

Financial Statements and Reports of
Independent Certified Public Accountants

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

June 30, 2006 and 2005

INTRODUCTORY SECTION

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

BOARD OF COUNTY COMMISSIONERS* AS OF JUNE 30, 2006
501 SE Hawthorne, 6th floor
Portland, Oregon 97214

Term Expires

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

Mindy L. Harris

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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Department of County Management
MULTNOMAH COUNTY OREGON

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

December 8, 2006

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

INTRODUCTION

We are pleased to submit the Basic Financial Statements for Dunthorpe-Riverdale Service District No. 1, Portland, Oregon (the District), for the fiscal years ended June 30, 2006 and 2005. This report includes the opinion of our independent auditors, Moss Adams LLP.

We prepared this report for the Secretary of the State of Oregon as required under ORS 297.425. The District's financial statements are also included in the Comprehensive Annual Financial Report of Multnomah County (the County) as a blended component unit. This is necessary because the Board of County Commissioners of Multnomah County serves as the governing body and maintains overall financial accountability for the District.

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

PROFILE OF THE DISTRICT

Dunthorpe-Riverdale Service District No. 1 was organized in 1964 under the provisions of ORS 451. The District's purpose was to finance the construction and operation of sanitary sewer systems in the southwest areas of the County, bordering the Willamette River and a small portion of northern Clackamas County. By 1970 the District had eliminated a major source of pollution in the Willamette River. Administration of the District is managed by the Multnomah County Department of Community Services. The sewer lines are maintained through a contract with the City of Portland. Sewage flow treatment is performed at Portland's Tryon Creek station.

The District is accounted for as an enterprise fund. Enterprise funds generate revenue for operations by charging user fees to recover costs of providing goods and services to the public. The measurement focus is on a flow of economic resources and the accrual basis of accounting is used.

Under the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time the liabilities are incurred.

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

FACTORS AFFECTING FINANCIAL CONDITION

The District consists of approximately 585 households at June 30, 2006, including 14 in northern Clackamas County. District growth has stabilized due to substantial completion of municipal annexations. Operations are funded by user fees and connection charges sufficient to recover all costs of goods and services. The fees are collected via special assessments that are added to property tax bills for properties served by the district.

In prior years slowed sub-division 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 user charges increased from \$50 to \$62 per month per household, resulting in increased operating revenues and an increase in net assets. In fiscal year 2006 the rate increased again to \$67 per month per household resulting in further increases in operating revenues and net assets. The District continues to maintain a strong net working capital position, although in fiscal year 2006 net working capital decreased as a result of aggressive capital maintenance and capital project plans. Following is a summary of some key financial data which is summarized from current and prior years' financial statements:

	Year Ended June 30,				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating revenue	\$ 455,363	\$ 423,403	\$ 344,358	\$ 256,103	\$ 251,508
Depreciation expense	47,616	43,625	42,321	40,274	39,070
Operating gain (loss)	48,204	42,733	(10,981)	(87,835)	(54,674)
Change in net assets	68,822	59,222	(5,110)	(75,599)	(29,592)
Net working capital	65,211	351,469	251,178	347,869	454,016
Total assets	1,737,776	1,572,909	1,477,002	1,473,489	1,578,629
Total net assets	1,529,119	1,460,297	1,401,075	1,406,185	1,481,784

Long-term financial planning. In fiscal year 2007, the District budgeted a \$400,000 intergovernmental loan from the County Risk Management Fund. The proceeds from the intergovernmental loan will be used to complete required capital maintenance at the Tryon Creek and Riverview pump stations. The loan will be repaid over five years with the first payment due in fiscal year 2008.

AWARDS AND ACKNOWLEDGEMENTS

I would like to acknowledge the help of the Finance Division staff, who aided me in the preparation of this report. I appreciate their excellent work. I also want to thank the staff in the Department of County Management for their contributions during the year.

Respectfully submitted,

A handwritten signature in black ink, reading "Mindy Harris". The signature is written in a cursive, flowing style.

