

METROPOLITAN SERVICE DISTRICT

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA

(Containing Audit Comments and Disclosures
Required by State Regulations)

for the year ended June 30, 1980

COOPERS & LYBRAND
CERTIFIED PUBLIC ACCOUNTANTS

METROPOLITAN SERVICE DISTRICT
June 30, 1980

Rick Gustafson, Executive Officer

COUNCIL

<u>Name</u>	<u>Representing</u>	<u>Term Expires</u>
<u>Members</u>		
Marge Kafoury, Presiding Officer	District 11	January 1, 1983
Jack Deines, Deputy Presiding Officer	District 5	January 1, 1981
Donna Stuhr, Councilor	District 1	January 1, 1983
Charles Williamson, Councilor	District 2	January 1, 1981
Craig Berkman, Councilor	District 3	January 1, 1981
Corky Kirkpatrick, Councilor	District 4	January 1, 1981
Jane Rhodes, Councilor	District 6	January 1, 1983
Betty Schedeen, Councilor	District 7	January 1, 1983
Ernie Bonner, Councilor	District 8	January 1, 1983
Cindy Banzer, Councilor	District 9	January 1, 1981
Gene Peterson, Councilor	District 10	January 1, 1981
Michael Burton, Councilor	District 12	January 1, 1983

Administrative Office: 527 S.W. Hall Street
Portland, Oregon

Registered Agent: Cynthia M. Wichmann

Address of Registered Office: 527 S. W. Hall Street
Portland, Oregon

METROPOLITAN SERVICE DISTRICT
TABLE OF CONTENTS

	<u>Page</u>
SECTION I - ACCOUNTANTS' REPORT AND FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	
Accountants' Report	1
Financial Statements and Schedules:	
Basic Financial Statements:	
Combined Balance Sheet - All Funds and Account Groups	2
Combined Statement of Changes in Fund Balance Unreserved/Retained Earnings and Contributed Capital - All Funds	3
Statement of Changes in Assets and Liabilities - All Agency Funds	4
Statements of Revenues and Expenditures/Expenses:	
General Fund	5
Planning Fund	6
Drainage Fund	7
Zoo Fund	8-9
Solid Waste Fund	10
Statement of Changes in Financial Position - Solid Waste Fund	11
Notes to Financial Statements	12-25
Supplementary Data:	
Description of Solid Waste Budgetary Funds Schedules of Revenues, Transfers, Expenditures and Unappropriated Fund Balances (compared with budgets and stated on the modified accrual basis of accounting):	26
Solid Waste Fund	27
Solid Waste Debt Service Fund	28
Solid Waste Phase I Capital Improvement Fund	29
Reconciliation of Solid Waste Funds Revenues and Expenditures (Budgetary Basis) to Statement of Revenues and Expenses	30
Schedule of Revenues and Expenditures - General Fund	31
Schedule of Resources and Expenditures - Transportation Technical Assistance Fund	32
Schedule of Resources and Expenditures - Criminal Justice Assistance Fund	33
Schedule of Property Tax Transactions and Outstanding Balance	34
Schedule of Long-Term Debt Transactions	35
Schedule of Future Debt Service Requirements	36

METROPOLITAN SERVICE DISTRICT
TABLE OF CONTENTS, Continued

	<u>Page</u>
SECTION I - ACCOUNTANTS' REPORT AND FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA, Continued	
Supplementary Data, Continued:	
List of Abbreviated Designations for Agencies	37
Schedule of Resources and Expenditures - By Grant	38
Schedule of Open Grant Projects	39
Schedule of Transportation Technical Assistance Fund Open Grant Projects	40
Schedule of Grant Projects Closed	41
Schedule of Grant Projects Closed in the Transportation Technical Assistance Fund	42
SECTION II - AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS	
Introduction	43
Internal Accounting Control	44-45
Accounting Records	46
Budgeting and Compliance	46
Indebtedness	46
Collateral Securing Depository Balances	47
Insurance and Fidelity Bond Coverage	47
Programs Funded from Outside Sources	47-49

SECTION I

ACCOUNTANTS' REPORT AND
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

To the Council
Metropolitan Service District
Portland, Oregon

We have examined the financial statements (identified as "basic financial statements" in the table of contents on preceding pages of this report) of the various funds and account groups of Metropolitan Service District as of June 30, 1980 and for the year then ended. Our examination was made in accordance with generally accepted auditing standards and the Minimum Standards for Audits of Oregon Municipal Corporations and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned basic financial statements present fairly the financial position of the various funds and account groups of the Metropolitan Service District at June 30, 1980, and the results of such funds' operations and the changes in financial position of the Solid Waste Fund for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements referred to in the foregoing opinion are set forth on pages 2 to 25, inclusive, of this report. Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other data included in the report on pages 26 to 42, inclusive, and the "Totals (Memorandum Only)" column on the basic financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination 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.

COOPERS & LYBRAND

By 
James L. Savage, a partner

Portland, Oregon
October 17, 1980

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

METROPOLITAN SERVICE DISTRICT
COMBINED BALANCE SHEET - ALL FUNDS AND ACCOUNT GROUPS
June 30, 1980

ASSETS AND OTHER DEBITS	Totals (Memorandum Only)	General Fund
Cash and investments	\$ 4,684,605	\$263,148
Receivables:		
User fees	275,935	
Property taxes	277,100	
Federal grants	1,049,314	
State grants	337,160	
Other	242,388	13,217
Due from other funds	424,899	61,097
Advances	50,000	
Inventory of materials and supplies	78,049	
Restricted assets:		
Cash and investments	3,549,160	
Accrued interest	25,990	
Contract receivable	242,860	
Deferred bond expense	25,000	
Fixed assets, net of accumulated depreciation of \$14,016 in Solid Waste Fund	9,504,515	
Amount to be provided for payment of capital lease	162,132	
	<u>\$20,929,107</u>	<u>\$337,462</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 648,791	\$ 31,799
Salaries, withholdings and payroll taxes payable	203,023	34,733
Due to other funds	424,899	
Unearned grant revenue	335,505	
Expenditures by subgrantees in excess of advances	903,214	
Payable from restricted assets:		
Accounts payable	21,105	
Deferred revenue	1,268,850	
Other	73,794	
Contract payable	206,765	
Loans payable	3,280,000	
Obligation under capital lease	162,132	
Commitments and contingencies		
Total liabilities	<u>7,528,078</u>	<u>66,532</u>
Fund equity:		
Contributed capital	237,560	
Investment in general fixed assets	8,151,232	
Retained earnings	1,844,546	
Fund balances:		
Reserved for uncollected property taxes and other receivables	291,302	11,302
Reserved for capital outlay	25,000	
Unreserved	<u>2,851,389</u>	<u>259,628</u>
Total fund equity	<u>13,401,029</u>	<u>270,930</u>
	<u>\$20,929,107</u>	<u>\$337,462</u>

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

Special Revenue Funds			Enterprise Fund	Agency Funds		Account Groups	
Planning Fund	Drainage Fund	Zoo Fund	Solid Waste Fund	Transportation Technical Assistance Fund	Criminal Justice Assistance Fund	General Fixed Assets	General Long-Term Debt
\$ 250	\$8,737	\$2,675,065	\$1,284,403		\$453,002		
			275,935				
		277,100					
174,636			102,636	\$294,958	477,084		
302,457			26,215	8,488			
105,984	1,148	83,559	38,241		239		
		101,802	262,000				
		78,049	50,000				
			3,549,160				
			25,990				
			242,860				
			25,000				
			1,353,283			\$8,151,232	
							\$162,132
<u>\$583,327</u>	<u>\$9,885</u>	<u>\$3,215,575</u>	<u>\$7,235,723</u>	<u>\$303,446</u>	<u>\$930,325</u>	<u>\$8,151,232</u>	<u>\$162,132</u>
\$ 39,859		\$ 269,362	\$ 307,771				
39,603		109,456	19,231				
424,899							
16,662	\$8,664				\$310,179		
				\$303,446	599,768		
			21,105				
			1,268,850				
3,521			49,895		20,378		
			206,765				
			3,280,000				
							\$162,132
<u>524,544</u>	<u>8,664</u>	<u>378,818</u>	<u>5,153,617</u>	<u>303,446</u>	<u>930,325</u>		<u>162,132</u>
			237,560				
			1,844,546			\$8,151,232	
		280,000					
		25,000					
58,783	1,221	2,531,757					
58,783	1,221	2,836,757	2,082,106			8,151,232	
<u>\$583,327</u>	<u>\$9,885</u>	<u>\$3,215,575</u>	<u>\$7,235,723</u>	<u>\$303,446</u>	<u>\$930,325</u>	<u>\$8,151,232</u>	<u>\$162,132</u>

METROPOLITAN SERVICE DISTRICT
 COMBINED STATEMENT OF CHANGES IN FUND BALANCE
 UNRESERVED/RETAINED EARNINGS AND CONTRIBUTED CAPITAL - ALL FUNDS
 for the year ended June 30, 1980

