

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF CONSIDERING)	RESOLUTION NO. 88-1015
REPORT OF INDEPENDENT CERTIFIED)	
PUBLIC ACCOUNTANTS ON METRO'S)	Introduced by the
FY 1988 ANNUAL FINANCIAL REPORT)	Finance Committee
AND SCHEDULE OF FEDERAL FINANCIAL)	
ASSISTANCE)	

WHEREAS, the Metropolitan Service District is required to have an annual independent audit of their financial statements and schedule of federal financial assistance; and

WHEREAS, the Metropolitan Service District has prepared the required annual financial statements and schedule of federal financial assistance; and

WHEREAS, Peat Marwick Main & Co., has completed the audits required and prepared a report thereon; and

WHEREAS, the Finance Committee has reviewed and considered the annual financial report, schedule of federal financial assistance and the opinions thereon presented by Peat Marwick Main & Co. dated October 14, 1988; and

WHEREAS, The Finance Committee recommends accepting these reports; now therefore,

BE IT RESOLVED,

That the Council of the Metropolitan Service District hereby accepts the annual financial report and schedule of federal financial assistance and approves its submittal to the proper agencies.

ADOPTED by the Council of the Metropolitan Service
District this 22nd day of November, 1988.

Mike Ragsdale

Mike Ragsdale, Presiding Officer

COMMITTEE REPORT

Agenda Item No. 7.5

Meeting Date November 22, 1988

CONSIDERATION OF RESOLUTION NO. 88-1015, CONSIDERING REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON METRO'S FY 1988 ANNUAL FINANCIAL REPORT AND SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Date: November 21, 1988 Presented by: Councilor Tanya Collier
Chair, Finance Committee

COMMITTEE RECOMMENDATION

Committee members present -- Councilors Coleman, DeJardin, Gardner, Van Bergen and myself -- voted unanimously to recommend Council adoption of Resolution No. 88-1015. The Committee also voted in support of 3 other motions recommending Council actions as follows:

- 1) Council direct General Counsel to prepare a report to Council indicating the best level of insurance reserve funds for St. Johns Landfill post closure either under current DEQ rules or DEQ rules after adoption of proposed federal (EPA) rules, and if research and study beyond staff capabilities is required, an RFP be issued and funds appropriated for expert advice.
(Van Bergen; 5-0 vote)
- 2) Council direct Finance & Administration staff to provide a report to Finance Committee explaining each FY1988 budget over-expenditure and steps taken, or that will be taken, to prevent future over-expenditures. (Gardner; 5-0 vote)
- 3) Council direct the draft management letter from the certified public accountants be finalized and submitted to the appropriate parties, and if after Finance Committee review and discussion, amendments are made to the management letter, the amended letter be filed with the appropriate parties.
(DeJardin; 4-1 vote)

COMMITTEE DISCUSSION & ISSUES

Finance & Administration staff Jennifer Sims (Financial Services Manager) and Don Cox (Chief Accountant) presented the 1988 Metro Audit with Kurt Hatch, Audit Manager, and Joe Hoffman, Partner of Peat Marwick Main & Co. The auditors' cover letter to the Annual Financial Report, page 2, included a non-standard comment regarding the St. John's Landfill closure fund. Staff noted Metro's investment banking firm was not troubled by the comment and did not believe it would affect Metro's bond rating. The comment was included because of the uncertainty surrounding the funding level necessary to cover Metro's liability after the closing of the landfill. To avoid this comment in next year's audit, Metro would need to increase the "certainty" behind its funding. To this end, the Committee moved recommendation number 1 above.

The Committee discussed Metro Department over-expenditures identified in the audit and outlined in Council staff's memo (attached) and moved recommendation number 2 above. Staff said the over-expenditures resulted from the finer level of detail used in the FY88-89 appropriations as adopted by the Council.

Finally, the Committee received draft copies of the auditors' "Management Letter" and "Schedule of Federal Financial Assistance". Staff noted these 2 documents must be submitted with the audit to appropriate federal agencies by December 1 and the Oregon Secretary of State's office by December 31. The consequences for not meeting these deadlines are unknown. The Committee noted it would liked to have seen these items before being asked to approve them and said the record should reflect the understanding that next year's financial audit schedule will be formulated so the auditors will meet with the Finance Committee periodically prior to issuing financial statements and the draft management letter. Following discussion, the Committee moved recommendation number 3 above.

a:\adtrpt



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

Date: November 17, 1988
To: Finance Committee
From: Donald E. Carlson, *DEC* Council Administrator
Regarding: DEPARTMENT EXPENDITURES EXCEEDING APPROPRIATION LIMITS

Based on an initial review of the financial audit for FY 1987-88, it should be noted that several departments exceeded the spending authorization approved by the Council for that fiscal year. These over expenditures are noted as follows:

- On page 42, the General Counsel exceeded the appropriation for Materials & Services by \$363.
- On page 50, the Zoo Department exceeded the following appropriations:
 - Administration Division - Capital Outlay by \$86
 - Animal Management Division - Personal Services by \$9,336, Material & Services by \$15,509 and the Total Appropriation by \$24,118
 - Facilities Management Division - Personal Services by \$10,976 and Materials & Services by \$1,032
- On page 61, the Solid Waste Department exceeded the appropriation for Materials & Services in the Facilities Development Program by \$535,658 and the Total Appropriation by \$533,204.
- On page 61, the Appropriation for Transfers was exceeded by \$353,927.

While some of these over expenditures are small and some rather large, Council staff is concerned that there are any expenditures which exceed Council appropriations. Such occurrences bring into question the ability of the District's financial management system (hardware, software and personnel working in the individual departments and the budget and accounting offices) to track expenditures on a timely basis and make necessary requests to the Council for additional spending authority prior to the expenditures being made. This is particularly important should the Council ultimately be required to budget and appropriate individual contracts. As pointed out before, contract appropriations under such system would be at the more detailed line item level (as compared to the current aggregate level of major categories) or in some instances at a level of detail below the line item level.