Mindy L. Harris
Chief Financial Officer

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Dunthorpe-Riverdale Service District No. 1, a component unit of Multnomah County, as of and for the year ended June 30, 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of the Dunthorpe-Riverdale Service District No. 1 as of June 30, 2005, were audited by other auditors whose report dated November 4, 2005, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dunthorpe-Riverdale Service District No. 1 as of June 30, 2006, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Dunthorpe-Riverdale Service District No. 1's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Dunthorpe-Riverdale Service District No. 1. Such 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.



James C. Lanzarotta, CPA
A Partner of Moss Adams LLP
Eugene, Oregon

December 8, 2006



Department of County Management
MULTNOMAH COUNTY OREGON

501 SE Hawthorne, Suite 531
Portland, Oregon 97214
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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, 2006. 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, 2006, by \$1,529,119. Of this amount, \$65,211 is unrestricted and may be used for the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$68,822 in fiscal year 2006 compared to a \$59,222 increase in fiscal year 2005. The overall increase is primarily attributable to the increase in customer sewer user assessment fees, from \$62 in fiscal year 2005 to \$67 per month per household in fiscal year 2006. The user fee increase was necessary to assist with rising utility costs and required capital improvements.
- Interest revenue was \$20,618 for fiscal year 2006 compared to \$10,368 for fiscal year 2005 due to a stronger economy earning the County higher interest rates on investments.
- The District spent \$402,696 on necessary capital improvements to the Tryon Creek and Riverview pump stations in fiscal year 2006 as compared to \$108,939 in fiscal year 2005.

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. 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 \$67 per month per household in fiscal year 2006 and generated \$455,363 of revenue.

The basic enterprise fund financial statements can be found on pages 6-8 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 9-14 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. Supplementary information can be found on pages 15-19 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 \$1,529,119 at the close of the most recent fiscal year, an increase of \$68,822 over the prior year. At June 30, 2006, the District's largest portion of net assets, \$1,463,908 or 96%, is invested in capital assets. This amount increased by \$355,080 over the prior year. 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. In fiscal year 2006 the District spent \$402,696 on capital improvements to the Tryon Creek and Riverview pump stations.

Dunthorpe-Riverdale's Net Assets June 30,

	2006	2005	2004
Current assets	\$ 273,868	\$ 464,081	\$ 327,105
Capital assets	1,463,908	1,108,828	1,149,897
Total assets	1,737,776	1,572,909	1,477,002
Current liabilities	208,657	112,612	75,927
Net assets:			
Invested in capital assets	1,463,908	1,108,828	1,149,897
Unrestricted net assets	65,211	351,469	251,178
Total net assets	\$ 1,529,119	\$ 1,460,297	\$ 1,401,075

At the end of the current and prior fiscal years, the District is able to report positive balances in each net asset category in the schedule on the previous page.

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

	2006	2005	2004
Revenues			
Operating revenues:			
Charges for services	\$ 455,363	\$ 423,403	\$ 344,358
Nonoperating revenues:			
Investment earnings	20,618	10,368	5,871
Rebate revenue	-	112,504	-
Total revenues	<u>475,981</u>	<u>546,275</u>	<u>350,229</u>
Expenses			
District operating expenses	407,159	380,670	355,339
Loss on disposal of capital assets	-	106,383	-
Total expenses	<u>407,159</u>	<u>487,053</u>	<u>355,339</u>
Increase (decrease) in net assets	\$ 68,822	\$ 59,222	\$ (5,110)
Beginning fund net assets	<u>1,460,297</u>	<u>1,401,075</u>	<u>1,406,185</u>
Ending fund net assets	<u>\$ 1,529,119</u>	<u>\$ 1,460,297</u>	<u>\$ 1,401,075</u>

The District's fund net assets increased by \$68,822 during the current fiscal year compared to an increase of \$59,222 in fiscal year 2005 and a decrease of \$5,110 in fiscal year 2004. The primary reasons for the additional increase in fund net assets for fiscal year 2006 are:

- Operating revenues increased by \$31,960 for fiscal year 2006 resulting from an increase in the monthly service charge per household of \$62 to \$67 per month.
- Investment earnings increased to \$20,618 for fiscal year 2006 from \$10,368 for fiscal year 2005, for a net increase of \$10,250, due to a stronger economy resulting in higher interest rates on the District's cash and investments.
- In fiscal year 2005 the District received a rebate in the amount of \$112,504 from the City of Portland Water Bureau as adjustment for revised capital infrastructure costs. This was a one-time only adjustment from the City. Related to the rebate revenue is the \$106,383 loss on disposal of capital assets the District recognized in fiscal year 2005.