	Totals (Memorandum Only)	Fund Balance - Unreserved				Enterprise Fund	
		General Fund	Planning Fund	Special Revenue Funds		Solid Waste Fund	
				Drainage Fund	Zoo Fund	Contributed Capital	Retained Earnings
Balances, June 30, 1979	\$3,907,772	\$ 34,616	\$ 281,051	\$ 620	\$2,269,129		\$1,322,356
Revenues	6,573,257	562,023	1,597,258	601	4,413,375		
Net income	522,190						522,190
Federal and state capital grant contributions	237,560					\$ 237,560	
Transfers from other funds	152,758		152,758				
Expenditures	(6,282,284)	(184,253)	(1,972,284)		(4,125,747)		
Transfers to other funds	(152,758)	(152,758)					
Reserved for capital outlay	(25,000)				(25,000)		
Balances, June 30, 1980	<u>\$4,933,495</u>	<u>\$259,628</u>	<u>\$ 58,783</u>	<u>\$1,221</u>	<u>\$2,531,757</u>	<u>\$ 237,560</u>	<u>\$1,844,546</u>

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

METROPOLITAN SERVICE DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
for the year ended June 30, 1980

	Balance June 30, 1979	Additions	Deductions	Balance June 30, 1980
<u>TRANSPORTATION TECHNICAL ASSISTANCE FUND</u>				
<u>Assets</u>				
Cash		\$ 325,026	\$ 325,026	
Receivables:				
Federal grants	\$232,601	334,364	272,007	\$294,958
State grants	<u>32,541</u>	<u>28,966</u>	<u>53,019</u>	<u>8,488</u>
	<u>\$265,142</u>	<u>\$ 688,356</u>	<u>\$ 650,052</u>	<u>\$303,446</u>
<u>Liabilities</u>				
Expenditures by subgrantees in excess of advances	<u>\$265,142</u>	<u>\$ 363,330</u>	<u>\$ 325,026</u>	<u>\$303,446</u>
<u>LIBRARY ASSISTANCE FUND</u>				
<u>Assets</u>				
Cash		\$ 9,521	\$ 9,521	
State grant receivable	\$ 9,521		9,521	
Due from other grants	<u>1,478</u>		<u>1,478</u>	
	<u>\$ 10,999</u>	<u>\$ 9,521</u>	<u>\$ 20,520</u>	
<u>Liabilities</u>				
Due to other grants	\$ 1,478		\$ 1,478	
Due to other funds	9,459		9,459	
Unearned grant revenues	<u>62</u>		<u>62</u>	
	<u>\$ 10,999</u>		<u>\$ 10,999</u>	
<u>CRIMINAL JUSTICE ASSISTANCE FUND</u>				
<u>Assets</u>				
Cash	\$ 69,713	\$1,792,474	\$1,409,185	\$453,002
Receivables:				
State administered grants and state buy-in	167,368	1,862,700	1,552,984	477,084
Due from other funds	878		878	
Advances	<u>26,551</u>		<u>26,312</u>	<u>239</u>
	<u>\$264,510</u>	<u>\$3,655,174</u>	<u>\$2,989,359</u>	<u>\$930,325</u>
<u>Liabilities</u>				
Due to other funds	\$ 9,586		\$ 9,586	
Unearned grant revenue	122,956	\$ 313,875	126,652	\$310,179
Deferred program income		20,378		20,378
Expenditures by subgrantees in excess of advances	<u>131,968</u>	<u>1,856,213</u>	<u>1,388,413</u>	<u>599,768</u>
	<u>\$264,510</u>	<u>\$2,190,466</u>	<u>\$1,524,651</u>	<u>\$930,325</u>

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

METROPOLITAN SERVICE DISTRICT
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
for the year ended June 30, 1980

	Original and Supplemental Budget	Actual	Over (Under) Budget
REVENUES:			
Dues	\$538,132	\$527,168	\$(10,964)
Interest		18,132	18,132
Contracts		14,000	14,000
CETA reimbursement	13,600		(13,600)
Local revenue	<u>10,000</u>	<u>2,723</u>	<u>(7,277)</u>
Total revenues	561,732	562,023	291
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATIONS	<u>34,616</u>	<u>34,616</u>	
	<u>\$596,348</u>	<u>\$596,639</u>	<u>\$ 291</u>

	Budgeted Appropriations				(Over) Under Budget
	Original and Supplemental	Transfers In (Out)	Revised	Actual	
EXPENDITURES:					
Personal services	\$ 800,438	\$47,370	\$ 847,808	\$ 777,230	\$ 70,578
Materials and services	608,100	(8,500)	599,600	591,570	8,030
Capital outlay	12,597		12,597	12,508	89
Contingency	<u>219,510</u>	<u>(38,870)</u>	<u>180,640</u>		<u>180,640</u>
Total expenditures	<u>1,640,645</u>	<u>-</u>	<u>1,640,645</u>	<u>1,381,308</u>	<u>259,337</u>
Less administrative expense reimbursements:					
Zoo Fund	274,388		274,388	274,388	
Solid Waste Fund	197,119		197,119	197,119	
Planning Fund	<u>725,548</u>		<u>725,548</u>	<u>725,548</u>	
	<u>1,197,055</u>		<u>1,197,055</u>	<u>1,197,055</u>	
Net expenditures	443,590		443,590	184,253	259,337
TRANSFER TO PLANNING FUND	<u>152,758</u>		<u>152,758</u>	<u>152,758</u>	
	<u>\$ 596,348</u>	<u>\$ -</u>	<u>\$ 596,348</u>	<u>\$ 337,011</u>	<u>\$259,337</u>

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

METROPOLITAN SERVICE DISTRICT
PLANNING FUND
STATEMENT OF REVENUES AND EXPENDITURES
for the year ended June 30, 1980

	Original and Supplemental Budget	Actual	Over (Under) Budget
REVENUES:			
Grants	\$1,531,421	\$1,492,072	\$(39,349)
Fees for planning services	169,300	48,067	(121,233)
City of Portland	10,000	10,000	
Johnson Creek project	100,000	34,479	(65,521)
Interest		7,174	7,174
Miscellaneous		5,466	5,466
Total revenues	1,810,721	1,597,258	(213,463)
TRANSFER FROM GENERAL FUND	152,758	152,758	
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATIONS	281,051	281,051	
	<u>\$2,244,530</u>	<u>\$2,031,067</u>	<u>\$(213,463)</u>

	Budgeted Appropriations				(Over) Under Budget
	Original and Supplemental	Transfers In (Out)	Revised	Actual	
EXPENDITURES:					
Personal services	\$1,006,571	\$24,288	\$1,030,859	\$ 954,353	\$ 76,506
Materials and services	470,504	(11,000)	459,504	292,292	167,212
Capital outlay	200		200	91	109
Contingency	41,707	(13,288)	28,419		28,419
Administrative reimbursements to the General Fund	725,548		725,548	725,548	
Total expenditures	<u>\$2,244,530</u>	<u>\$ -</u>	<u>\$2,244,530</u>	<u>\$1,972,284</u>	<u>\$272,246</u>

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

METROPOLITAN SERVICE DISTRICT
DRAINAGE FUND
STATEMENT OF REVENUES AND EXPENDITURES
for the year ended June 30, 1980

	<u>Original and Supplemental Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:			
Interest		\$ 601	\$ 601
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATIONS	\$9,641	<u>620</u>	(9,021)
	<u>\$9,641</u>	<u>\$1,221</u>	<u>\$(8,420)</u>

	<u>Budgeted Appropriations</u>				<u>(Over) Under Budget</u>
	<u>Original and Supplemental</u>	<u>Transfers In (Out)</u>	<u>Revised</u>	<u>Actual</u>	
EXPENDITURES:					
Personal services	\$6,241	\$3,400	\$9,641		\$9,641
Materials and services	<u>3,400</u>	<u>(3,400)</u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$9,641</u>	<u>\$ -</u>	<u>\$9,641</u>	<u>\$ -</u>	<u>\$9,641</u>

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

METROPOLITAN SERVICE DISTRICT
ZOO FUND
STATEMENT OF REVENUES
for the year ended June 30, 1980

	Original and Supplemental <u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES:			
Property tax levy - current	\$1,768,000	\$1,875,413	\$107,413
Property tax levy - prior years	160,000	179,292	19,292
Payments in lieu of property taxes		4,086	4,086
City of Portland	211,226	215,761	4,535
Admissions	682,000	684,061	2,061
Concessions - food	373,000	483,693	110,693
Railroad	240,000	187,681	(52,319)
Gift shop	95,500	150,736	55,236
Vending - animal food	27,500	31,888	4,388
Vending - human food	11,000	6,540	(4,460)
Vending - exhibit machines	6,000		(6,000)
Boat ride	9,075	6,481	(2,594)
Federal grants	60,000	34,600	(25,400)
Stroller rentals	5,500	9,509	4,009
Donations	88,626	123,841	35,215
Education program tuition	3,850	5,770	1,920
Interest	100,000	290,152	190,152
Miscellaneous	3,500	16,425	12,925
CETA reimbursement	100,000	22,905	(77,095)
Grants - state and local	100		(100)
Sale of animals	4,500	11,372	6,872
Sale of equipment	2,000	13,912	11,912
Building rental	350	330	(20)
Educational presentations	550	2,309	1,759
Cascade project bequest	<u>100,000</u>	<u>56,618</u>	<u>(43,382)</u>
Total revenues	4,052,277	4,413,375	361,098
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATIONS	<u>2,269,129</u>	<u>2,269,129</u>	<u> </u>
	<u>\$6,321,406</u>	<u>\$6,682,504</u>	<u>\$361,098</u>

