

Financial Statements and Reports of
Independent Certified Public Accountants

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

June 30, 2002 and 2001

INTRODUCTORY SECTION

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

BOARD OF COUNTY COMMISSIONERS* AS OF JUNE 30, 2002
501 SE Hawthorne, 6th floor
Portland, Oregon 97214

	<u>Term Expires</u>
Diane Linn, Chair of the Board	December 31, 2002
Serena Cruz, Commissioner	December 31, 2002
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, 4th floor
PO Box 14700
Portland, Oregon 97293-0700

* Governing body of Mid County Service District No. 14 reported on herein.

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

DEPARTMENT OF BUSINESS AND COMMUNITY SERVICES		
COUNTY COMMISSIONERS	FINANCE DIVISION	
DIANE LINN, CHAIR	MULTNOMAH BUILDING	FORD BUILDING
MARIA ROJO DE STEFFEY, DISTRICT #1	501 SE HAWTHORNE BLVD. 4 TH FLOOR	2505 SE 11 TH 1 ST FLOOR
SERENA CRUZ, DISTRICT #2	PO BOX 14700	PORTLAND, OR 97202
LISA NAITO, DISTRICT #3	PORTLAND, OR 97293-0700	PHONE (503) 988-5299
LONNIE ROBERTS, DISTRICT #4	PHONE (503) 988-3312	FAX (503) 988-6265
	FAX (503) 988-3292	TDD (503) 988-5170

December 6, 2002

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

We are pleased to submit the Basic Financial Statements for Mid County Service District No. 14, Portland, Oregon (the District), for the fiscal years ended June 30, 2002 and 2001. This report includes the opinion of our independent auditors, Grant Thornton LLP, Certified Public Accountants.

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

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Mid County's MD&A can be found immediately following the independent auditors' report.

Mid County Service District No. 14 was organized in 1968 as Tulip Acres Lighting District under the provisions of ORS Chapter 451. The District now provides street lighting to the unincorporated urban areas of the County, and the cities of Maywood Park, Troutdale and Fairview.

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 13-14 for the Schedule of

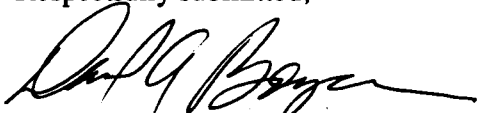
Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual and the Reconciliation of Budgetary Revenues and Expenditures to Proprietary Revenues and Expenses.

Operating revenues, consisting primarily of \$35 per household user assessments, have generally followed the population. Historically operating revenues have increased approximately 4.2% annually and operating expenses have increased approximately 6.2% over the same time period. During fiscal year 2002, operating revenues increased 25% over the prior year. The increase was a result of an audit the County performed that identified eligible district properties that had been excluded from the previous year's tax roll. In fiscal year 2001, the County adopted GASB No. 33, Accounting for Financial Reporting for Nonexchange Transactions. Accordingly, the County began recognizing capital contributions to proprietary funds as revenues instead of contributed capital. The effect of this pronouncement is evident by the large change in net assets and capital contributions from 2000 to 2001 as noted below. The District continues to maintain a strong working capital position and has no long-term debt. Following is a summary of some key financial data which is summarized from current and prior years' financial statements:

	Year ended June 30				
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Operating revenue	\$ 234,731	\$ 188,369	\$ 189,116	\$ 182,251	\$ 179,130
Depreciation expense	90,083	95,224	85,750	76,984	70,842
Operating loss	(113,189)	(160,761)	(108,996)	(118,597)	(69,228)
Change in net assets	183,701	309,705	(42,850)	290,650	120,068
Capital contributions	335,404	420,894	28,948	371,233	159,444
Net working capital	841,762	832,215	847,621	836,376	832,552
Total assets	2,233,728	2,048,869	1,734,649	1,806,696	1,484,730
Total net assets	2,213,013	2,029,312	1,719,607	1,762,457	1,471,807

I would like to acknowledge the help of the Finance Division staff, especially Bill Moravics, Financial Specialist II, and Mindy Harris, Accounting Manager, 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, CCM
Finance Director

FINANCIAL SECTION

Report of Independent Certified Public Accountants

The Board of County Commissioners
Mid County Service District No. 14

We have audited the accompanying basic financial statements of Mid County Service District No.14, a component unit of Multnomah County, Oregon, as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of Mid County Service District No.14's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mid County Service District No.14 as of June 30, 2002 and 2001, 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.