Finance Committee
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If the fiscal management system has difficulty at this aggregate level responding to changing conditions to assure that the Council authorizes expenditure requests as needed, then in all probability, difficulty will arise in responding to a greater level of detail. Council staff suggests that the Finance and Administration Department report to the Committee on the causes of these over expenditures and steps to be undertaken to assure that they don't occur in the future.

Audit
DEC:gpwb

STAFF REPORT

Agenda Item No. 7.5

Meeting Date November 22, 1988

CONSIDERATION OF REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS ON METRO'S FY 1988 ANNUAL
FINANCIAL REPORT AND SCHEDULE OF FEDERAL FINANCIAL
ASSISTANCE

Date: November 2, 1988

Presented by Ray Phelps

FACTUAL BACKGROUND AND ANALYSIS

The audit firm of Peat Marwick Main & Co. has completed their examination of the Annual Financial Report prepared by Metro's Accounting staff. Kurt Hatch, Audit Manager, and Joe Hoffman, Partner of Peat Marwick Main & Co., are present to discuss their opinion on Metro's combined financial statements as well as the various other reports required of them by the Single Audit Act of 1984 and state of Oregon.

A copy of Metro's Annual Financial Report and Schedule of Federal Financial Assistance has previously been distributed to the Council and is available upon request to other interested parties. The two primary changes in this year's financial report are the disclosures required under Statement Five of the Governmental Accounting Standards Board, the addition of the Convention Center Debt Service Fund, and the appropriation level reporting at the finer level of detail adapted by Council.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends acceptance of the reports and forwarding of same to the appropriate government agencies.

RP/DRC/sm/vl



METRO

2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646

Memorandum

DATE: November 30, 1988

TO: Rena Cusma, Executive Officer

FROM: Ray Phelps, *Ray P* Finance and Administration Director

RE: Peat Marwick Main & Co.'s Letter, dated October 14, 1988, addressed to the Council and Management of Metro

Items discussed by Peat Marwick Main & Co. in their letter are based on the observations and comments of the firm's staff persons who worked with Metro's personnel and processes during the annual financial audit for fiscal year 1987-88. The information is being provided by the audit firm as an opportunity to improve the agency's management information and operational efficiency. The information, however, does not represent material weaknesses in internal control.

For the most part, the information contained in this letter was provided by Peat Marwick in a similar letter prepared after their audit of Metro's financial records for fiscal year 1986-87. The letter, dated October 19, 1987, generally reflected the status of Metro's internal accounting control at the time you were elected Executive Officer of Metro.

As you may recall, during the first six weeks of my employment as Finance and Administration Director, the managers within the department and I examined the work programs and operations of the department. A number of areas of major concern were identified as a result of this examination.

After this examination, I met with the representatives of Peat Marwick who were responsible for Metro's audit. Peat Marwick was due to start its audit of Metro's financial records for fiscal year 1986-87.

I requested that Peat Marwick's auditors further review these areas of concern as part of their regular audit process. I felt Metro could obtain the review it needed of the problem areas without incurring additional expense for a separate analysis. The response to this review of problem areas was

provided as part of their letter to the Council and Management of Metro, dated October 19, 1987.

The information in Peat Marwick's letter of October 19, 1987 has been very helpful. This information has been acted upon by the Finance and Administration Department, with implementation of changes at different stages of progress at this time.

For your information, on December 7, 1987 I discussed with the Council Management Committee the comments made by Peat Marwick in their letter to the Council and Management, dated October 19, 1987.

In response to the comments made by Peat Marwick in their letter dated October 14, 1988, I have separated the response into two categories. The first category (I.) will provide an update to the information previously discussed with the Council Management Committee in 1987. The second category (II.) discusses new items and indicates the actions that have been taken or will be taken during the remainder of fiscal year 1988-89.

I.

1. Monitoring of Financial Data- Data processing staffing has been completed at the professional level which will provide the capability to investigate and resolve financial data problems. In addition, data processing staff has been involved in the requirements definition, acceptance testing, installation of new central processing hardware, and the conversion processes of the new financial information system software packages. Knowledge gained by staff during this process will be used to investigate and resolve problems, if any, encountered by the new system. The acquisition of modern computer technology (Unisys hardware and MGSI software) will substantially reduce the amount of discrepancies caused by system malfunction.

2. Written Disaster Recovery Plan- Data Processing staff has been assigned this responsibility. Initial work on such a plan, started last fiscal year, was placed on hold pending the acquisition of the new central data processing system. The hardware and software have been selected, which will allow work to proceed on this plan and to make arrangements with offsite processing facilities.

3. Downloading of Computer Files to Personal Computers- Data processing staff are developing system security procedures to assure that information is accessible only by authorized personnel. The central financial information system and operating system contain various security levels which will be adapted to Metro's needs. Data Processing staff will be developing security procedures for use on personal computers when they are used to download information from the central system.

4. Access to Sensitive Accounting Data- Metro's recently purchased financial information system has password security access controls to reduce the capability for EDP personnel to access certain sensitive accounting and personnel data. In addition, the system prints a daily activity log for management review which shows the identity of the individual who has accessed the system and any changes to data made by that individual.

5. Documentation of Accounts Receivable, Accounts Payable and General Ledger Systems- The financial information system software package purchased by Metro has extensive documentation. Documentation provided consists of System Design Document, Operator's Guide, Installation Manual, Requirements Document, Preparation Manuals and User's Guide. These levels of documentation also will be supplemented with Metro developed procedures manuals for processes required prior to input into the system and after system output. All modules will be installed by July 1989.

6. Monitor Subrecipients' Compliance with Federal Regulations in Compliance with the Single Audit Act of 1984. Accounting staff has assumed this responsibility in prior years. With the additional Senior Accountant position added in FY 1988-89, the accounting section has been assigned this responsibility.

7. Assign Responsibility for Monitoring Grant Compliance- The additional Senior Accountant position added in FY 1988-89 provides for this activity. The recently hired Senior Accountant has been assigned this responsibility by the Chief Accountant.

8. Disposal Site Visits (audits)- Staffing constraints had eliminated the ability of the accounting staff to perform such disposal site audits during the past three years. The additional Senior Accountant position will allow such audits to be resumed in FY 1988-89. One such audit has been conducted on November 2, 1988, with work in progress on the resulting report.