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

METROPOLITAN SERVICE DISTRICT
ZOO FUND
STATEMENT OF EXPENDITURES
for the year ended June 30, 1980

	<u>Budgeted Appropriations</u>				(Over)
	<u>Original and</u>	<u>Transfers</u>		<u>Actual</u>	<u>Under</u>
	<u>Supplemental</u>	<u>In (Out)</u>	<u>Revised</u>		<u>Budget</u>
EXPENDITURES:					
Personal services	\$1,545,928	\$179,813	\$1,725,741	\$1,702,938	\$ 22,803
Materials and services	1,039,337	40,000	1,079,337	1,061,612	17,725
Capital outlay	56,835		56,835	61,953	(5,118)
General capital improvements	2,935,600		2,935,600	1,024,856	1,910,744
Administrative reimbursement to the General Fund	274,388		274,388	274,388	
Contingency	<u>369,318</u>	<u>(219,813)</u>	<u>149,505</u>		<u>149,505</u>
Total expenditures	6,221,406		6,221,406	<u>\$4,125,747</u>	<u>\$2,095,659</u>
UNAPPROPRIATED FUND BALANCE	<u>100,000</u>		<u>100,000</u>		
	<u>\$6,321,406</u>	<u>\$ -</u>	<u>\$6,321,406</u>		

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

METROPOLITAN SERVICE DISTRICT
SOLID WASTE FUND
STATEMENT OF REVENUES AND EXPENSES
for the year ended June 30, 1980

Operating revenues:	
Solid waste collection fees	\$ 928,779
St. Johns Landfill disposal fees	165,218
Other	<u>527</u>
Total operating revenues	<u>1,094,524</u>
Operating and administrative expenses:	
Salaries and wages	146,793
Fringe benefits	26,262
St. Johns Landfill operating expenses, including \$15,300 rent	268,400
Legal, accounting and other professional fees	27,510
Consulting fees and contractual services	95,098
Office supplies	4,249
Telephone	737
Travel expense	4,945
Public information	21,557
Depreciation	5,984
Reimbursement of administrative expenses to the General Fund	197,119
Data processing expense	12,070
Reproduction	2,458
Other	<u>8,721</u>
Total operating and administrative expenses	<u>821,903</u>
Income from operations	<u>272,621</u>
Other income (expense):	
Interest income	333,229
Interest expense	<u>(83,660)</u>
Total other income	<u>249,569</u>
Net income	<u>\$ 522,190</u>

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

METROPOLITAN SERVICE DISTRICT
SOLID WASTE FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
for the year ended June 30, 1980

Working capital provided:	
From operations:	
Net income for the year	\$ 522,190
Add charges to operations not affecting working capital in the current year - depreciation	<u>5,984</u>
Working capital provided by operations	528,174
Collection and decrease in current maturities of notes receivable	7,526
Increase in loan payable	1,300,000
Increase in contract payable	206,765
Increase in capital grants	237,560
Increase in liabilities payable from restricted assets, net	<u>1,289,955</u>
Total working capital provided	<u>3,569,980</u>
Working capital used:	
Increase in restricted assets	3,818,010
Additions to plant and equipment	612,521
Payment and increase in current maturities of loan payable	245,000
Increase in current maturities of contract payable	63,246
Increase in deferred bond expense	<u>25,000</u>
Total working capital used	<u>4,763,777</u>
Decrease in working capital	\$(<u>1,193,797</u>)
Changes in components which increased (decreased) working capital:	
Cash and investments	\$ (994,022)
Receivables	306,600
Accounts, salaries and other payables	(292,129)
Contract payable within one year	(63,246)
Loan payable within one year	<u>(151,000)</u>
Decrease in working capital	\$(<u>1,193,797</u>)

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

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

The following is a summary of significant accounting policies utilized by the Metropolitan Service District (Metro) in preparation of the accompanying financial statements:

Bases of Accounting

The following funds are maintained using the modified accrual basis of accounting:

- General Fund
- Special revenue funds:
 - Planning Fund
 - Drainage Fund
 - Zoo Fund
- Agency funds:
 - Criminal Justice Assistance Fund
 - Transportation Technical Assistance Fund
 - Library Assistance Fund

Under such modified accrual basis of accounting, revenues are recorded as received in cash, except for revenues susceptible to accrual, and expenditures are recorded at the time liabilities are incurred, except for earned but unpaid vacations which are recorded as expenditures when paid.

The following funds are accounted for utilizing the accrual basis of accounting:

Enterprise Fund (Solid Waste Fund)

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

The bases of accounting described above are in accordance with generally accepted accounting principles.

Investments

Investments are carried at cost, which approximates market.

Property Taxes Receivable

Uncollected property taxes of the Zoo Fund are not considered susceptible to accrual since they are not available for expenditure;

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued:

Property Taxes Receivable, Continued

therefore, they are shown in the balance sheet as assets but are offset by reserves and, accordingly, have not been recorded as revenue.

Inventories of Materials and Supplies

Inventories, comprised primarily of food and gift shop items held for resale, are valued at cost (first-in, first-out) and charged as expenditures upon sale.

Fixed Assets

General Fixed Assets

Fixed assets purchased by Metro are stated at cost. Fixed assets acquired by donation from the City of Portland and the Portland Zoological Society are stated at the basis of the predecessor entity. All other donated fixed assets are stated at estimated fair market value when received. Purchases of fixed assets are recorded as capital outlay expenditures in the governmental funds and are capitalized in the General Fixed Assets Account Group. Depreciation is not recorded on general fixed assets.

Enterprise Fund Fixed Assets

Fixed assets in the Enterprise (Solid Waste) Fund are stated at cost. Normal maintenance and repairs are charged to operations as incurred. Replacements which improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Gains or losses realized from sale or retirements are credited or charged to income.

Interest in the Solid Waste Fund related to construction in progress is capitalized to reflect the appropriate cost of investment in fixed assets and the related charges to income. Interest is capitalized at the rate currently experienced on loans from the Department of Environmental Quality.

Zoo Specimens and Animal Food

The cost of acquiring zoo specimens and the cost of animal food are charged against operations as such costs are incurred.

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued:

Materials and Volunteer Services Donated to Zoo

Donated materials and volunteer labor relating to improvements are recorded at estimated fair values when received. Other volunteer services and donated supplies are not accounted for in the accompanying financial statements.

Grants

Unreimbursed expenditures due from grantor agencies are reflected in the financial statements as receivables and revenues. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability in the balance sheet.

Capital grants restricted by the grantor for capital outlay projects are credited directly to fund equity as earned and related project costs are capitalized as fixed assets.

Transactions with Subgrantees

Expenditures by subgrantees in excess of advances represent amounts payable by Metro to the agency administering the project for eligible grant expenditures.

Interfund Transactions

It is Metro's policy to record certain administrative expenditures (mainly personnel) for other funds in the General Fund. Such expenditures are reimbursed by the various funds to the General Fund which accounts for such reimbursements as deductions from total expenditures. Reimbursed expenditures to the General Fund for fiscal 1980 was comprised of Zoo Fund, Solid Waste Fund and Planning Fund reimbursements of \$1,197,055. The amounts of such interfund charges are based upon managements' estimates (which are periodically updated) as reflected in the operating budgets.

Budget

A budget is prepared for each governmental fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. Budget amounts shown in the basic financial statements include the original and supplemental budget amounts and all appropriation transfer amounts approved by the Council.

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued:

Totals - (Memorandum Only) Column on Combined Financial Statements

The totals (memorandum only) column on the combined balance sheet and combined statement of changes in fund balance unreserved/retained earnings and contributed capital represents an aggregate of the columnar statements by fund type and account group; it does not represent consolidated financial information.

2. Organization and Operation:

The Metropolitan Service District was organized under the provisions of ORS 268 to make available in the metropolitan area public services not adequately available through previously authorized governmental agencies. Subject to the limitations of state law, Metro may provide the metropolitan aspects of sewerage, solid and liquid waste disposal, control of surface water, public transportation and zoo facilities. It may also provide local aspects of those public services that are transferred to the District by agreement between Metro and other public corporations, cities or counties. Formation of the District, which includes parts of Clackamas, Multnomah and Washington counties, was approved by voters within the District on May 26, 1970.

