 401,000	\$ 401,290	\$ 290
Prior year	-	-	7,218	7,218
Assessments - other	-	-	8,801	8,801
Charges for services	-	-	5,000	5,000
Interest	5,500	5,500	10,368	4,868
Other	2,500	2,500	112,504	110,004
Total revenues	409,000	409,000	545,181	136,181
EXPENDITURES				
Business and Community services	591,500	591,500	445,364	146,136
Excess (deficiency) of revenues				
over (under) expenditures	(182,500)	(182,500)	99,817	282,317
Fund balances - beginning	182,500	182,500	239,359	56,859
Fund balances - ending	\$ -	\$ -	\$ 339,176	\$ 339,176

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, 2005

	<u>Revenues</u>	<u>Expenditures</u>
Dunthorpe Riverdale Operating Fund	\$ 545,181	\$ 445,364
Unearned revenue current year	14,864	-
Unearned revenue prior year	(13,770)	-
Depreciation expense	-	43,625
Capital outlay	-	(108,939)
Loss on disposal of capital assets	-	106,383
Uncollectible prior year	-	(1,950)
Uncollectible current year	-	2,570
	<u> </u>	<u> </u>
Revenues and expenses - page 6	<u>\$ 546,275</u>	<u>\$ 487,053</u>

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**A Component Unit of****Multnomah County, Oregon****Schedules of Special Assessment Transactions****For the Year Ended June 30, 2005**

	Amounts Uncollected June 30, 2004	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2005
General Fund Special Assessment							
2004-2005	\$ -	\$ 424,303	\$ (10,244)	\$ 233	\$ (3,438)	\$ (398,874)	\$ 11,980
2003-2004	10,268	-	22	456	(1,618)	(5,378)	3,750
2002-2003	3,213	-	7	301	(274)	(1,712)	1,535
2001-2002	1,689	-	7	237	(341)	(932)	660
2000-2001	697	-	5	108	(90)	(524)	196
1999-2000	152	-	5	(63)	8	(23)	79
1998-1999	76	-	4	(65)	38	(15)	38
1997-1998	56	-	4	(97)	91	(8)	46
1996-1997	21	-	2	(73)	68	(1)	17
1993-1994 and prior years	85	-	2	(76)	81	(12)	80
	<u>\$ 16,257</u>	<u>\$ 424,303</u>	<u>\$ (10,186)</u>	<u>\$ 961</u>	<u>\$ (5,475)</u>	<u>\$ (407,479)</u>	<u>\$ 18,381</u>

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**A Component Unit of****Multnomah County, Oregon****Schedules of Special Assessment Transactions****For the Year Ended June 30, 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	-	-	12	(1)	(22)	75
	<u>\$ 14,808</u>	<u>\$ 341,868</u>	<u>\$ (8,208)</u>	<u>\$ 1,135</u>	<u>\$ (2,800)</u>	<u>\$ (330,546)</u>	<u>\$ 16,257</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, 2005 and 2004

	Years Ended June 30	
	2005	2004
Revenues, per Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
Current year assessments - sewer	\$ 401,290	\$ 324,349
Prior year assessments - sewer	7,218	6,088
Sixty day tax/assessment accrual, net	<u>(1,029)</u>	<u>109</u>
Interest and Tax/Assessment Collections, per Schedule of Special Assessment Transactions	\$ <u>407,479</u>	\$ <u>330,546</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, 2005, and have issued our report thereon dated November 4, 2005. 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 (the District) 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.

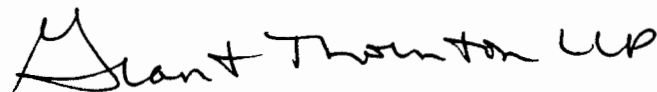
Investments - Pertaining to the investment of public funds (see ORS Chapter 294.035 to 294.046).

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.

A handwritten signature in black ink, appearing to read "Grant Thornton LLP", is positioned above the date and location. The signature is stylized and cursive.

Portland, Oregon
November 4, 2005

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, 2005 and have issued our report thereon dated November 4, 2005. 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.

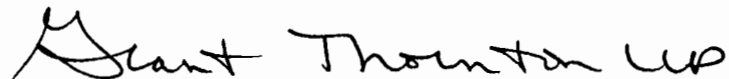
The management of the Dunthorpe-Riverdale Service District No. 1 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure 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, 2005, 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
November 4, 2005

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