The 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 Governmental Accounting Standards Board. 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 Mid County Service District No.14's basic financial statements. The introductory section and supplementary information section as listed in the table of contents 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, are 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

Portland, Oregon
December 6, 2002

By 



MULTNOMAH COUNTY, OREGON

DEPARTMENT OF BUSINESS AND COMMUNITY SERVICES		
FINANCE DIVISION		
COUNTY COMMISSIONERS		
DIANE LINN, CHAIR	MULTNOMAH BUILDING	FORD BUILDING
MARIA ROJO DE STEFFEY, DISTRICT #1	501 SE HAWTHORNE BLVD. 4 TH FLOOR	2505 SE 11 TH 1 ST FLOOR
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	FAX (503) 988-3292	TDD (503) 988-5170

MANAGEMENT DISCUSSION AND ANALYSIS

As management of Mid County Service District No. 14, we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages iii-iv of this report.

Financial Highlights

- Mid County's assets exceeded its liabilities at June 30, 2002, by \$2,213,013. Of this amount, \$841,762 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$183,701. The majority of the increase is due to capital contributions from annexations of new unincorporated areas of the County.
- The District's operating revenues increased \$46,362 as a result of additional properties included on the current years tax roll.
- Disposal of fixed assets, with a cost of \$141,765, resulted in a loss of \$71,167, due to current year street lighting replacements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Mid County's basic financial statements. The District's basic financial statements 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, Mid County 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, street lighting assessments, are collected through property taxes. The fees are \$35 per month per household and generate approximately \$240,000 per year.

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 9-12 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. Supplementary information can be found on page 13-17 of this report.

Financial Analysis of the District

Net assets may serve over time as a useful indicator of a government's financial position. As noted earlier, Mid County's total assets exceeded liabilities by \$2,213,013 at the close of the most recent fiscal year.

At June 30, 2002, the District had \$1,371,251 or 62% of total net assets invested in capital assets. The investment in capital assets is the district's street lighting system, with no related debt. The District uses these capital assets to provide services to its member households, consequently, these assets are not available for future spending.

Mid County's Net Assets
June 30, 2002

Current Assets	\$ 862,477
Capital Assets	1,371,251
Total assets	<u>2,233,728</u>
Current liabilities	<u>20,715</u>
Net assets:	
Invested in capital assets	1,371,251
Unrestricted	<u>841,762</u>
Total net assets	<u>\$2,213,013</u>

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

Mid County's Changes in Net Assets
June 30, 2002

Operating revenues	\$ 234,731
Depreciation expense	(90,083)
Other operating expenses	<u>(257,837)</u>
Operating loss	(113,189)
Investment earnings	32,653
Loss on disposal of capital assets	(71,167)
Capital contributions	<u>335,404</u>
Changes in net assets	183,701
Beginning net assets	<u>2,029,312</u>
Ending net assets	<u>\$2,213,013</u>

The District's net assets increased by \$183,701 during the current fiscal year.

The primary reasons for the increase in net assets are:

- Capital contributions of \$335,404 resulting from property annexations.
- Increased operating revenues from current year tax levy increase of \$46,362.
- Investment earnings went down from \$53,556 to \$32,653, in fiscal years 2001 and 2002, respectively, as a result of declining interest rates.

Capital assets. The District's investment in capital assets as of June 30, 2002, amounts to \$1,371,251 (net of accumulated depreciation). This entire investment in capital assets is the street lighting system. The total increase in the District's investment in capital assets for the current fiscal year was 15% (\$174,154).

