

Tim Collier, Interim Director of Finance and Regulatory Services
600 NE Grand Ave.
Portland, OR 97232-2736

We have completed our audit of the financial statements of Metro for the year ended June 30, 2012 and have issued our report thereon dated December 3, 2012. In planning and performing our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures and for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control.

During the course of the audit, we noted an other matter involving the internal control structure, operations, and financial reporting that is presented for your consideration that we would categorize as a 'best practice' that is reported to you below. Our comment and recommendation has been discussed with appropriate members of management, and is intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Natural Areas Bond Expenditures

During testing of the Natural Areas Bond expenditures we noted several charges that Metro has classified as "administration charges". Our interpretation of administration expenses is any expenditure that will assist Metro in identifying and purchasing qualified Land parcels. Metro's definition appears to be much broader and could result in the spending of bond funds on items that could be deemed unallowable. The expenditures were immaterial in relation to the bond as a whole. However, non-compliance may have negative effects that go beyond the ultimate dollar effect.

Recommendation: We recommend management develop a policy, supervised and reviewed by appropriate parties in addition to management, to create a definition of what administrative expenses are allowable and unallowable to provide guidance to Metro staff involved in the Natural Areas Bond activities and expenditure processes.

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Management Response: Management believes that the expenditures in the Natural Area Bond have been allowable general and administrative expenditures. However, we do agree with Moss Adams that Metro would benefit by developing a more formal policy and will develop said policy with approval from appropriate parties in the coming year.

This report is intended solely for the information and use of Metro, and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Eugene, Oregon
December 3, 2012