9. Reconciliation of DEO Siting Fees Collected to Payments Made- Solid Waste staff are responsible for this activity. The Department of Finance and Administration has communicated this concern to Solid Waste staff for an examination of their procedures and response.

10. Document Internal Accounting Controls via a Policies and Procedures Manual- Staff delayed work on such a manual (Metro's current manual is five years old and is based on the FMS software system) pending the acquisition of the new central financial information system. This acquisition has a significant impact on the design of internal accounting controls. In addition, the hiring of additional accounting staff will provide the resources required to develop and maintain such a manual. Work on such a document has begun and will continue into FY 1989-90.

11. Metro Perform Surprise Zoo Cash Counts- The addition of accounting staff in FY 1988-89 will allow accounting staff to perform such surprise cash counts. In addition, the management analyst added by the zoo in the prior fiscal year has provided more supervisory control over cash. This supervisory position will continue to perform cash counts, with the addition of surprise counts by accounting staff on a more regular basis.

12. Timely Communication of Personnel Information to the Accounting Section- The acquisition of the Human Resource Management System and Payroll Processing System software packages will allow the personnel functions to be computerized and integrated with payroll for the first time in Metro's history. The software provides the vehicle to communicate personnel information to payroll in a timely fashion.

13. Admittance to the Zoo Cash Room- Discussions have been on-going with zoo administration as to the proper balance of control and practicality (cost). The Department of Finance and Administration will continue these discussions with zoo staff in order to lead to an acceptable policy on individuals authorized admittance to the cash room. It is anticipated that these discussions will lead to effective enforcement of the agreed upon policy.

14. Public Access to Metro South Station- Solid Waste staff will again discuss the issue with the contractor, Wastech, Inc., and determine the feasibility of requiring the contractor to independently verify the receipt of public customers prior to disposal (as is performed at St. Johns Landfill). If management determines this procedure to be economically feasible and practical, steps will be taken to implement this control.

II.

15. Internal Controls Surrounding the Use of District VISA Cards- We completely rewrote in 1987 the policies and procedures for the reimbursement of non-travel and travel expenses. This effort resulted in the establishment of Executive Order No., 31 (Non-Travel) and Executive Order No. 32 (Travel). During this rewrite we failed to provide all of the appropriate procedures for the treatment of expenses charged on Visa cards. We are in the process of correcting this oversight and should have a proposal to you by the first part of 1989 for the purpose of amending the two executive orders.

16. Zoo Donations and Bequests- Accounting staff has communicated the issue to the appropriate zoo staff. We have been informed that procedures are being developed to provide the accounting section with the appropriate supporting documentation.

17. Central Location of All Metro Grant Contracts- The Department of Finance and Administration's Contract Office will inform Metro departments to forward all contracts, including grant contract materials (the grant application, award letters, agreements, correspondence and reports), to the Contracts Officer. The Contracts Officer will monitor grant activity as it relates to contract procedures/files to assure Metro's central files are complete.

18. Review of Invoices Prior to Payment- Coopers & Lybrand, in their report to Council and Management dated October 19, 1982, raised the issue of control over processed invoices. Their recommendation at that time was to have all invoices routed to accounting upon receipt; and if further approval or support was needed, reroute the invoice back to the department. A log of invoice waiting approval would be kept by accounting staff. This control is in place and must be retained while implementing the above. With the installation of Metro's new software, these control issues will be reevaluated.

19. Solid Waste Tonnage Reports- The Department of Finance and Administration has communicated this concern to Solid Waste staff. The staff is reviewing the department's process to determine appropriate procedures. Both departments will meet to resolve this problem.

Peat Marwick Main & Co.

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Telephone 503 221 6500

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COUNCIL STAFF*Resol. 88-1015*

October 14, 1988

CONFIDENTIAL

The Council and Management
Metropolitan Service District
2000 S. W. First Avenue
Portland, Oregon 97201-5398

Dear Members of the Council
and Management:

We have completed our audit of the combined financial statements of the Metropolitan Service District (Metro) as of and for the year ended June 30, 1988 and have issued our report thereon dated October 14, 1988. As part of our audit, we made a study and evaluation of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on Metro's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Metro is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system 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 financial statements in accordance with generally accepted accounting principles.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Metro taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness. Certain observations were made that we feel are important to bring to your attention. These matters present opportunities for improving management information and improving operational efficiency, but do not represent material weaknesses in internal control as defined under generally accepted auditing standards.



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DATA PROCESSING CONCERNS

MONITORING OF FINANCIAL DATA

As was noted in our prior year audit, we again noted several instances in the current year where incorrect output of financial data was received by the accounting department. Furthermore, EDP department personnel were not able to positively identify the cause of the problem, and did not investigate further due to a lack of time.

We believe that the EDP department is an integral part in channeling timely and accurate financial information to the accounting department. EDP personnel should promptly investigate any known errors and ascertain the cause so that corrective measures can be taken. Metro could gain additional confidence over the reliability of financial information, as well as spend less time in reconciling differences.

WRITTEN DISASTER RECOVERY PLAN

In our last letter to management, we recommended that Metro prepare a written disaster recovery plan in the event that the computerized system failed for an extended period of time. Metro staff members have indicated that they intend to develop such a plan during the spring of 1989. We would like to again stress the importance of such a plan and recommend that management designate a Metro employee or hire a consultant to finish developing and documenting the written disaster recovery plan. Metro relies on data processing to perform daily functions in many areas and implementing such a plan will minimize the business interruptions which could occur in the event of a system failure.

DOWNLOADING OF COMPUTER FILES TO PERSONAL COMPUTERS

We understand that with the installation of the new computer system, Metro will ultimately have the capability to download files to personal computers. Certain EDP controls must be in place to ensure the integrity of the data downloaded. In addition, Metro should also control access to information downloaded so that sensitive information is restricted to authorized personnel only.

ACCESS TO SENSITIVE ACCOUNTING DATA

In our review of Metro's EDP control environment, we noted that all EDP personnel have access to certain sensitive accounting information such as payroll related data. Currently, there are no access controls to restrict EDP personnel from this highly sensitive accounting data. We recommend that access to certain sensitive data be restricted only to authorized users.