Additional information on the District's capital assets can be found in note A.7 on page 11 of this report.

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

Requests for Information

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

Multnomah County Finance
PO Box 14700
Portland, OR 97293-0700

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

	June 30	
	2002	2001
ASSETS		
Current assets:		
Cash and investments	\$ 848,715	\$ 840,749
Receivables (net of allowance for uncollectibles):		
Accounts	71	76
Special assessments	13,691	10,947
Total current assets	862,477	851,772
Noncurrent assets:		
Capital assets	2,107,317	1,913,678
Less: accumulated depreciation	(736,066)	(716,581)
Total noncurrent assets	1,371,251	1,197,097
Total assets	2,233,728	2,048,869
LIABILITIES		
Current liabilities:		
Accounts payable	20,715	19,557
Total current liabilities	20,715	19,557
NET ASSETS		
Invested in capital assets	1,371,251	1,197,097
Unrestricted	841,762	832,215
Total net assets	\$ 2,213,013	\$ 2,029,312

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

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

	Year Ended June 30	
	2002	2001
OPERATING REVENUES		
Street lighting assessments	\$ 234,731	\$ 188,369
OPERATING EXPENSES		
Cost of sales and services	238,289	215,398
Depreciation	90,083	95,224
Administrative support	19,548	38,508
Total operating expenses	347,920	349,130
Operating loss	(113,189)	(160,761)
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	32,653	53,556
Loss on disposal of capital assets	(71,167)	(3,984)
Total nonoperating revenues (expenses)	(38,514)	49,572
Loss before contributions and transfers	(151,703)	(111,189)
Capital contributions	335,404	420,894
Change in net assets	183,701	309,705
Total net assets - beginning	2,029,312	1,719,607
Total net assets - ending	\$ 2,213,013	\$ 2,029,312

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

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

	Year ended June 30	
	2002	2001
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 232,056	\$ 187,409
Payments to suppliers	(245,668)	(225,713)
Payments to employees	(11,075)	(20,310)
Internal activity - payments to other funds	-	(1,502)
Net cash used in operating activities	(24,687)	(60,116)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	-	(3,424)
Net cash used in capital and related financing activities	-	(3,424)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	32,653	53,556
Net cash provided by investing activities	32,653	53,556
Net increase (decrease) in cash and cash equivalents	7,966	(9,984)
Balances at beginning of the year	840,749	850,733
Balances at end of the year	\$ 848,715	\$ 840,749
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (113,189)	\$ (160,761)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	90,083	95,224
Changes in assets and liabilities:		
Receivables, net	(2,739)	907
Accounts payable	1,158	4,514
Total adjustments	88,502	100,645
Net cash used in operating activities	\$ (24,687)	\$ (60,116)
Noncash financing activities		
Contributions of capital assets	\$ 335,404	\$ 420,894

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

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2002 and 2001

Note A – Summary of Significant Accounting Policies

1. Nature of Business

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

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

2. Basis of Accounting

The basic financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time the liabilities are incurred. The measurement focus is on the flow of economic resources. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets.

The financial statements of the District have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

In June 1999, GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This statement establishes new financial reporting requirements and creates new information for annual reports to be more comprehensive and easier to understand and use. Mid County implemented the requirements of the Statement for fiscal year 2001-02.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2002 and 2001

Note A – Summary of Significant Accounting Policies - continued

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.

4. Enterprise Fund

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

5. Cash and Investments

Cash is held by the County Finance Division and is commingled with the cash, time deposits and investment accounts of the County. The District is allocated investment earnings based on its proportionate cash balance monthly. See the Multnomah County June 30, 2002 CAFR for: basis of investments, types of investments and information regarding the risk categories of investments held.