Budgetary Highlights. The District budgeted a \$200,000 intergovernmental loan from the County Risk Management Fund in fiscal year 2006 to assist with necessary capital improvement plans. Due to positive cash flows throughout fiscal year 2006, the District was able to postpone pursuing the loan until fiscal year 2007.

Capital assets. The District's investment in capital assets as of June 30, 2006, amounts to \$1,463,908 (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 32% or \$355,080 due to capital expenses of \$402,696 less depreciation expense of \$47,616. Additional information on the District's capital assets can be found in notes A.5 and C.3 on pages 11 and 13 of this report.

Requests for Information

This financial report is designed to provide a general overview of Dunthorpe-Riverdale's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the following address:

Multnomah County
Department of County Management
501 SE Hawthorne Blvd, Suite 531
Portland, OR 97214-3501

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

	June 30,	
	2006	2005
ASSETS		
Current assets:		
Cash and investments	\$ 254,400	\$ 442,148
Receivables (net of allowance for uncollectibles):		
Accounts	2,500	6,122
Special assessments	16,968	15,811
Total receivables	19,468	21,933
Total current assets	273,868	464,081
Noncurrent assets:		
Capital assets	2,582,137	2,179,441
Accumulated depreciation	(1,118,229)	(1,070,613)
Total noncurrent assets	1,463,908	1,108,828
Total assets	1,737,776	1,572,909
LIABILITIES		
Current liabilities:		
Accounts payable	208,657	112,612
Total current liabilities	208,657	112,612
NET ASSETS		
Invested in capital assets	1,463,908	1,108,828
Unrestricted	65,211	351,469
Total net assets	\$ 1,529,119	\$ 1,460,297

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,	
	2006	2005
OPERATING REVENUES		
Sewer user assessments	\$ 455,363	\$ 423,403
OPERATING EXPENSES		
Cost of sales and services	322,111	304,036
Administration	37,432	33,009
Depreciation	47,616	43,625
Total operating expenses	407,159	380,670
Operating gain	48,204	42,733
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	20,618	10,368
Rebate revenue	-	112,504
Loss on disposal of capital assets	-	(106,383)
Total nonoperating revenues	20,618	16,489
Change in net assets	68,822	59,222
Total net assets - beginning	1,460,297	1,401,075
Total net assets - ending	\$ 1,529,119	\$ 1,460,297

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,	
	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 457,928	\$ 415,329
Payments to suppliers	(226,945)	(266,881)
Payments to County employees	(22,803)	(19,459)
Internal activity	(13,850)	(13,400)
Net cash provided by operating activities	194,330	115,589
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(402,696)	(108,939)
Rebate from City of Portland Water Bureau	-	112,504
Net cash provided by (used in) capital and related financing activities	(402,696)	3,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	20,618	10,368
Net cash provided by investing activities	20,618	10,368
Net increase (decrease) in cash and investments	(187,748)	129,522
Balances at beginning of the year	442,148	312,626
Balances at end of the year	\$ 254,400	\$ 442,148
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 48,204	\$ 42,733
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	47,616	43,625
Changes in assets and liabilities:		
Receivables, net	2,465	(7,454)
Accounts payable	96,045	36,685
Total adjustments	146,126	72,856
Net cash provided by operating activities	\$ 194,330	\$ 115,589

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, 2006 and 2005

Note A. Summary of Significant Accounting Policies

1. Nature of Business

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

Dunthorpe-Riverdale is a blended component unit of Multnomah County and its financial activities are included in the basic financial statements of the County. The District serves the residents within its geographical boundaries and is governed by a board comprised of the County's elected Board. The rates for user charges for the district are approved by the Board. The District is reported as an enterprise fund.

2. Measurement Focus, Basis of Accounting, and Financial Statement Preparation

The District's basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The measurement focus is on the flow of economic resources. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the district are charges to customers for sales and services. The district also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1

A Component Unit of Multnomah County, Oregon Notes to Basic Financial Statements June 30, 2006 and 2005

Note A. Summary of Significant Accounting Policies - continued

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

Enterprise funds are used to account for revenues and expenses generally resulting from providing services for fees in connection with the fund's principal ongoing operations. Since the Multnomah County Board of Commissioners maintains overall financial accountability for the District, the financial statements of the District are included in the Comprehensive Annual Financial Report (CAFR) of the County, as an enterprise fund.