The 1975 Oregon Legislature expanded ORS 268 to include operation and maintenance of zoo facilities. As a result of this enabling legislation and the passage of a special tax levy (see Note 3), Metro began operation and funding of the Washington Park Zoo as of July 1, 1976. This was accomplished by the assumption of the assets and liabilities of the Portland Zoological Society with the Society providing sufficient funds to pay past liabilities. In addition, pursuant to an agreement effective July 1, 1976, the City of Portland transferred ownership of land, buildings, animals and other assets related to the zoo to Metro, except for railroad line and equipment subject to a perpetual lease agreement.

By a vote of the electorate on May 23, 1978, as provided for by Chapter 665, Oregon Laws 1977, Regular Session, the Metro Council was expanded to consist of twelve part-time councilors, each elected on a nonpartisan basis from a single subdistrict within the boundaries of the District. Additionally, approval was also granted, effective January 1, 1979, to abolish the Columbia Region Association of Governments and transfer its planning activities to Metro.

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

3. Description of Funds:

Metro's financial operations are accounted for in the following funds:

General Fund

This fund accounts for the administrative activities of the District, as such, indirect expenditures under grants received from federal and state agencies primarily for planning activities are accounted for in this fund. Additionally some direct grant expenditures were accounted for in this fund. Resources of the fund are provided primarily by dues assessed to members and reimbursements from other funds which benefit from General Fund activities. The dues assessment is based on the population within the member district. The 1980 rate was \$.50 per person.

Special Revenue Funds:

Planning Fund

This fund accounts for revenues and most direct expenditures under grants received from federal and state agencies primarily for planning activities. Local match contributions required by federal or state grantor agencies are provided by reimbursement from the General Fund where dues assessed to members are accounted for.

Drainage Fund

This fund was created to account for funds received for preparation of a drainage management plan for the Johnson Creek Drainage Basin. Though no funds were received for the Johnson Creek Drainage Basin, funds were received in prior years for a flood control program for the Lower Tualatin River and these are accounted for in the Drainage Fund.

Zoo Fund

This fund accounts for funding and operation of the Washington Park Zoo. Principal sources of revenue are admissions, concessions, railroad rides and a special five-year serial levy of \$2,000,000 for each of five years beginning with fiscal 1977.

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

3. Description of Funds, Continued:

Enterprise Fund:

Solid Waste Fund

This fund accounts for District revenues derived primarily from user fees imposed for the disposal of solid waste and expenses for the implementation, administration and enforcement of Metro's Solid Waste Management Plan. As of June 1, 1980, the City of Portland and Metro entered into an agreement whereby Metro assumed the responsibility for operating the St. Johns Landfill. This fund accounts for the landfill's operations.

Agency Funds:

Transportation Technical Assistance Fund

This Fund accounts for federal transportation planning funds received by Metro and passed through to local jurisdictions.

Criminal Justice Assistance Fund

This fund accounts for criminal justice grants to local jurisdictions for which Metro acts in a custodial capacity for funds received and passed through.

Library Assistance Fund

This fund accounts for library grants to regional agencies for which Metro acts in a custodial capacity for funds received and passed through. No library grants were received in the current year.

General Fixed Assets Account Group

The General Fixed Assets Account Group accounts for Metro's investment in fixed assets not recorded in the Enterprise Fund.

General Long-Term Debt Account Group

The General Long-Term Debt Account Group accounts for Metro's obligation under capital leases payable.

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

4. Cash and Investments:

Cash and investments are comprised of the following at June 30, 1980:

	<u>Unrestricted</u>	<u>Restricted</u>
Cash on hand	\$ 7,950	
Demand deposit with bank	481,699	
Cash in hands of fiscal agents	12,866	
Investments in City of Portland		
Investment Pool	2,182,090	\$ 249,160
Certificates of deposit	<u>2,000,000</u>	<u>3,300,000</u>
	<u>\$4,684,605</u>	<u>\$3,549,160</u>

5. Advances:

The Solid Waste Fund advance, \$50,000, is for engineering studies relating to the solid waste recovery program. The advance will be refunded to Metro by bond proceeds received in a subsequent period.

6. Restricted Assets

The City of Portland transferred \$1,000,000 to Metro in the current year representing surcharge fees collected by the City. An additional \$242,860 of surcharge fees, plus interest, is due Metro. The surcharge fees are restricted for expansion, final cover and leachate control costs at the landfill. Also, the balance of loan proceeds from the Department of Environmental Quality are restricted as follows: \$1,305,639 for implementation of the solid waste plan and \$1,243,521 for expansion of the St. Johns Landfill.

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

7. Fixed Assets:

Changes in these accounts during the fiscal year comprised:

	Balance June 30, 1979	Additions	Transfers	Disposals	Balance June 30, 1980
General fixed assets:					
Land and land improve- ments	\$ 984,471	\$ 123,657	\$ 15,123		\$1,123,251
Buildings and improve- ments	4,563,166	42,867	925,159		5,531,192
Furniture, fixtures and equipment	478,442	121,216		\$(4,065)	595,593
Railroad facilities un- der capital lease	301,891				301,891
Other capitalized leased equipment	43,700	139,050			182,750
Leasehold improvements		1,815			1,815
Construction in pro- gress	<u>491,479</u>	<u>863,543</u>	<u>(940,282)</u>		<u>414,740</u>
Total general fixed assets	<u>6,863,149</u>	<u>1,292,148</u>	<u>-</u>	<u>(4,065)</u>	<u>8,151,232</u>
Solid Waste Fund:					
Land	162,075				162,075
Equipment	23,282	13,857			37,139
Leasehold improvements		298,197			298,197
Construction in pro- gress	<u>569,421</u>	<u>300,467</u>			<u>869,888</u>
	754,778	612,521			1,367,299
Accumulated depreciation	<u>(8,032)</u>	<u>(5,984)</u>			<u>(14,016)</u>
Total Solid Waste Fund	<u>746,746</u>	<u>606,537</u>			<u>1,353,283</u>
	<u>\$7,609,895</u>	<u>\$1,898,685</u>	<u>\$ -</u>	<u>\$(4,065)</u>	<u>\$9,504,515</u>

Additions to General Fixed Assets were provided by:

Capital outlay expenditures:

Zoo Fund	\$1,086,809
Planning Fund	91
General Fund	12,508
Zoo donations	81,385
Capitalized leased equipment	139,050
Less capital outlay expenditures not resulting in a fixed asset	<u>(27,695)</u>
	<u>\$1,292,148</u>

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

7. Fixed Assets, Continued:

An agreement effective July 1, 1976 transferred title of real property in the amount of \$4,063,148 from the City of Portland to Metro. The agreement provides that such property must be used for zoo or zoo-related purposes and, if such property shall cease to be used for such purposes or shall be used for other purposes, title shall revert to the City.

As of June 1, 1980, the City of Portland and Metro entered into an agreement whereby Metro assumed the responsibility for operating the St. Johns Landfill. Under this agreement the City of Portland retains the ownership of the property. Therefore, Metro's cost of expansion and improvements at the landfill is recorded as leasehold improvements in the Solid Waste Fund and will be amortized over the expected life of the landfill.

Interest expense recorded in the Solid Waste Fund for the year ended June 30, 1980 was \$128,233, of which \$44,573 was capitalized.

8. Contract Payable:

Contract payable in the Solid Waste Fund is comprised of the following at June 30, 1980:

	<u>Total</u>	<u>Amount Due Within One Year</u>	<u>Amount Due After One Year</u>
Payable to City of Portland, due in monthly installments of \$6,518, including interest at 8.4%.	\$ <u>206,765</u>	\$ <u>63,246</u>	\$ <u>143,519</u>

The contract payable represents reimbursement due the City of Portland for design fees for expansion of the St. Johns Landfill paid by the City of Portland.

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

9. Loans Payable:

Loans payable in the Solid Waste Fund are comprised of the following at June 30, 1980:

	<u>Total</u>	<u>Amount Due Within One Year</u>	<u>Amount Due After One Year</u>
Payables to the Department of Environmental Quality:			
Loan I is payable in annual installments ranging from \$105,000 to \$175,000 through October 1992. Interest expense varies from 4% to 6% over the life of the loan and is payable semi-annually on April 1 and October 1	\$1,960,000	\$105,000	\$1,855,000
Loan II is payable in annual installments of \$10,000 through October 1981. The interest rate is 6% and is payable semi-annually on April 1 and October 1	20,000	10,000	10,000
Loan III is payable in annual installments rang- ing from \$130,000 to \$205,000 through October 1987. Interest rate varies from 4% to 6% over the life of the loan and is payable semi-annually on April 1 and October 1	1,300,000	130,000	1,170,000
	<u>\$3,280,000</u>	<u>\$245,000</u>	<u>\$3,035,000</u>

In 1975 the State of Oregon approved a loan commitment for \$8,101,622 and a grant of \$3,113,378 for implementation of Metro's solid waste plan.