6. Receivables

	June 30	
	2002	2001
Street lighting assessments	\$ 14,541	\$ 12,947
Less: allowance for doubtful accounts	(850)	(2,000)
Subtotal	13,691	10,947
Receivables from foreclosures	71	76
Receivables, net	<u>\$ 13,762</u>	<u>\$ 11,023</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.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2002 and 2001

Note A – Summary of Significant Accounting Policies - continued

7. Capital Assets

Capital assets are summarized as follows:

	June 30	
	2002	2001
Street lights and poles at beginning of year	\$ 1,913,678	\$ 1,502,937
Additions	335,404	
Disposals	(141,765)	(13,578)
Total capital assets at end of year	2,107,317	1,913,678
Less accumulated depreciation	(736,066)	(716,581)
Investment in capital assets	<u>\$ 1,371,251</u>	<u>\$ 1,197,097</u>

Capital assets are stated at historical cost or estimated historical cost at time of acquisition, or fair value 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 10 to 30 years for street lighting systems and equipment. Depreciation on assets acquired through contributions is charged to net assets.

8. Budgets

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

9. Cash Flows

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

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Notes to Basic Financial Statements
June 30, 2002 and 2001

Note A – Summary of Significant Accounting Policies – continued

10. Transactions with Multnomah County

The County Department of Business and Community Services provides operating management and planning for the District. General administrative functions are performed by other units of the County. All services are performed on a cost reimbursement basis. Reimbursements to the County were \$8,940 and \$13,946 for fiscal 2002 and 2001, respectively, and are included in Administrative support on the Statement of Revenues, Expenses and Changes in Net Assets.

11. Annexations and Intergovernmental Agreements

In 1983 the Board of County Commissioners passed Resolution A which stated the County's intention to phase out municipal services provided to urbanized unincorporated areas of the County. As a result, large areas of the District have been annexed by other jurisdictions and further annexations are expected. The District periodically records the transfer of street lights to the cities of Gresham, Troutdale and Portland.

At the ultimate dissolution of the District, its remaining assets will be distributed to the successors in proportion to the number of customers absorbed by each entity.

12. Risk Management

See note 4.A. - Risk Management in Multnomah County's June 30, 2002 Comprehensive Annual Financial Report for information pertaining to risk management activities.

13. Use of Estimates

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

14. Reclassifications

Certain reclassifications were made to the 2001 financial statements to conform to the current year presentation.

Note B – Pension Plans

See note 4.E. – Employee retirement systems and pension plans in Multnomah County's June 30, 2002 Comprehensive Annual Financial Report for information pertaining to pension plans.

SUPPLEMENTARY INFORMATION

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

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

- Street lighting assessment 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.

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2002

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES				
Assessments - street lighting				
Current year	\$ 185,000	\$ 185,000	\$ 227,192	\$ 42,192
Prior year	-	-	6,268	6,268
Interest	45,500	45,500	32,653	(12,847)
Other	-	-	185	185
Total revenues	<u>230,500</u>	<u>230,500</u>	<u>266,298</u>	<u>35,798</u>
EXPENDITURES				
Environmental services	745,000	745,000	258,987	486,013
Nondepartmental	<u>25,000</u>	<u>25,000</u>	-	<u>25,000</u>
Total expenditures	<u>770,000</u>	<u>770,000</u>	<u>258,987</u>	<u>511,013</u>
Excess (deficiency) of				
revenues				
over (under) expenditures	(539,500)	(539,500)	7,311	546,811
Fund balances - beginning	<u>828,900</u>	<u>828,900</u>	<u>823,065</u>	<u>(5,835)</u>
Fund balances - ending	<u>\$ 289,400</u>	<u>\$ 289,400</u>	<u>\$ 830,376</u>	<u>\$ 540,976</u>

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Reconciliation of Budgetary Revenues and Expenditures to Proprietary Revenues and Expenses
For the Year Ended June 30, 2002