The Council and Management
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DOCUMENTATION OF INTERNAL CONTROLS AND PROCEDURES

During our examination, we noted the following:

- o Currently, the accounts receivable, accounts payable and general ledger systems are not documented with respect to what each EDP program does, which EDP files are used, where files are located, or how they are accessed. While certain aspects of this documentation will become available as a result of the implementation of the new computer system, we recommend that Metro designate time for significant aspects of these cycles to be reviewed and documented. This process will educate other accounting staff about these systems so that potential employee turnover in EDP does not result in inefficient transition of responsibilities.
- o In our last two management letters, we recommended that Metro document internal accounting controls via a policies and procedures manual. This manual was to be updated to reflect changes in management's policies and/or procedures and serve as a current guide to employees by providing sufficient detail in all internal control matters for each position. During our current examination, we noted that no work on such a manual has been performed as significant changes were anticipated in connection with the implementation of the new computer system.

We continue to recommend that Metro designate an employee to document control procedures which will be in place for each employee with review and control responsibility (e.g., accounting, Zoo admission/concession operators, landfill gatekeepers, etc.). Not only will Metro gain assurance over the adequacy of their internal control system and identify weaknesses therein, the updated manual will also aid in the training and cross-training of current and future employees.

SINGLE AUDIT ACT AND GRANT COMPLIANCE

During our testwork related to compliance with the Single Audit Act of 1984 (Act), we noted that no specific department is assigned to monitor subrecipients' compliance with Federal regulations which is required under the Act. We recommend that Metro management assign this function to an individual employee within a specific department to ensure compliance with the requirements imposed under the Act.

The Council and Management
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We also noted that no department is specifically assigned to monitor grant compliance (e.g., preparation of the indirect cost allocation plan and monitoring of political activity compliance). Currently, several accounting department employees are performing parts of this function but there is no documented division of responsibilities or formal coordination. We recommend that Metro either define the necessary procedures to be followed by the various employees in order to comply with all applicable grant laws and regulations or assign responsibility for this function to one individual in a specific department. This change will enable management to readily determine if any potential problems or weaknesses exist in this area.

LANDFILL SITE VISITS

During our last two examinations, we noted that Metro did not perform any landfill site visits during the year as had been performed in prior years due to a lack of staff time available. While we understand that the Finance and Administration Department has scheduled a surprise landfill site visit for this fall, we recommend that Metro accounting staff engage in random non-Metro landfill site visits and Metro landfill site visits at least annually or that such visits be performed by outside consultants. With respect to non-Metro sites, the surprise visits would increase management's confidence that Metro is receiving proper fees from these facilities. The surprise visits to Metro sites would give management a better understanding of compliance with management's internal control policies.

RECONCILIATION OF LANDFILL SITING FEES

As noted in the prior year's management letter, presently no Metro employee is assigned responsibility for reconciling monies collected for landfill siting fees with the payments made to the Department of Environmental Quality for the purpose of siting a regional landfill. This procedure would allow Metro to determine the status of the program at any point in time and to monitor the level of solid waste disposal fees.

The Council and Management
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ZOO CASH COUNTS

As noted in the prior year's management letter, we again recommend that Metro perform zoo cash counts. Staffing constraints have halted routine visits to the Metro Washington Park zoo cash room. We believe that Metro should budget and schedule time for accounting personnel to perform surprise cash counts at least quarterly. By performing these cash counts, Metro will gain assurance over the adequacy of the internal control system and identify any changes to the system of internal control made by zoo cash room personnel.

CHANGES TO PAYROLL INFORMATION

During our examination, we noted that certain changes made to personnel files by the personnel department were not communicated to the accounting department in a timely manner. The accounting department needs certain personnel data for purposes of payroll processing and computing employer paid benefits. We recommend that needed payroll information (i.e. hirings, terminations, promotions, etc.) be forwarded to the accounting department in a timely fashion.

INTERNAL CONTROLS SURROUNDING THE USE OF VISA CARDS

Metro has made Visa cards available to certain elected officials and employees at Metro. Our understanding is that the purpose of the cards is to make it more convenient for the cardholders to pay for items and services that are necessary in carrying out their responsibilities for Metro.

Based on our review and discussions, we understand that the procedures to be followed in using these cards are as follows: when the cardholder uses the card it is their responsibility to document the time, place, purpose and persons present at the business meeting or function. It is also the cardholder's responsibility to keep the transaction slip and compare it to the monthly statement when it arrives. Once the propriety of the monthly statement is determined, the cardholder completes a Metro payment authorization form. The completed form and other related documentation is then reviewed and approved by the cardholder's supervisor. The approved documentation is then forwarded to the accounting department where a member of the accounting staff reviews the reasonableness of the charges made on a test basis.

During our expenditure testwork, we noted certain instances where these Visa cards were used for personal expenditures. We were not able to locate any written policy governing the use of the Visa cards for personal items, and as a result, we were not able to determine if personal use of the Visa cards is in compliance with Metro's policies or intended use of the cards.

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Executive Order No. 31, Non-Travel Expense Policy, and Executive Order No. 32, Travel Expenditures, provide the procedures for reporting business related expenditures for reimbursement. These orders do not provide a procedure for processing a billing statement for charges incurred through the use of a Visa card.

We recommend that Metro amend its Executive Orders or otherwise establish formal written policies and procedures governing the use of Visa cards.

ZOO CASH ROOM PROCEDURES

While performing a surprise visit at the Metro Washington Park Zoo we observed an unauthorized individual (non-Metro employee) enter the cash room while the vault was open. Metro's policy is to restrict admittance to the cash room to authorized personnel only. We also noted that the cash room vault is generally left open during business hours as a matter of convenience for the Metro employees authorized to work in the cash room. In light of these conditions, we recommend that Metro enforce the existing restriction on admittance to the cash room to strengthen safeguard controls over cash on hand.

ZOO DONATIONS AND BEQUESTS

While performing zoo donation and bequest revenue testwork, we noted that zoo personnel currently do not send a check copy of the donation/bequest and/or a remittance advice to the accounting department for review.