During the fiscal year ended June 30, 1977 Metro applied for and received Loan I of \$2,150,000 from the State of Oregon Department of Environmental Quality (DEQ). In the current fiscal year, Metro applied for Loan III of \$1,360,870 for expansion of the St. Johns Landfill. Metro received \$1,300,000 from the DEQ in the current

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

9. Loans Payable, Continued:

fiscal year and \$60,870 in August 1980. Metro intends to apply for additional loan or grant monies as funds are required to implement its solid waste plan; however, such additional amounts received over the \$3,510,870, if any, are subject to the approval of DEQ. Furthermore, Metro has agreed to complete the project by December 31, 1985.

Loan II was obtained from DEQ for the development of a bottle washing plant by the Portland Recycling Team, Inc. The District has loaned all but \$5,000 of the funds to the Portland Recycling Team, Inc. at June 30, 1980. The Portland Recycling Team is repaying the loan in monthly installments of \$870, which include 6% interest. Until the loan is repaid, the District has a lien on all equipment purchased with the funds.

10. Capitalized Lease Obligation:

Metro has five separate agreements to lease a copy machine, word processing unit, a computer and computer software through April 1985. At the end of the lease term, Metro has the option to purchase the word processing unit and assumes ownership of the copy machine and computer. The lease agreements have been accounted for as capital leases in accordance with the provisions of the Statement of Financial Accounting Standards No. 13, "Accounting for Leases".

The future minimum lease payments are:

<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>Amount</u>
1981	\$ 47,710
1982	47,710
1983	47,710
1984	36,505
1985	<u>25,090</u>
Total minimum lease payments	204,725
Less: Amount representing interest	<u>(42,593)</u>
Net present value of future minimum lease payments	<u>\$162,132</u>

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

11. Pension Plans:

Employees, after one year of employment, other than those covered by the State of Oregon Public Employees' Retirement System (PERS) and former CRAG employees covered under a defined contribution plan, are participants in Metro's contributory defined benefit pension plan. The estimated cost of pension benefits under the plan are determined annually by actuaries. Pension costs, representing normal costs plus interest, are funded as accrued. As of December 31, 1979 plan assets were \$201,027 and vested benefits were \$30,472. The assumed rate of return used in determining the present value of vested benefits was 6.5%. The present value of nonvested benefits was not available.

Substantially all former CRAG employees are participants in a defined contribution plan whereby Metro contributes 5% of the employees' salaries and the employees are required to match this contribution under a deferred compensation arrangement. Employees hired after January 1, 1979 may join either this plan or the defined benefit plan described in the preceding paragraph.

In addition to the above plans, the District makes contributions to the State of Oregon Public Employees' Retirement System (PERS), a defined benefit plan to which the District and employees both contribute on behalf of five District employees who have elected to remain in the State retirement system. Pension expenditures are recorded as funded. Information is not available with respect to the excess, if any, of the actuarially computed value of vested benefits over the total of the pension fund as of June 30, 1980.

Pension expense approximated \$84,100 for the fiscal year ended June 30, 1980 for all of the above plans.

12. Commitments and Contingencies:

Earned but unpaid and unaccrued vacations payable in the event of termination approximated \$131,741 at June 30, 1980. Earned vacation pay of \$8,101 has been accrued in the Solid Waste Fund.

Reviews by Grantor Agencies

Costs of each grant project are subject to review by the grantor agency to assure that such costs were in accordance with or furthered the purpose of the grant contract. Any costs disallowed as the result of the review would be borne by Metro and would require the return of such amounts to the grantor agency. However, should costs be disallowed on grants for which Metro acts in a pass-through capacity, Metro should be able to require repayment of amounts disallowed from the subgrantee.

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

12. Commitments and Contingencies, Continued:

Johnson Creek

Various municipalities have provided \$40,000, recorded in the Planning Fund, to Metro to assist in the cost of forming a local improvement district to control the flooding of Johnson Creek. If revenues are collected upon forming the district, the municipalities will be repaid the \$40,000 provided.

Leases

Metro leases office space in the University Center Building, Portland, Oregon. On September 22, 1980 Metro entered into a revised lease for a term of five years commencing November 1, 1980. The lease requires annual adjustments for certain operating expenses as against the costs incurred during the first year of the lease. This lease replaces the former lease which would have expired September 1, 1984. Metro also leases parking space in the same building.

The approximate aggregate minimum annual rental commitments are:

<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>Amount</u>
1981	\$ 227,856
1982	251,074
1983	252,460
1984	253,846
1985	244,144
To October 31, 1985	<u>79,687</u>
	<u>\$1,309,067</u>

Rental expense for the year ended June 30, 1980 under the former lease amounted to \$202,016.

St. Johns Landfill

The City of Portland transferred operational responsibility of the St. Johns Landfill to Metro. Metro is leasing the landfill from the City of Portland. The lease is for a term of three years commencing June 1, 1980. The lease will be renegotiated once the present lease term expires.

Additionally, Metro has executed two contracts with a joint venture whereby the joint venture will maintain and operate the landfill.

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

12. Commitments and Contingencies, Continued:

The short term contract expires September 30, 1980, and a long term contract for a period of five years commences October 1, 1980.

The approximate annual commitments relative to the St. Johns Landfill are:

<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>City of</u> <u>Portland</u>	<u>Joint</u> <u>Venture</u>	<u>Total</u>
1981	\$183,960	\$ 3,778,000	\$ 3,961,960
1982	183,960	3,530,000	3,713,960
1983	168,630	3,540,000	3,708,630
1984		3,680,000	3,680,000
1985		1,060,000	1,060,000
	<u>\$536,550</u>	<u>\$15,588,000</u>	<u>\$16,124,550</u>

The agreement with the City of Portland is effective from June 1, 1980 until May 31, 1990. Rental payments after May 1, 1983 will be based on re-establishment of the fair market value of the property.

The commitment with the joint venture is an estimate, as operating and maintenance costs are based on forecasted tons of garbage disposed of at the landfill. A portion of the commitment, \$2,723,000, relates to landfill improvements, primarily final ground cover.

Rental and operational expense for the year ended June 30, 1980 at the St. Johns Landfill amounted to \$15,330 and \$253,100, respectively.

SUPPLEMENTARY DATA

METROPOLITAN SERVICE DISTRICT
DESCRIPTION OF SOLID WASTE BUDGETARY FUNDS

For financial reporting and operating purposes, management considers the activities relating to solid waste management as those of an unitary enterprise operation and as such are reported in the Solid Waste Fund in the preceding section of this report. However, for budgetary and legal purposes these activities are accounted for in the funds described below. Schedules for these funds prepared according to budgetary concepts on the modified accrual basis of accounting are shown on pages 27 through 29.

Solid Waste Fund

The primary activities accounted for in the Solid Waste Fund are expenditures relating to the implementation, administration and enforcement of the District's Solid Waste Management Plan and operation of the St. Johns Landfill. User fees provide the primary source of revenue.

Solid Waste Debt Service Fund

The Solid Waste Debt Service Fund accounts for repayment on loans from the State of Oregon. The principal source for loan repayments is transfers from other funds.

Solid Waste Phase I Capital Improvement Fund

The Solid Waste Phase I Capital Improvement Fund accounts for the construction of capital improvements for Phase I of the Solid Waste Management Program.

METROPOLITAN SERVICE DISTRICT
SOLID WASTE FUND
SCHEDULE OF REVENUES, TRANSFERS, EXPENDITURES AND UNAPPROPRIATED FUND BALANCE
for the year ended June 30, 1980

			Original and Supplemental Budget	Actual	Over (Under) Budget
REVENUES:					
Solid waste user fees			\$ 875,000	\$ 921,611	\$ 46,611
St. Johns Landfill disposal fees				165,218	165,218
Interest			15,000	110,826	95,826
Miscellaneous			200		(200)
Portland Recycling Team administration fee			670	527	(143)
Total revenues			890,870	1,198,182	307,312
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION					
			1,072,468	1,072,468	
			<u>\$1,963,338</u>	<u>\$2,270,650</u>	<u>\$307,312</u>

This schedule is prepared on a budgetary basis to conform with the Minimum Standards for Audits of Oregon Municipal Corporations.

METROPOLITAN SERVICE DISTRICT
SOLID WASTE DEBT SERVICE FUND
SCHEDULE OF REVENUE, TRANSFERS AND EXPENDITURE
for the year ended June 30, 1980

	<u>Original Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUE:			
Loan repayment, including interest	\$ 10,445	\$ 9,812	\$ (633)
TRANSFERS FROM SOLID WASTE FUND	635,076	152,728	(482,348)
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATIONS	<u>44,306</u>	<u>44,306</u>	<u> </u>
	<u>\$689,827</u>	<u>\$206,846</u>	<u>\$ (482,981)</u>
	<u>Budgeted Appropriations</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
EXPENDITURE:			
Interest expense and principal payment on Department of Environmental Quality loans	<u>\$455,521</u>	<u>\$206,846</u>	<u>\$248,675</u>
UNAPPROPRIATED FUND BALANCE	<u>\$234,306</u>	<u>\$ -</u>	<u>\$234,306</u>

This schedule is prepared on a budgetary basis to conform with the Minimum Standards for Audits of Oregon Municipal Corporations.

