

Metro

Fund Consolidation Review

September 2006

A Report by the Office of the Auditor



METRO

PEOPLE PLACES

OPEN SPACES

Alexis Dow, CPA

Metro Auditor



METRO

OFFICE OF THE AUDITOR

September 11, 2006

To the Metro Council and Metro-area citizens:

In response to a citizen concern and as part of the Metro Auditor risk assessment and work plan, we studied the consolidation of certain funds and other fund related activity that took effect on July 1, 2005 as part of the fiscal year 2006 Metro Budget.

Our review served two purposes – to ascertain that changes to the fund accounting system were performed in accordance with generally accepted accounting principles and to ascertain that an appropriate level of transparency remained after the changes were implemented to permit monitoring for compliance with legal restrictions that limit the expenditure of some of the funds.

Changes to the fund accounting structure were:

- Consolidation of the Support Services Fund, Building Management Fund, Zoo Operating Fund, Regional Parks Operating Fund and Planning Fund into the General Fund.
- Creation of the Metro Capital Fund for the purpose of accounting for major capital improvement and renewal and replacement reserves for Metro Facilities, and consolidation of the Regional Parks Special Accounts Fund, Regional Parks Capital Fund and Zoo Capital Fund into this fund.
- Elimination of the Convention Center Project Fund.

Our review found that these changes were made in accordance with generally accepted accounting principles and that Metro retains an appropriate level of accounting transparency and can account for the various special funds with legal restrictions on expenditures.

The following pages include a chart listing all affected funds and background information on these funds.

We appreciate the assistance provided by Metro Finance and Administrative Services and Regional Parks and Greenspaces personnel involved in the review. We also wish to recognize the many people at Metro who are actively committed to improving the efficiency and effectiveness of Metro operations.

Yours very truly,

A handwritten signature in cursive script that reads "Alexis Dow".

Alexis Dow, CPA
Metro Auditor

Auditor: Eric Spivak, CIA

Background Information on Funds Affected as Part of the Fiscal Year 2006 Budget

Building Management Fund	<p>The Building Management Fund first became effective on July 1, 1985 when Metro moved to new leased offices at 2000 S.W. First Avenue and engaged in the practice of subleasing unneeded space in that building. Due to the extent of sublease revenue, the fund was classified as an Enterprise Fund. Subsequently, Metro consumed a larger percentage of space in the building and sublease revenue decreased until it was negligible. As a result, the fund classification was changed to that of an internal service fund.</p> <p>The construction, ownership and move to the current Metro location were funded by bond proceeds. The original revenue bonds were issued in 1991 and the refunding bonds were issued in 1993. These issues required departmental assessments to make sufficient debt payments and coverage. In 2003, Metro refinanced the 1993 refunding bonds by issuing Full Faith & Credit Bonds pledging Metro's general revenues. Although Metro intends to continue to fund the costs of Metro Regional Center, including debt service, through department assessments, a bond requirement to do so no longer exists. No other restrictions apply and these activities may be accounted for in a General Fund.</p>
Convention Center Project Capital Fund	<p>The Convention Center Project Capital Fund included a small amount of funding to complete the Convention Center construction project. The amount was transferred to the MERC Pooled Capital Fund during fiscal year ended 2005 to be held for any potential outstanding Convention Center project costs.</p>
Planning Fund	<p>The Planning Fund was first established on July 1, 1981 for the purpose of segregating from the General Fund federal grant-funded activities related to Metro's various planning activities. Neither federal grant requirements nor generally accepted accounting principles require that these monies be separated from the General Fund.</p>
Regional Parks Capital Fund	<p>Metro Council established the Regional Parks Capital Fund on July 1, 2004 to account for all major capital development projects of the regional parks and to segregate these costs from operating expenditures. As a Council-created fund, Council has the authority to regulate this fund. Although Metro has consolidated capital accounts into one Metro Capital Fund, within that fund Metro still budgets and tracks capital expenditures by individual departments.</p>
Regional Parks Operating Fund	<p>This fund was established as the Regional Parks and Expo Fund on July 1, 1993 to account for the operations of the former Multnomah County facilities transferred to Metro that fiscal year. Subsequently, the Expo piece was segregated from this fund and included with the MERC Operating Fund in order to comply with generally accepted accounting principles requiring all of this component unit's activity to be discretely presented and reported in the government-wide statements separate from the financial data of the primary government. No restrictions apply and Regional Parks activities may be accounted for in a General Fund.</p>

**Regional Parks
Special Accounts
Fund**

The Regional Parks Special Accounts Fund contained four individual accounts with origins that predate an intergovernmental agreement (IGA) between Multnomah County and Metro.¹ Pursuant to the IGA, the County transferred to Metro the fund balances of the Multnomah County Recreation Fund with the provision that "...funds shall be used exclusively for their dedicated purposes, and in accordance with the terms of any applicable trust documents." The IGA did not require that separate funds be maintained.