We recommend that zoo personnel forward a copy of all zoo donation/bequest check copies or remittance advices to the accounting department for their review and input into the accounting system. While we noted no discrepancies in this area, we believe that this action would strengthen completeness and accuracy controls over the receipt of donations and bequests. The accounting department review would also ensure that donations are accurately applied to the correct fund, as intended by the donor.

The Council and Management
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CENTRAL LOCATION OF ALL METRO GRANT CONTRACTS

During our examination, we noted that grant contract files used in the course of our testwork were not always readily accessible to us from the Metro contract officer. We recommend that Metro enforce the established policy of maintaining all contracts in a central location. This effort will require open communication between the departments and the contract officer so that the contract officer is promptly aware of all new contracts.

REVIEW OF INVOICES PRIOR TO PAYMENT

During our testwork in the expenditure cycle area, we noted that there was no documentation on paid invoices to indicate that verification of the mathematical accuracy of the invoice had been performed prior to payment. We suggest that the accounting department recalculate vendor invoices and document this procedure on the invoice before payment is made.

SOLID WASTE TONNAGE REPORTS

During our testwork in the Solid Waste Operating Fund, we noted some small inconsistencies in the number of tons reported in various solid waste tonnage reports sent to the Finance and Administration department. The Finance and Administration department makes certain financial calculations from these reported amounts. We recommend that representatives of the Solid Waste department meet with Finance and Administration department personnel to determine which tonnage amounts should be properly used for the Finance and Administration department's purposes.

PUBLIC ACCESS TO METRO SOUTH STATION DISPOSAL FACILITIES

In our last management letter, we recommended that Metro establish a policy at Metro South Station whereby the contractor, Wastech, Inc., require public users to show their receipts before allowing them to deposit their refuse as an independent control over the receipt of cash. We again noted that although the contractor converses with the users by directing them to the refuse location, they do not look at the receipt obtained at the gatehouse from the Metro employee.

We again recommend that Metro insist that the contractor independently verify the receipt for proper charges. This additional control will help ensure that all receipts are properly input into the cash register.

The Council and Management
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October 14, 1988
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PREVIOUS RECOMMENDATIONS

We have reviewed the dispositions and recommendations included in our management letter for the year ended June 30, 1987. Except as mentioned previously, the recommendations presented therein have been implemented or acceptable corrective action is currently being planned for implementation.

* * * * *

Our examination referred to in the first paragraph of this letter was based on selective tests of the accounting records and related data. Accordingly, it would not necessarily disclose all opportunities for improvement or all weaknesses in Metro's system of internal accounting control. Metro must rely upon an adequate system of internal accounting control as its principal safeguard against irregularities and it is management's responsibility to ensure that the system is adequate.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

This report is intended solely for the use of the Council, Metro management, the State of Oregon Division of Audits, and the cognizant and other Federal audit agencies and should not be used for any other purpose.

We sincerely appreciate the opportunity to bring to your attention our comments and suggestions to improve internal controls and operations at Metro. We would be pleased to discuss these matters with you.

We would also like to thank the head of the Finance and Administration Department, Mr. Ray Phelps, the Manager of Financial Services, Ms. Jennifer Sims, the Chief Accountant, Mr. Don Cox, and their staff for the cooperation and courtesies extended to us during the course of our examination.

Peat Marwick Main & Co.

**METROPOLITAN SERVICE DISTRICT
Portland, Oregon**

**Auditors' Report on Internal Accounting
Controls at the Combined Financial Statement Level**

June 30, 1988

Certified Public Accountants

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AUDITORS' REPORT ON INTERNAL ACCOUNTING
CONTROLS AT THE COMBINED FINANCIAL STATEMENT LEVEL

To the Council
Metropolitan Service District
Portland, Oregon:

We have audited the combined financial statements of the Metropolitan Service District (the District) for the year ended June 30, 1988, and have issued our report thereon dated October 14, 1988. These combined financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

To the Council
Metropolitan Service District
Portland, Oregon
Page 2

Under the date of October 14, 1988, we reported separately on the results of our study and evaluation of internal accounting and administrative controls used in administering Federal financial assistance programs. The results of our study and evaluation of internal controls other than those used in administering Federal financial assistance programs are presented herein. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- 1) Purchases and disbursements.
- 2) Payroll.
- 3) Revenue and receipts.

Our study and evaluation included all the applicable control categories listed above except that we did evaluate the accounting controls over revenue and receipts because we believed the audit could be performed more efficiently by expanding substantive testing rather than placing reliance on the internal control system. The purpose of our study and evaluation was to determine the nature, timing, and extent of auditing procedures necessary for expressing an opinion on the combined financial statements of the District. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of control identified above.

The management of the District is responsible for establishing and maintainng a system of internal accounting control. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system 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 financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

To the Council
Metropolitan Service District
Portland, Oregon
Page 3

Our study and evaluation made for the limited purpose described in the first three paragraphs would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the District taken as a whole or on any of the categories of controls identified in the third paragraph. However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness. In our letter to management and the Council dated October 14, 1988, we have separately communicated our observations and recommendations regarding certain other matters, including those pertaining to nonmaterial internal control findings.

This report is intended solely for the use of management of the District and the cognizant and other Federal and state audit agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the District, is a matter of public record.

Peat Marwick Main & Co.

October 14, 1988



Annual Financial Report

Fiscal Year Ended
June 30, 1988



Annual Financial Report

Fiscal Year Ended
June 30, 1988

Metropolitan Service District, Oregon

- Independent auditor's report on examination of Financial Statements and Supplementary Data
- Audit comments and disclosures required by state regulations
- Prepared by Metro's Accounting Division

METROPOLITAN SERVICE DISTRICT

June 30, 1988

Rena Cusma, Executive Officer

COUNCIL

<u>Members</u>	<u>Representing</u>	<u>Term expires</u>
Mike Ragsdale, Presiding Officer	District 1	January 1, 1991
Corky Kirkpatrick, Deputy Presiding Officer	District 4	January 1, 1989
Richard Waker, Councilor	District 2	January 1, 1989
Jim Gardner, Councilor	District 3	January 1, 1989
Tom DeJardin, Councilor	District 5	January 1, 1989
George Van Bergen, Councilor	District 6	January 1, 1991
Sharron Kelley, Councilor	District 7	January 1, 1991
Vacant	District 8	-
Tanya Collier, Councilor	District 9	January 1, 1989
Larry Cooper, Councilor	District 10	January 1, 1989
David Knowles, Councilor	District 11	January 1, 1991
Gary Hansen, Councilor	District 12	January 1, 1991