METROPOLITAN SERVICE DISTRICT
SOLID WASTE PHASE I CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, TRANSFER, EXPENDITURES AND UNAPPROPRIATED FUND BALANCE
for the year ended June 30, 1980

	<u>Original and Supplemental Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:			
Department of Environmental Quality loan	\$ 5,998,700	\$1,300,000	\$(4,698,700)
Department of Environmental Quality grant	3,417,300	26,215	(3,391,085)
Federal grant		211,347	211,347
Interest	180,000	221,462	41,462
City of Portland - User fee surcharges		<u>1,000,000</u>	<u>1,000,000</u>
Total revenues	9,596,000	2,759,024	(6,836,976)
TRANSFER FROM SOLID WASTE FUND	37,663	37,663	
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATIONS	<u>1,368,604</u>	<u>1,368,604</u>	
	<u>\$11,002,267</u>	<u>\$4,165,291</u>	<u>\$(6,836,976)</u>
	<u>Original and Supplemental Budgeted Appropriations</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
EXPENDITURES:			
Capital improvements	\$10,808,904	\$ 333,797	\$10,475,107
Public information - EPA grant	47,000	16,779	30,221
Contingency	<u>146,363</u>		<u>146,363</u>
	<u>\$11,002,267</u>	<u>\$ 350,576</u>	<u>\$10,651,691</u>
UNAPPROPRIATED FUND BALANCE		<u>\$3,814,715</u>	<u>\$ 3,814,715</u>

This schedule is prepared on a budgetary basis to conform with the Minimum Standards for Audits of Oregon Municipal Corporations.

METROPOLITAN SERVICE DISTRICT
RECONCILIATION OF SOLID WASTE FUNDS REVENUES AND
EXPENDITURES (BUDGETARY BASIS)
TO STATEMENT OF REVENUES AND EXPENSES
for the year ended June 30, 1980

	Solid Waste	Solid Waste Debt Service	Solid Waste Phase I Capital Improvement	Total
BUDGETARY BASIS:				
Revenues	\$1,198,182	\$ 9,812	\$2,759,024	\$3,967,018
Expenditures	<u>649,867</u>	<u>206,846</u>	<u>350,576</u>	<u>1,207,289</u>
	<u>\$ 548,315</u>	<u>\$(197,034)</u>	<u>\$2,408,448</u>	2,759,729
Add amounts deducted as expenditures in budgetary schedules not deducted as expenses in statement of operations:				
Capital outlay				347,655
Capitalization of interest expense				44,573
Capitalization of other expenses				12,081
Principal payments on loans				94,000
Deferred bond expense				25,000
Less amounts included as revenues in budgetary schedules not included as revenues in statement of operations:				
Restricted contribution from other municipality				(1,000,000)
Collection of notes receivable				(8,861)
Increase in loan payable				(1,300,000)
Increase in capital grants				(237,560)
Add (less) adjustment for conversion from modified accrual (budgetary basis) to accrual basis of account- ing (enterprise basis):				
Capitalization of design fees				206,765
Increase in accrual of user fees				7,167
Increase in accrued loan interest payable				(15,394)
Increase in accrued vacation payable				(3,097)
Increase in contract payable				(206,765)
Less administrative reimbursement to the General Fund recorded as a transfer				(197,119)
Less depreciation expense				<u>(5,984)</u>
Net income per statement of revenues and expenses (page 10)				\$ <u>522,190</u>

METROPOLITAN SERVICE DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
for the year ended June 30, 1980

	Original and Supplemental Budget	Actual	Over (Under) Budget
REVENUES:			
Administrative expense reimbursements:			
Zoo Fund	\$ 274,388	\$ 274,388	
Solid Waste Fund	197,119	197,119	
Planning Fund	725,548	725,548	
Dues	538,132	527,168	\$(10,964)
Miscellaneous	10,000	2,723	(7,277)
CETA reimbursement	13,600		(13,600)
Interest		18,132	18,132
Contracts		14,000	14,000
Total revenues	1,758,787	1,759,078	291
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATIONS	34,616	34,616	
	<u>\$1,793,403</u>	<u>\$1,793,694</u>	<u>\$ 291</u>

	Budgeted Appropriations				(Over) Under Budget
	Original and Supplemental	Transfers In (Out)	Revised	Actual	
EXPENDITURES:					
Personal services	\$ 800,438	\$47,370	\$ 847,808	\$ 777,230	\$ 70,578
Materials and services	608,100	(8,500)	599,600	591,570	8,030
Capital outlay	12,597		12,597	12,508	89
Contingency	219,510	(38,870)	180,640		180,640
Total expenditures	1,640,645		1,640,645	1,381,308	259,337
TRANSFER TO PLANNING FUND	152,758		152,758	152,758	
	<u>\$1,793,403</u>	<u>\$ -</u>	<u>\$1,793,403</u>	<u>\$1,534,066</u>	<u>\$259,337</u>
UNAPPROPRIATED FUND BALANCE				<u>\$ 259,628</u>	<u>\$259,628</u>

METROPOLITAN SERVICE DISTRICT
TRANSPORTATION TECHNICAL ASSISTANCE FUND
SCHEDULE OF RESOURCES AND EXPENDITURES*
for the year ended June 30, 1980

	<u>Original Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
RESOURCES:			
Federal grants	\$ <u>569,500</u>	\$ <u>325,026</u>	\$(<u>244,474</u>)

	<u>Budgeted Appropriations</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
EXPENDITURES:			
Materials and services	\$ <u>569,500</u>	\$ <u>325,026</u>	\$ <u>244,474</u>

*Prepared on a cash basis.

METROPOLITAN SERVICE DISTRICT
CRIMINAL JUSTICE ASSISTANCE FUND
SCHEDULE OF RESOURCES AND EXPENDITURES*
for the year ended June 30, 1980

	<u>Original Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
RESOURCES:			
Federal LEAA Grants	\$ <u>1,626,000</u>	\$ <u>1,796,116</u>	\$ <u>170,116</u>
	<u>Budgeted</u>		(Over)
	<u>Appropriations</u>	<u>Actual</u>	Under
EXPENDITURES:			<u>Budget</u>
Materials and services	\$ <u>1,626,000</u>	\$ <u>1,412,827</u>	\$ <u>213,173</u>

*Prepared on a cash basis.

METROPOLITAN SERVICE DISTRICT
SCHEDULE OF PROPERTY TAX TRANSACTIONS
AND OUTSTANDING BALANCE
for the year ended June 30, 1980

Fiscal Year	Property Taxes Receivable June 30, 1979	Current Levy as Extended by Assessors	Add (Deduct)	Interest	(Deduct)	Discounts	Collections	Property Taxes Receivable June 30, 1980
			Adjustments					
1979-80		\$2,133,163	\$(2,233)	\$1,000		\$(43,842)	\$(1,875,413)	\$212,675
1978-79	\$186,238		(110)	2,842			(153,909)	35,061
1977-78	50,922		(19,178)	2,648			(15,998)	18,394
1976-77	<u>20,693</u>	<u> </u>	<u>(2,458)</u>	<u>2,120</u>			<u>(9,385)</u>	<u>10,970</u>
	<u>\$257,853</u>	<u>\$2,133,163</u>	<u>\$(23,979)</u>	<u>\$8,610</u>		<u>\$(43,842)</u>	<u>\$(2,054,705)</u>	<u>\$277,100</u>

METROPOLITAN SERVICE DISTRICT
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
(LOANS FROM DEPARTMENT OF ENVIRONMENTAL QUALITY)
for the year ended June 30, 1980

	<u>Original Issue</u>		<u>Outstanding</u> <u>at June 30, 1979</u>		<u>1979-80 Transactions</u>			<u>Outstanding</u> <u>at June 30, 1980</u>	
	<u>Date</u>	<u>Amount</u>	<u>Unmatured</u>	<u>Matured</u>	<u>Issued</u>	<u>Matured</u>	<u>Paid</u>	<u>Unmatured</u>	<u>Matured</u>
Loan I:									
Principal	4/21/77	<u>\$2,150,000</u>	<u>\$2,045,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$85,000</u>	<u>\$85,000</u>	<u>\$1,960,000</u>	<u>\$ -</u>
Interest						<u>\$94,580</u>	<u>\$94,580</u>		
Loan II:									
Principal	1/26/78	<u>\$ 35,000</u>	<u>\$ 29,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>
Interest						<u>\$ 1,470</u>	<u>\$ 1,470</u>		
Loan III:									
Principal	2/1/80	<u>\$1,300,000</u>			<u>\$1,300,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,300,000</u>	<u>\$ -</u>
Interest						<u>\$16,796</u>	<u>\$16,796</u>		

METROPOLITAN SERVICE DISTRICT
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
(LOANS FROM DEPARTMENT OF ENVIRONMENTAL QUALITY)
as of June 30, 1980