	<u>Revenues</u>	<u>Expenditures</u>
Mid County Operating Fund	\$ 266,298	\$ 258,987
Deferred revenue current year	12,236	
Deferred revenue prior year	(11,150)	
Depreciation expense		90,083
Loss on disposal of capital assets		71,167
Uncollectible prior year		(2,000)
Uncollectible current year		850
	<u> </u>	<u> </u>
Revenues and expenses - page 7	<u>\$ 267,384</u>	<u>\$ 419,087</u>

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Schedules of Special Assessment Transactions
For the years ended June 30, 2002 and 2001

Fiscal Year 2002

	Amounts Uncollected June 30, 2001	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2002
General Fund Special Assessment							
2001-2002	\$ -	\$ 241,160	\$ (5,580)	\$ 142	\$ (1,290)	\$ (225,890)	\$ 8,542
2000-2001	7,094			251	(537)	(3,694)	3,114
1999-2000	3,018			226	(227)	(1,455)	1,562
1998-1999 and prior years	2,835			428	(28)	(1,912)	1,323
	<u>\$ 12,947</u>	<u>\$ 241,160</u>	<u>\$ (5,580)</u>	<u>\$ 1,047</u>	<u>\$ (2,082)</u>	<u>\$ (232,951)</u>	<u>\$ 14,541</u>

Fiscal Year 2001

	Amounts Uncollected June 30, 2000	Levy/ Assessments as Extended by Assessor	Discounts Allowed	Interest Received	Cancellations and Adjustments	Interest and Tax/ Assessment Collections	Amounts Uncollected June 30, 2001
General Fund Special Assessment							
2000-2001	\$ -	\$ 194,464	\$ (4,582)	\$ 114	\$ (449)	\$ (182,453)	\$ 7,094
1999-2000	6,636			167	(1,018)	(2,767)	3,018
1998-1999	2,731			101	(607)	(755)	1,470
1997-1998 and prior years	2,916			433	(330)	(1,654)	1,365
	<u>\$ 12,283</u>	<u>\$ 194,464</u>	<u>\$ (4,582)</u>	<u>\$ 815</u>	<u>\$ (2,404)</u>	<u>\$ (187,629)</u>	<u>\$ 12,947</u>

MID COUNTY SERVICE DISTRICT NO. 14
A Component Unit of
Multnomah County, Oregon
Reconciliation of Budgetary Revenues to Interest and Tax Assessment/Collections
For the Year Ended June 30, 2002

	<u>Year ended June 30</u>	
	<u>2002</u>	<u>2001</u>
Revenues, per Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
Current year special assessments	\$ 227,192	\$ 183,323
Prior years' special assessments	6,268	4,603
 Subtract:		
Sixty day tax/assessment accrual, net	<u>(509)</u>	<u>(297)</u>
 Interest and Tax/Assessment Collections, per Schedule of Special Assessment Transactions	 \$ <u>232,951</u>	 \$ <u>187,629</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
Mid County Service District No. 14

We have audited the basic financial statements of Mid County Service District No. 14 as of and for the year ended June 30, 2002 and have issued our report thereon dated December 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to Mid County Service District No. 14 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, if any, 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

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.

Insurance - Relating to insurance and fidelity bond coverage

Investments - Pertaining to the investment of public funds

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

The results of our tests indicate that, with respect to the items tested, Mid County Service District No. 14 complied in all materials respects with the provisions referred to above except Mid County Service District No. 14 did not publish a budget hearing notification. 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 6, 2002

Grant Thornton S&P

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
Mid County Service District No. 14

We have audited the basic financial statements of the Mid County Service District No. 14 as of and for the year ended June 30, 2002 and have issued our report thereon dated December 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

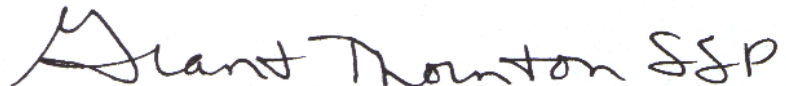
The management of the Mid County Service District No. 14 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure 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 Mid County Service District No. 14, for the year ended June 30, 2002, 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 6, 2002

Grant Thornton SSP