Administrative Office:

2000 S. W. First Avenue
Portland, Oregon 97201-5398

Registered Agent:

A. Marie Nelson

Address of Registered Office:

2000 S. W. First Avenue
Portland, Oregon 97201-5398

METROPOLITAN SERVICE DISTRICT

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- Report of Independent Certified Public Accountants
- Combined Financial Statements
- Combining Statements by Fund Type
- Individual Fund Statements and Schedules
- Supplementary Information

*Report of
Independent
Certified Public
Accountants*

Certified Public Accountants

Peat Marwick Main & Co.
Suite 2000
1211 South West Fifth Avenue
Portland, OR 97204

To the Council
Metropolitan Service District
Portland, Oregon:

We have audited the combined financial statements of the Metropolitan Service District (Metro) as of and for the year ended June 30, 1988 as listed in the accompanying table of contents. These combined financial statements are the responsibility of management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Metro at June 30, 1988, and the results of its operations and the changes in financial position of its Proprietary Fund types and Similar Trust Fund for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining individual fund statements and schedules and supplementary data listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of Metro. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

To the Council
Metropolitan Service District

As discussed in note 18 to the combined financial statements, the United States Environmental Protection Agency (EPA) recently issued proposed new rules relating to post-closure costs for landfills. Depending on whether the proposed rules are adopted by the State of Oregon Department of Environmental Quality, additional post-closure costs may be incurred in the future by Metro in connection with the closing of the St. Johns landfill. A study of these new EPA rules has not been made, nor has a new closure plan been developed by Metro and the additional cost of complying with these new rules is not presently determinable. Therefore, no provision in excess of Metro's original estimate has been provided in these financial statements.

PEAT MARWICK MAIN & CO.

By Joseph F. Hoffman
Joseph F. Hoffman, Partner

October 14, 1988

*Combined
Financial
Statements*

General purpose financial statements

METROPOLITAN SERVICE DISTRICT

Combined Balance Sheet -
All Fund Types and Account Groups

June 30, 1988

<u>Assets and Other Debits</u>	<u>Governmental Fund types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Cash and investments	\$ 564,924	2,471,097	94,966	4,485,325
Receivables:				
User and landfill fees, net of allowance for doubtful accounts of \$93,104	-	-	-	-
Property taxes	-	741,420	191,979	-
Federal grants	-	134,560	-	-
State and local grants/contracts	-	186,525	-	-
Landfill siting fees	-	-	-	-
Interest receivable	44,518	-	-	-
Other	152	4,090	-	-
Due from other governments	-	-	-	-
Due from other funds	547	-	-	-
Inventory of materials and supplies	-	161,562	-	-
Advance to other governments	-	-	-	-
Other assets	8,997	3,064	-	-
Restricted assets -				
Cash and investments	-	-	-	352,928
Fixed assets, net	-	-	-	-
Other debits:				
Amount available for debt service	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Amount to be provided for payment of capital leases	-	-	-	-
Amount to be provided for payment of compensated absences	-	-	-	-
	<u>\$ 619,138</u>	<u>3,702,318</u>	<u>286,945</u>	<u>4,838,253</u>

(Continued)

<u>Proprietary Fund types</u>		<u>Fiduciary Fund type Trust</u>	<u>Account groups</u>		<u>Total (memorandum only)</u>
<u>Enterprise</u>	<u>Internal Service</u>		<u>General Fixed Assets</u>	<u>General Long-term Obligations</u>	
58,575,836	546,296	4,394,385	-	-	71,132,829
1,916,327	-	-	-	-	1,916,327
-	-	-	-	-	933,399
50,000	-	-	-	-	184,560
-	-	-	-	-	186,525
542,819	-	-	-	-	542,819
857,882	-	-	-	-	902,400
2,740	2,500	123,108	-	-	132,590
685,946	-	-	-	-	685,946
-	-	-	-	-	547
-	-	-	-	-	161,562
290,000	-	-	-	-	290,000
-	84,091	-	-	-	96,152
3,011,394	-	-	-	-	3,364,322
25,616,718	-	-	31,123,531	-	56,740,249
-	-	-	-	112,303	112,303
-	-	-	-	64,887,697	64,887,697
-	-	-	-	707,979	707,979
-	-	-	-	237,490	237,490
<u>91,549,662</u>	<u>632,887</u>	<u>4,517,493</u>	<u>31,123,531</u>	<u>65,945,469</u>	<u>203,215,696</u>

METROPOLITAN SERVICE DISTRICT

Combined Balance Sheet -
All Fund Types and Account Groups, Continued

<u>Liabilities and Fund Equity</u>	<u>Governmental Fund types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Liabilities:				
Accounts payable	\$ 126,790	416,060	-	356,408
Salaries, withholdings and payroll taxes payable	94,162	286,452	-	2,667
Accrued interest payable	-	-	-	-
Contracts payable	-	5,112	-	-
City of Portland end use fee payable	-	-	-	-
Deferred revenue	-	702,542	174,643	-
Due to other funds	-	-	-	-
Unearned grant revenue	-	121,552	-	-
Deposits	-	2,879	-	-
Payable from restricted assets:				
Arbitrage payable	-	-	-	-
Contracts payable	-	-	-	352,928
Deposits	-	-	-	-
Post-closure costs payable	-	-	-	-
Bonds payable	-	-	-	-
Loans payable	-	-	-	-
Obligations under capital leases	-	-	-	-
Liability for compensated absences	-	-	-	-
Pension benefits payable	-	-	-	-
Other	-	10,248	-	-
Total liabilities	220,952	1,544,845	174,643	712,003
Fund equity:				
Contributed capital, net	-	-	-	-
Investment in general fixed assets	-	-	-	-
Retained earnings	-	-	-	-
Fund balances -				
Unreserved	398,186	2,157,473	112,302	4,126,250
Total fund equity	398,186	2,157,473	112,302	4,126,250
Commitments and contingencies				
Total liabilities and fund equity	\$ 619,138	3,702,318	286,945	4,838,253

See accompanying notes to combined financial statements.