Year of Maturity	Loan I - 4 to 6%		Loan II - 6%		Loan III - 4 to 6%		Total Requirements	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1980-81	\$ 105,000	\$ 88,880	\$10,000	\$ 900	\$ 130,000	\$ 63,283	\$ 245,000	\$153,063
1981-82	130,000	81,895	10,000	300	135,000	55,400	275,000	137,595
1982-83	135,000	74,955			145,000	47,212	280,000	122,167
1983-84	150,000	68,475			155,000	38,551	305,000	107,026
1984-85	150,000	61,725			165,000	29,888	315,000	91,613
1985-86	150,000	54,900			175,000	21,830	325,000	76,730
1986-87	150,000	47,925			190,000	13,705	340,000	61,630
1987-88	160,000	40,600			205,000	4,715	365,000	45,315
1988-89	160,000	33,000					160,000	33,000
1989-90	160,000	25,400					160,000	25,400
1990-91	160,000	17,800					160,000	17,800
1991-92	175,000	10,500					175,000	10,500
1992-93	<u>175,000</u>	<u>3,500</u>					<u>175,000</u>	<u>3,500</u>
	<u>\$1,960,000</u>	<u>\$609,555</u>	<u>\$20,000</u>	<u>\$1,200</u>	<u>\$1,300,000</u>	<u>\$274,584</u>	<u>\$3,280,000</u>	<u>\$885,339</u>

METROPOLITAN SERVICE DISTRICT
ABBREVIATED DESIGNATIONS FOR AGENCIES

<u>Abbreviated Designation</u>	<u>Description</u>
DEQ	Department of Environmental Quality
EPA	Environmental Protection Agency
EDA	Economic Development Administration
FAA	Federal Aviation Administration
HUD	Department of Housing and Urban Development
LGRD	Local Government Relations Division
IGRD	Intergovernmental Relations Division
LCDC	Land Conservation and Development Commission
ODOT	Oregon Department of Transportation
ODOT/PL	Oregon Department of Transportation - Federal Highway Planning Grant
ODOT/TQX	Oregon Department of Transportation - Federal Highway Planning Transitional Quarter Grant
OLEC	Oregon Law Enforcement Council
RPC	Regional Planning Council of Clark County
UWP	Unified Work Program covering various grantor agencies' programs
UMTA	Urban Mass Transportation Administration
WDOT	Washington Department of Transportation

METROPOLITAN SERVICE DISTRICT
SCHEDULE OF RESOURCES AND EXPENDITURES - BY GRANT
for the year ended June 30, 1980

	Resources					Expenditures			
	Federal Grants	State and Other Grants	Contributed Resources		Total	Direct Costs		Indirect Costs	Total
			Required Match	Match in Excess		Wages and Fringe Benefits	Consultants and Other Direct Charges		
Unified Work Program:									
UMTA 09-0019	\$ 14,429		\$ 3,607		\$ 18,036	\$ 11,377		\$ 6,659	\$ 18,036
UMTA 09-0020	97,194		24,298		121,492	76,242	\$ 624	44,626	121,492
UMTA 29-9001	51,198		9,035(1)		60,233	37,995		22,238	60,233
UMTA 29-9002	9,605		1,695(1)		11,300	7,128		4,172	11,300
UMTA 29-9003	95,633		16,876(1)		112,509	64,663	10,000	37,846	112,509
UMTA 29-9004	90,390		15,951		106,341	67,079		39,262	106,341
ODOT/PL 1980		\$157,204		\$ 31	157,235	51,031	76,335	29,869	157,235
ODOT/TQX 1980		214,743	23,861(2)		238,604	145,032	8,682	84,890	238,604
RPC		35,000			35,000	22,078		12,922	35,000
FAA	1,887		629		2,516	1,587		929	2,516
Total Unified Work Program	360,336	406,947	95,952	31	863,266	484,212	95,641	283,413	863,266
IGRD		20,000		2,200	22,200	14,004		8,196	22,200
LCDC		100,000		25,839	125,839	79,379		46,460	125,839
UMTA 19-0001	15,289			5,363	20,652	13,027		7,625	20,652
UMTA 19-0004	129,200				129,200	40,500	64,996	23,704	129,200
EPA 208	121,768		40,590		162,358	57,604	71,038	33,716	162,358
EDA	83,338		27,779		111,117	69,216	1,389	40,512	111,117
RPC		13,067			13,067	3,915	6,861	2,291	13,067
Census Bureau-JSA125	1,497		499		1,996		1,996		1,996
HUD	106,000		53,000	50,039	209,039	131,214	1,025	76,800	209,039
OLEC 79J-2		11,318	11,318		22,636	13,962	379	8,295	22,636
OLEC 79P-2		21,341		1,963	23,304	14,236	735	8,333	23,304
OLEC 80P-2		96,971			96,971	61,088	128	35,755	96,971
LGRD		5,000	5,000	13,435	23,435	14,783		8,652	23,435
	<u>\$817,428</u>	<u>\$674,644</u>	<u>\$234,138</u>	<u>\$98,870</u>	<u>\$1,825,080</u>	<u>\$997,140</u>	<u>\$244,188</u>	<u>\$583,752</u>	<u>\$1,825,080</u>

(1) One-half of required match provided by Tri-Met.

(2) Match provided by Tri-Met.

METROPOLITAN SERVICE DISTRICT
SCHEDULE OF OPEN GRANT PROJECTS
June 30, 1980

Name of Project	Type of Project	Grant Award	Local Match	Total of Award and Match	Total Award and Match Received to Date	Receivable	Unearned Grant Revenue	Total Revenues	Total Expenditures	Continuing or Lapsed Project Balance
UMTA OR-29-9001	Highway Planning	\$ 61,500	\$ 10,852	\$ 72,352	\$ 65,834	\$ 6,518		\$ 72,352	\$ 72,352	
UMTA OR-29-9002	Highway Planning	9,605	1,695	11,300	10,453	847		11,300	11,300	
UMTA OR-29-9003	Highway Planning	112,965	19,934	132,899	99,901	12,608		112,509	112,509	\$ 20,390
UMTA OR-29-9004	Highway Planning	607,962	107,288	715,250	15,951	90,390		106,341	106,341	608,909
UMTA 09-0022	Highway Planning	69,460	34,730	104,190	101,365			101,365	101,365	2,825
UMTA 09-0019	Highway Planning	128,000	32,000	160,000	160,000			160,000	160,000	
UMTA OR-09-0020	Highway Planning	97,200	24,300	121,500	121,387	105		121,492	121,492	8
UMTA OR-19-0001	Highway Planning	129,050	5,363	134,413	134,413			134,413	134,413	
UMTA OR-19-0004	Highway Planning	282,000		282,000	100,447	28,753		129,200	129,200	152,800
FAA	Planning Grant	22,500	7,500	30,000	28,113	1,887		30,000	30,000	
ODOT/TQX 1980	Highway Planning	215,460	23,940	239,400	34,296	204,308		238,604	238,604	796
ODOT/PL 1980	Highway Planning	157,204	31	157,235	72,706	84,529		157,235	157,235	
Census Bureau										
JSA 125	Census Project	116,250	37,567	153,817	150,605	1,015		151,620	151,620	2,197
EDA	Planning Grant	100,000	33,000	133,000	127,779		\$16,662	111,117	111,117	21,883
IGRD PNR 01252	Planning Grant	20,000	2,200	22,200	2,200	20,000		22,200	22,200	
LGRD	Planning Grant	5,000	18,435	23,435	23,435			23,435	23,435	
LCDC 1980	Coordination Grant	100,000	25,839	125,839	115,839	10,000		125,839	125,839	
HUD 1980	Planning Grant	106,000	103,039	209,039	190,039	19,000		209,039	209,039	
OLEC 79P-2	Planning Grant	98,316	1,963	100,279	100,279			100,279	100,279	
OLEC 79J-2	Planning Grant	11,318	11,318	22,636	22,636			22,636	22,636	
OLEC 80P-2	Planning Grant	110,080		110,080	89,491	7,480		96,971	96,971	13,109
EPA 208	Planning Grant	262,460	87,540	350,000	156,266	22,614		178,880	178,880	171,120
Interstate Bridge	Interstate Bridge									
Corridor Study	Corridor Study	48,000	100,914	148,914	139,868	4,703		144,571	144,571	4,343
Regional Planning Council of Clark County	Highway Planning	35,000		35,000		35,000		35,000	35,000	
Regional Planning Council of Clark County	Air Quality	17,050		17,050		13,067		13,067	13,067	3,983
		<u>\$2,922,380</u>	<u>\$689,448</u>	<u>\$3,611,828</u>	<u>\$2,063,303</u>	<u>\$562,824</u>	<u>\$16,662</u>	<u>\$2,609,465</u>	<u>\$2,609,465</u>	<u>\$1,002,363</u>