The history of the four accounts is as follows:

- *Regional Parks Capital Blue Lake Special Account*
The Multnomah County Recreation Fund included a special accounts fund titled the Blue Lake Outdoor Performing Arts Stage Fund. The fund was used for the deposit of revenue earned by ticket sales to a summer concert series at Blue Lake Park. Original plans were to use the revenues for development of a concert stage. However, the updated facility master plan approved by the Metro Council in 2001 did not include a performing arts stage. Instead, proceeds in this special account were designated for use toward the Blue Lake Park "Sprayground" project as part of the Metro Capital Improvement Plan included in the annual budget authorizing the expenditure of these proceeds for this project.
- *Regional Parks Capital Oxbow Nature Center Account*
Multnomah County practice had been to conduct a salmon bake in conjunction with the annual Salmon Festival and post a sign stating that proceeds from the sale would go toward development of an Oxbow Nature Center. The practice continued upon transfer of the property from the County to Metro and the current master plan for the park includes a nature center.
- *Regional Parks Capital Tibbets Flower Account*
This account was created through a bequest to place flowers on the Tibbets family gravesite on certain days.
- *Regional Parks Capital Farmer Family Account*
On November 9, 1990, Willamina Farmer executed her Last Will and Testament, whereby she bequeathed her assets to Multnomah County for the maintenance of the Farmer family plot in Multnomah Park Pioneer Cemetery, and if there are any remaining funds, for the general upkeep and maintenance of the cemetery. At the time of the bequest it was determined that the Will did not establish a formal trust agreement. However, the County agreed to establish a non-expendable trust fund for the perpetual care of the Farmer Family Plot and the general upkeep and maintenance of the Multnomah Park Pioneer Cemetery and the other 13 pioneer cemeteries.

Currently, cemetery maintenance expenses are budgeted for in the Parks Operating Fund. In fiscal year 2004, the principal and interest from the Willamina Farmer Family Account was transferred to the Pioneer Cemetery Perpetual Care Fund where it remains. At such time when the sale of the

¹ Intergovernmental Agreement Regarding Transfer of Regional Parks, Natural Areas, Golf Courses, Cemeteries, and Trade/Spectator Facilities Presently Owned and Operated by Multnomah County Phase I dated December 9, 1993 and Phase II dated March 21, 1996.

graves and related services are no longer adequate to pay for cemetery maintenance, interest from the Pioneer Cemetery Perpetual Care Fund will be used to offset cemetery maintenance expenses.

Since the majority of the accounts in the Regional Parks Special Accounts Fund were capital in nature, these accounts were consolidated into the Metro Capital Fund. However, the Tibbets Flower Account is operational in nature, not capital. Once the Account was consolidated into the Metro Capital Fund, it was subsequently transferred to the Regional Parks Operating section of the General Fund. It is now managed, tracked and monitored in the General Fund in the same manner as it was in the original Regional Parks Special Accounts Fund.

The balance of the Regional Parks Capital Farmer Family Account was transferred to the Pioneer Cemetery Perpetual Care in FY 2003-04.² This accounting structure provides the transparency and accountability required to ensure that these funds will be used for their intended purposes. Account numbers and balances are:

**Table 1:
Regional Parks sub-accounts within the Metro Capital Account**

<u>Account</u>	<u>Acct #</u>	<u>7/01/05 Balance</u>
Regional Parks Capital Oxbow Nature Center Account	3410	\$300,576.15
Regional Parks Capital Blue Lake Special Account	3411	\$116,454.38
Regional Parks Capital Tibbets Flower Account	3413	\$591.50

Consolidation of the Regional Parks Special Accounts Fund into the Metro Capital Fund, General Fund and the Pioneer Cemetery Perpetual Care Fund appears to be in compliance with legal restrictions and generally accepted accounting principles as transparency and accountability for these funds remain.

Support Services Fund On July 1, 1990, the Support Services Fund was initiated for the purpose of isolating expenditures associated with central support services from other general government expenses. The Support Services Fund was classified as an internal service fund under Governmental Accounting Standards Board (GASB) standards, which currently permits accounting for these activities as part of the General Fund.

Zoo Capital and Operating Funds There appears to be no generally accepted accounting principles or legal restrictions precluding consolidation of either the Zoo Operating Fund or the Zoo Capital Fund into the applicable general operating and capital funds of Metro. Although the Zoo Capital Fund and the Zoo Operating Fund are consolidated into the Metro Capital Fund and General Fund, respectively, Metro still budgets, manages and tracks the operations and capital requirements of the Oregon Zoo by individual department.

² The FY 2005-06 Budget presents historical information regarding the Farmer Family Account in compliance with Oregon budget law, which requires that two years of account data be presented in order to provide context and continuity of budget information.

Funds Affected by Adoption of FY 2006 Budget

Capital Funds	Before	After
	Regional Parks Capital Fund	Consolidated into the Metro Capital Fund. Fund balances at the time of consolidation are included in the Regional Parks Capital Projects Account and the Regional Parks Renewal and Replacement Account.
	Regional Parks Special Accounts Fund	These Special Accounts Funds are now reported within the Metro Capital Fund, General Fund, and the Pioneer Cemetery Perpetual Care Fund, as applicable.
	Zoo Capital Fund	Consolidated into the Metro Capital Fund. Fund balances are now accounted for in the Oregon Zoo Capital Projects Account within the Metro Capital Fund.

Other Funds	Before	After
	Building Management Fund	Consolidated into the General Fund.
	Convention Center Project Capital Fund	Eliminated. This fund included a small amount of funding to complete the closing of the convention center project at the time this fund was eliminated. That amount was transferred to the MERC Pooled Capital Fund to be held for potential convention center project costs.
	Planning Fund	Consolidated into the General Fund.
	Regional Parks Operating Fund	Consolidated into the General Fund.
	Support Services Fund	Most Support Services were consolidated into the General Fund. Those related to information technology infrastructure and enterprise systems are now budgeted for in the Information Technology Renewal and Replacement Account within the Metro Capital Projects Account.
	Zoo Operating Fund	Consolidated into the General Fund.

Source: Metro FY 2005-06 Budget Adoption Ordinance



Metro Auditor Report Evaluation Form

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Name of Audit Report: Fund Consolidation Review, September 2006

Please rate the following elements of this report by checking the appropriate box.

	Too Little	Just Right	Too Much
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Thanks for taking the time to help us.

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