3. Cash and Investments

The District's cash and investments are deposited in the County's investment pool. The District's cash and investments participate in this pool rather than specific, identifiable securities. The District's share of County pooled cash and investments can be drawn upon demand, and therefore, the entire amount on deposit with the County is considered cash equivalents. Interest earned on pooled investments is allocated monthly based on the average daily cash balance of the District in relation to total investments in the pool. It is not practical to determine the investment risk, collateral, or insurance coverage for the District's share of these pooled investments.

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, municipal bonds, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). Investments for the County, as well as for its component units, are reported at fair value. The LGIP operates in accordance with appropriate state laws and regulations.

Information about the pooled investments is included in the County's annual financial report and may be obtained by contacting the County's Finance Division at 501 SE Hawthorne Boulevard, Suite 531, Portland, OR 97214.

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1

**A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2006 and 2005**

Note A. Summary of Significant Accounting Policies – continued

4. Receivables and Payables

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

5. Capital Assets

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.

6. Intergovernmental Agreements

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

7. Use of Estimates

In preparing the basic financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. Reclassifications

Certain classifications have been made to the prior year in order to conform to the current year financial statement presentation.

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2006 and 2005

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.

The adopted budget is prepared by fund and department. The County's department managers may make transfers of appropriations within a department and fund. Transfers and changes (increases) of appropriations between departments or funds require the approval of the Board. The legal level of budgetary control, (i.e., the level at which expenditures may not legally exceed appropriations) is the fund and department level.

Note C. Detailed Notes on the Fund

1. Cash and Investments

The District's cash and investments reported on the statement of net assets represent the District's share of the County's cash and investment pool. The District involuntarily participates in the cash and investment pool. Interest earnings from this pool are allocated to the District on a monthly basis. At June 30, 2006 and 2005 the District's share of the County's cash and investment pool totaled \$254,400 and \$442,148, respectively. This fund's ending cash balance is pooled with the County's cash, and represents a portion of the year-end bank balances.

2. Receivables

	June 30,	
	2006	2005
Special assessments:		
Sewer user assessments	\$ 19,438	\$ 18,381
Allowance for doubtful accounts	(2,470)	(2,570)
Total special assessments	16,968	15,811
Accounts:		
Receivables from pump maintenance	2,460	5,920
Receivables from foreclosures	40	202
Total accounts	2,500	6,122
Total Receivables	\$ 19,468	\$ 21,933

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1

A Component Unit of Multnomah County, Oregon Notes to Basic Financial Statements June 30, 2006 and 2005

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

3. Capital Assets

Capital assets are summarized as follows:

	June 30,	
	2006	2005
Sewer system at beginning of year	\$ 2,179,441	\$ 2,183,006
Additions	402,696	108,939
Disposals	-	(112,504)
Total capital assets at end of year	2,582,137	2,179,441
Accumulated depreciation	(1,118,229)	(1,070,613)
Investment in capital assets	\$ 1,463,908	\$ 1,108,828

4. Transactions with Multnomah County

The County Department of Community Services provides operating management and planning for the District. General administrative functions are performed by other units of the County. All services are performed on an internal cost reimbursement basis. Reimbursements to the County were \$13,850 and \$13,400 for fiscal 2006 and 2005, respectively, and are included in the financial statement line item for Administration on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

Note D. Risk Management

As a component unit of the County, the District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County has established risk management programs for liability insurance coverage. The District is covered under the policies and programs insuring the County. The County maintains an internal service fund, risk management fund, to account for and finance its risks of loss. The County established risk management programs for liability and workers' compensation, whereby premiums are calculated on payroll expenses in all funds and are paid into the risk management fund. The funds are available to pay claims, claim reserves, and reduce administrative costs of the program. These interfund premiums are used to offset the amount of claims expenditure reported in the risk management fund. As of June 30, 2006, interfund premiums exceeded reimbursable expenditures. Settlements have not exceeded coverages for each of the past three fiscal years.

DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2006 and 2005

Note E. Pension Plans

The District itself does not have any employees but is serviced by Multnomah County employees who are covered under the County's pension plans. The County's Comprehensive Annual Financial Report (CAFR) provides further details on these plans.

Note F. Commitments

As of year-end June 30, 2006 the District has no significant commitments on future capital projects, however subsequent to year-end, in fiscal year 2007, the District obtained Board approval to enter into an intergovernmental loan in the amount of \$400,000 from the County's Risk Management Fund to assist with necessary capital improvements.

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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES				
Assessments - sewer:				
Current	\$ 437,000	\$ 437,000	\$ 440,167	\$ 3,167
Prior	-	-	6,848	6,848
Charges for services	-	-	7,415	7,415
Interest	7,500	7,500	20,618	13,118
Other	2,500	2,500	-	(2,500)
Total revenues	<u>447,000</u>	<u>447,000</u>	<u>475,048</u>	<u>28,048</u>
EXPENDITURES				
Community services	<u>933,860</u>	<u>933,860</u>	<u>762,706</u>	<u>171,154</u>
Deficiency of revenues under expenditures	<u>(486,860)</u>	<u>(486,860)</u>	<u>(287,658)</u>	<u>199,202</u>
OTHER FINANCING SOURCES				
Proceeds from long-term debt	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Net change in fund balances	<u>(286,860)</u>	<u>(286,860)</u>	<u>(287,658)</u>	<u>(798)</u>
Fund balances - beginning	<u>286,860</u>	<u>286,860</u>	<u>339,176</u>	<u>52,316</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>51,518</u>	<u>\$ 51,518</u>
Reconciliation to GAAP basis:				
Invested in capital assets			1,463,908	
Deferred revenue on property taxes			16,163	
Allowance for uncollectible accounts, assessments			<u>(2,470)</u>	
Net Assets as reported on the Statement of Revenues, Expenses and Changes in Fund Net Assets, page 7			<u>\$ 1,529,119</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, 2006

	Amounts Uncollected June 30, 2005	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2006
General Fund Special Assessment							
2005-2006	\$ -	\$ 464,007	\$ (11,371)	\$ 281	\$ (2,076)	\$ (438,164)	\$ 12,677
2004-2005	11,980	-	22	501	(1,333)	(7,236)	3,934
2003-2004	3,750	-	15	299	(587)	(1,715)	1,762
2002-2003	1,535	-	8	222	(300)	(887)	578
2001-2002	660	-	4	142	(12)	(635)	159
2000-2001	196	-	-	16	1	(85)	128
1999-2000	79	-	-	21	(3)	(51)	46
1998-1999	38	-	-	4	(1)	(10)	31
1997-1998	46	-	-	4	(1)	(8)	41
1996-1997 and prior years	97	-	-	15	(3)	(27)	82
	<u>\$ 18,381</u>	<u>\$ 464,007</u>	<u>\$ (11,322)</u>	<u>\$ 1,505</u>	<u>\$ (4,315)</u>	<u>\$ (448,818)</u>	<u>\$ 19,438</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
1995-1996 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
Reconciliation of Budgetary Revenues to Interest and Tax/Assessment Collections
For the Years Ended June 30, 2006 and 2005

	Years Ended June 30,	
	2006	2005
Revenues, per Schedule of Revenues, Expenditures, and		
Changes in Fund Balances - Budget and Actual:		
Current year assessments - sewer	\$ 440,167	\$ 402,018
Prior year assessments - sewer	6,848	6,490
Sixty day tax/assessment accrual, net	243	(1,029)
Other - overpayment refund	1,560	-
Interest and Tax/Assessment Collections, per		
Schedule of Special Assessment Transactions	\$ 448,818	\$ 407,479

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *OREGON MINIMUM STANDARDS***

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

We have audited the financial statements of the Dunthorpe-Riverdale Service District No. 1 as of and for the year ended June 30, 2006, and have issued our report thereon dated December 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The amount and adequacy of collateral pledged by depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2006 and 2007.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our

consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the of risk that misstatements in amounts that would be material in relation to the 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 over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

December 8, 2006



James C. Lanzarotta, Partner
For Moss Adams LLP
Certified Public Accountants
Eugene, Oregon