Proprietary Fund types		Fiduciary Fund type Trust	Account groups		Total (memorandum only)
Enterprise	Internal Service		General Fixed Assets	General Long-term Obligations	
2,542,827	16,017	4,087	-	-	3,462,189
133,521	-	-	-	-	516,802
123,839	-	-	-	-	123,839
44	-	-	-	-	5,156
134,195	-	-	-	-	134,195
-	-	-	-	-	877,185
547	-	-	-	-	547
-	-	-	-	-	121,552
-	-	-	-	-	2,879
316,189	-	-	-	-	316,189
436,427	-	-	-	-	789,355
107,786	-	-	-	-	107,786
2,150,992	-	-	-	-	2,150,992
-	-	-	-	65,000,000	65,000,000
4,570,000	-	-	-	-	4,570,000
-	-	-	-	707,979	707,979
-	-	-	-	237,490	237,490
-	-	3,419,157	-	-	3,419,157
4,671	-	-	-	-	14,919
10,521,038	16,017	3,423,244	-	65,945,469	82,558,211
66,566,196	-	-	-	-	66,566,196
-	-	-	31,123,531	-	31,123,531
14,462,428	616,870	-	-	-	15,079,298
-	-	1,094,249	-	-	7,888,460
81,028,624	616,870	1,094,249	31,123,531	-	120,657,485
91,549,662	632,887	4,517,493	31,123,531	65,945,469	203,215,696

METROPOLITAN SERVICE DISTRICT

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund

For the year ended June 30, 1988

	Governmental Fund types				Expendable Trust Fund	Total (memorandum only)
	General	Special Revenue	Debt Service	Capital Projects		
Revenues:						
Property taxes	\$ -	5,555,979	2,515,431	-	-	8,071,410
Dues	-	625,488	-	-	-	625,488
Grants and contracts:						
Federal	-	642,380	-	-	-	642,380
State and local	-	546,791	-	-	-	546,791
Admissions	-	1,515,004	-	-	-	1,515,004
Charges for services	-	354,091	-	-	-	354,091
Vending and concessions	-	1,742,039	-	-	-	1,742,039
Donations and bequests	-	125,172	-	-	-	508,057
Documents and publications	6,230	-	-	382,885	-	6,230
Professional and contract service fees	5,378	66,062	-	-	-	71,440
Rehabilitation and enhancement fees	-	-	-	-	348,465	348,465
Interest	109,926	147,760	95,671	450,152	63,342	866,851
Miscellaneous	4,799	147,064	-	190	-	152,053
Total revenues	126,333	11,467,830	2,611,102	833,227	411,807	15,450,299
Expenditures:						
Current:						
General government operations	2,628,231	-	-	-	-	2,628,231
Zoo operations and development	-	6,246,405	-	52,681	-	6,299,086
Regional planning and development	-	1,313,255	-	-	25,681	1,338,936
Expense Reimbursement - General Fund	-	1,157,906	-	-	-	1,157,906
Capital outlay	671,938	412,984	-	6,236,469	-	7,321,391
Debt service interest	-	-	4,209,081	-	-	4,209,081
Total expenditures	3,300,169	9,130,550	4,209,081	6,289,150	25,681	22,954,631
Less administrative expense reimbursements:						
Enterprise Funds	1,488,114	-	-	-	-	1,488,114
Special Revenue Funds	1,157,906	-	-	-	-	1,157,906
Net expenditures	654,149	9,130,550	4,209,081	6,289,150	25,681	20,308,611
Revenues over (under) net expenditures	(527,816)	2,337,280	(1,597,979)	(5,455,923)	386,126	(4,858,312)
Other financing sources (uses):						
Proceeds of capital lease	615,300	-	-	-	-	615,300
Operating transfers in	-	21,953	1,710,281	2,219,549	-	3,951,783
Operating transfers out	(21,953)	(2,219,549)	-	-	-	(2,241,502)
Revenues and other sources over (under) net expenditures and other uses	65,331	139,684	112,302	(3,236,374)	386,126	(2,532,731)
Fund balances - June 30, 1987	332,655	2,017,789	-	7,362,624	708,123	10,421,191
Fund balances - June 30, 1988	\$ 398,186	2,157,473	112,302	4,126,250	1,094,249	7,888,460

See accompanying notes to combined financial statements.

METROPOLITAN SERVICE DISTRICT

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual on a Budgetary Basis - All Governmental Fund Types and Expendable Trust Fund

For the year ended June 30, 1988

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenues:						
Property taxes	\$ -	-	-	5,500,000	5,555,979	55,979
Dues	-	-	-	625,488	625,488	-
Grants and contracts:						
Federal	-	-	-	922,711	642,380	(280,331)
State and local	-	-	-	429,566	546,791	117,225
Admissions	-	-	-	1,506,340	1,515,004	8,664
Charges for services	-	-	-	281,424	346,591	65,167
Vending and concessions	-	-	-	1,475,344	1,742,039	266,695
Donations and bequests	-	-	-	69,000	125,172	56,172
Documents and publications	3,500	6,230	2,730	-	-	-
Professional and contract service fees	3,000	5,378	2,378	76,500	66,062	(10,438)
Bond issue proceeds	-	-	-	-	-	-
Interest	50,000	109,926	59,926	104,262	147,760	43,498
Miscellaneous	1,500	4,799	3,299	237,951	147,064	(90,887)
Total revenues	58,000	126,333	68,333	11,228,586	11,460,330	231,744
Expenditures:						
Current:						
General government operations	2,729,223	2,377,283	351,940	-	-	-
Zoo operations and development	-	-	-	6,046,208	5,973,427	72,781
Regional planning and development	-	-	-	1,535,140	1,226,406	308,734
General operating contingency	-	-	-	213,924	-	213,924
Capital outlay	59,916	56,638	3,278	487,626	412,984	74,642
Interest	-	-	-	-	-	-
Total expenditures	2,789,139	2,433,921	355,218	8,282,898	7,612,817	670,081
Revenues over (under) expenditures	(2,731,139)	(2,307,588)	423,551	2,945,688	3,847,513	901,825
Other financing sources (uses):						
Operating transfers in	2,732,707	2,646,020	(86,687)	29,453	29,453	-
Operating transfers out	(272,901)	(272,901)	-	(3,824,302)	(3,737,282)	87,020
Total other financing sources (uses)	2,459,806	2,373,119	(86,687)	(3,794,849)	(3,707,829)	87,020
Revenues and other sources over (under) expenditures and other uses	(271,333)	65,531	336,864	(849,161)	139,684	988,845
Fund balances - June 30, 1987	325,000	332,655	7,655	1,709,739	2,017,789	308,050
Fund balances - June 30, 1988	\$ 53,667	398,186	344,519	860,578	2,157,473	1,296,895