METROPOLITAN SERVICE DISTRICT
SCHEDULE OF TRANSPORTATION TECHNICAL ASSISTANCE FUND OPEN GRANT PROJECTS
June 30, 1979

Name of Project	Administered by	Grant Award	Local Match	Total of Award and Match	Total Award and Match Received to Date	Receiv- able	Total Project Revenues	Total Project Expendi- tures	Continuing or Lapsed Project Balance
UMTA 09-0019	Tri-Met	\$ 120,800	\$ 30,200	\$ 151,000	\$ 142,745	\$ 8,162	\$ 150,907	\$ 150,907	\$ 93
UMTA 09-0020	Tri-Met	132,716	33,179	165,895	7,039	28,155	35,194	35,194	130,701
UMTA 09-0022	Tri-Met	267,953	133,977	401,930	388,467		388,467	388,467	13,463
UMTA 09-0030	Tri-Met	602,667	242,333	845,000	562,248	106,469	668,717	668,717	176,283
UMTA 09-0043	Tri-Met	184,681	46,170	230,851	230,851		230,851	230,851	
UMTA 09-0059*	Tri-Met	125,000	31,250	156,250	147,878	6,860	154,738	154,738	1,512
UMTA 29-9001	Washington County	7,500	1,324	8,824	8,824		8,824	8,824	
UMTA 29-9001	City of Portland	7,500	1,324	8,824	8,824		8,824	8,824	
UMTA 29-9002	Clackamas County	21,250	3,750	25,000	21,659		21,659	21,659	3,341
UMTA 29-9003	Tri-Met	195,075	34,425	229,500	19,771	112,033	131,804	131,804	97,696
UMTA 29-9003	Washington County	33,751	5,956	39,707	4,515	25,587	30,102	30,102	9,605
UMTA 29-9003	City of Portland	13,750	2,426	16,176	1,358	7,691	9,049	9,049	7,127
ODOT/TQX 1979	Tri-Met	14,200	3,500	17,700	16,373		16,373	16,373	1,327
ODOT/TQX 1979	Washington County	20,000	5,000	25,000	21,669		21,669	21,669	3,331
ODOT/TQX 1979	City of Portland	20,000	5,000	25,000	8,618		8,618	8,618	16,382
ODOT/TQX 1980	Tri-Met	17,171	4,293	21,464	2,122	8,489	10,611	10,611	10,853
		<u>\$1,784,014</u>	<u>\$584,107</u>	<u>\$2,368,121</u>	<u>\$1,592,961</u>	<u>\$303,446</u>	<u>\$1,896,407</u>	<u>\$1,896,407</u>	<u>\$471,714</u>

* This is part of IGA OR 10-00-0009

METROPOLITAN SERVICE DISTRICT
SCHEDULE OF GRANT PROJECTS CLOSED
June 30, 1980

<u>Name of Project</u>	<u>Type of Project</u>	<u>Federal or State Grant Amount</u>	<u>Local Match</u>	<u>Total of Award and Match</u>	<u>Total Project Expenditures</u>
IGRD	Planning Grant	\$ 5,000	\$ 5,000	\$ 10,000	\$ 10,000
LCDC	Coordination Grant	86,392	35,106	121,498	121,498
OLEC 78J-2	Planning Grant	22,425	2,500	24,925	24,925
UMTA 09-0068	Highway Planning	240,000	68,340	308,340	308,340
ODOT/PL 1979	Highway Planning	147,566		147,566	147,566
ODOT/TQX 1979	Highway Planning	349,180	43,741	392,921	392,921
Regional Planning Council of Clark County	Planning Contract	18,847		18,847	18,847
DEQ	Planning Grant	31,985		31,985	31,985
City of Vancouver	Planning Contract	3,400		3,400	3,400
Washington DOT-3rd Bridge	Planning Grant	5,000		5,000	5,000
HUD	Planning Grant	190,000	110,784	300,784	300,784

METROPOLITAN SERVICE DISTRICT
SCHEDULE OF GRANT PROJECTS CLOSED IN THE TRANSPORTATION
TECHNICAL ASSISTANCE FUND
June 30, 1980

<u>Name of Project</u>	<u>Administered by</u>	<u>Federal or State Grant Amount</u>	<u>Local Match</u>	<u>Total of Award and Match</u>	<u>Total Project Expenditures</u>
UMTA 09-0068	Tri-Met	\$70,000	\$17,500	\$87,500	\$87,500
UMTA 09-0092	Tri-Met	70,000	17,500	87,500	87,500
ODOT/TQX 1979	Clackamas County	20,000	5,000	25,000	25,000

SECTION II

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

Oregon Administrative Rules 165-30-100 through 165-30-295 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in Section I of this report. Required comments and disclosures related to our examination of such statements and schedules are set forth following.

AUDIT COMMENTS AND DISCLOSURES

I. Internal Accounting Control:

We have examined the financial statements of the Metropolitan Service District for the year ended June 30, 1980 and our report thereon is included in the preceding section of this report. As part of our examination, we made a study and evaluation of Metro's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes

AUDIT COMMENTS AND DISCLOSURES, Continued

I. Internal Accounting Control, Continued:

of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with generally accepted auditing standards, including the study and evaluation of Metro's system of internal accounting control for the year ended June 30, 1980, that was made for the purposes set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. However, such study and evaluation disclosed certain weaknesses for which we believe corrective action by management should be performed. Our comments and recommendations in this regard are included in our Report to Management for the year ended June 30, 1980.

The foregoing conditions were considered in determining the nature, timing and extent of audit tests to be applied in our examination of the financial statements, and this report of such conditions does not modify our report dated October 17, 1980, on such financial statements.

AUDIT COMMENTS AND DISCLOSURES, Continued

II. Accounting Records:

We found the records of Metro to be adequate for audit purposes.

III. Budgeting and Compliance:

Except for the following, Metro has substantially complied with the Local Budget Law (ORS 294.305 to 294.520) in the preparation and adoption of its budgets for the current and ensuing year.

Expenditures Exceeded Legal Appropriation

Metro made the following expenditures in excess of the related appropriation categories:

	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Zoo Fund:			
Capital outlay	\$56,835	\$61,953	\$5,118

This overexpenditure appears to be at variance with ORS 294.435 which states, "...no greater expenditure of public money shall be made for a specific purpose than the amount appropriated therefor..."

IV. Indebtedness:

The District has no bonded indebtedness and had no short-term borrowings during fiscal 1979. Pursuant to ORS 468.220 the District borrowed money from the State Department of Environmental Quality during fiscal 1977, 1978 and 1980. The District was not in violation of any of the loan covenants as of June 30, 1980.

AUDIT COMMENTS AND DISCLOSURES, Continued

V. Collateral Securing Depository Balances:

ORS Chapter 295 provides that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager, for funds in excess of those insured by the Federal Deposit Insurance Corporation.

Collateral securing the District's demand deposits held by United States National Bank of Oregon and First National Bank of Oregon was inadequate at various times during the year.

VI. Insurance and Fidelity Bond Coverage:

We have examined the District's insurance and fidelity bond coverage at June 30, 1980. We ascertained that such policies appeared to be in force and comply with legal requirements relating to fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering District-owned property at June 30, 1980.

VII. Programs Funded from Outside Sources:

All Funds Excluding the Planning and General Funds

We reviewed and tested, to the extent deemed appropriate the transactions and reports filed for federal and state grants. Our tests of the accounting records and review of reports did not disclose any material exceptions. We did note that reports were not always filed on a timely basis. Also our review disclosed that minimum cash balances were not maintained in the Criminal Justice Assistance Fund in that \$20,378 of interest, reflected as

AUDIT COMMENTS AND DISCLOSURES, Continued

VII. Programs Funded from Outside Sources, Continued:

All Funds Excluding the Planning and General Funds, Continued

deferred program income was earned on cash balances. This appears to violate grant terms which states, "...grantees shall so order their affairs as to insure minimum balances in their respective Grant accounts..." We did not consider, however, that the terms of our audit contract with the District required us to make complete audits relating to the grants and our audit opinion does not cover the individual grants.

Planning and General Funds

A. Comments on Compliance:

We reviewed and tested to the extent deemed appropriate transactions and reports relative to the various federal and state grant awards for the year ended June 30, 1980. Our tests of the accounting records and reviews of reports disclosed, except that certain grant reports were not filed on a timely basis and UMTA's approval of the revised Unified Work Program involving the propriety of approximately \$72,000 in grant revenues had not been received, the Metropolitan Service District has substantially complied with:

- (1) The terms and conditions of the grant contracts.
- (2) The regulations, policies and procedures prescribed by its governing board and appropriate federal and state grantor agencies regarding financial operations.

AUDIT COMMENTS AND DISCLOSURES, Continued

VII. Programs Funded from Outside Sources, Continued:

Planning and General Funds, Continued

A. Comments on Compliance, Continued

As a part of our examination, we reviewed and tested the District's system of internal control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards (see Item 1 in this section).

B. Confirmation of Federal and State Disbursements

As a part of our examination, we confirmed all disbursements from agencies known to be grantor agencies dealing with Metro, agreed such disbursements to Metro's records, and noted their prompt deposit.

C. Indirect Costs

Pursuant to cost allocation plans as required by Federal Management Circular 74-4, indirect costs have been allocated to Grant Projects at a rate of 58.53% of the Grants direct labor. We reviewed and tested the allocation of indirect costs whereby actual indirect costs are charged back to the projects in the same fiscal year as incurred and found it to be reasonable.