See accompanying notes to combined financial statements.

Debt Service Fund			Capital Projects Fund			Expendable Trust Fund			Total (memorandum only)		
Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
2,438,800	2,515,431	76,631	-	-	-	-	-	-	7,938,800	8,071,410	132,610
-	-	-	-	-	-	-	-	-	625,488	625,488	-
-	-	-	-	-	-	-	-	-	922,711	642,380	(280,331)
-	-	-	-	-	-	-	-	-	429,566	546,791	117,225
-	-	-	-	-	-	-	-	-	1,506,340	1,515,004	8,664
-	-	-	-	-	-	-	-	-	281,424	346,591	65,167
-	-	-	-	-	-	-	-	-	1,475,344	1,742,039	266,695
-	-	-	75,000	382,885	307,885	-	-	-	144,000	508,057	364,057
-	-	-	-	-	-	-	-	-	3,500	6,230	2,730
-	-	-	-	-	-	-	-	-	79,500	71,440	(8,060)
200,432	200,432	-	-	-	-	-	-	-	200,432	200,432	-
60,000	95,671	35,671	468,339	450,152	(18,187)	40,000	63,342	23,342	722,601	866,851	144,250
-	-	-	45,000	190	(44,810)	-	-	-	284,451	152,053	(132,398)
<u>2,699,232</u>	<u>2,811,534</u>	<u>112,302</u>	<u>588,339</u>	<u>833,227</u>	<u>244,888</u>	<u>40,000</u>	<u>63,342</u>	<u>23,342</u>	<u>14,614,157</u>	<u>15,294,766</u>	<u>680,609</u>
-	-	-	-	-	-	-	-	-	2,729,223	2,377,283	351,940
-	-	-	53,439	52,681	758	-	-	-	6,099,647	6,026,108	73,539
-	-	-	-	-	-	40,000	25,681	14,319	1,575,140	1,252,087	323,053
-	-	-	156,364	-	156,364	-	-	-	370,288	-	370,288
-	-	-	6,895,292	6,236,449	658,823	-	-	-	7,442,834	6,706,091	736,743
<u>4,409,513</u>	<u>4,409,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,409,513</u>	<u>4,409,513</u>	<u>-</u>
<u>4,409,513</u>	<u>4,409,513</u>	<u>-</u>	<u>7,105,095</u>	<u>6,289,150</u>	<u>815,945</u>	<u>40,000</u>	<u>25,681</u>	<u>14,319</u>	<u>22,626,645</u>	<u>20,771,082</u>	<u>1,855,563</u>
<u>(1,710,281)</u>	<u>(1,597,979)</u>	<u>112,302</u>	<u>(6,516,756)</u>	<u>(5,455,923)</u>	<u>1,060,833</u>	<u>-</u>	<u>37,661</u>	<u>37,661</u>	<u>(8,012,488)</u>	<u>(5,476,316)</u>	<u>2,536,172</u>
1,710,281	1,710,281	-	2,219,549	2,219,549	-	277,216	348,465	71,249	6,969,206	6,953,768	(15,438)
-	-	-	-	-	-	-	-	-	(4,097,203)	(4,010,183)	87,020
<u>1,710,281</u>	<u>1,710,281</u>	<u>-</u>	<u>2,219,549</u>	<u>2,219,549</u>	<u>-</u>	<u>277,216</u>	<u>348,465</u>	<u>71,249</u>	<u>2,872,003</u>	<u>2,943,585</u>	<u>71,582</u>
-	112,302	112,302	(4,297,207)	(3,236,374)	1,060,833	277,216	386,126	108,910	(5,140,485)	(2,532,731)	2,607,754
-	-	-	7,080,557	7,362,624	282,067	700,000	708,123	8,123	9,815,296	10,421,191	605,895
-	112,302	112,302	2,783,350	4,126,250	1,342,900	977,216	1,094,249	117,033	4,674,811	7,888,460	3,213,649

METROPOLITAN SERVICE DISTRICT

Combined Statement of Revenues, Expenses and Changes
in Retained Earnings/Fund Balance - Proprietary Fund
Types and Similar Trust Fund

For the year ended June 30, 1988

	Proprietary fund types		Fiduciary fund type	Total
	Enterprise	Internal Service	Pension Trust	(memorandum only)
Operating revenues:				
Disposal fees	\$ 7,044,192	-	-	7,044,192
User fees	3,230,037	-	-	3,230,037
Regional transfer charge	2,302,501	-	-	2,302,501
Convenience charge	870,158	-	-	870,158
Landfill siting and rehabilitation fees	1,127,140	-	-	1,127,140
Intergovernmental revenue	2,503,656	-	-	2,503,656
Rental and lease income	147,590	-	-	147,590
Receipts in lieu of rent	410,043	-	-	410,043
Parking fees	45,166	-	-	45,166
Charges for services	-	680,539	-	680,539
Change in investment value	-	-	227,085	227,085
Pension contributions	-	-	660,192	660,192
Miscellaneous	59,365	-	-	59,365
Total operating revenues	17,739,848	680,539	887,277	19,307,664
Operating and administrative expenses:				
Payroll and fringe benefits	1,479,011	-	-	1,479,011
St. Johns Landfill operating contract, including \$311,016 rent	2,871,405	-	-	2,871,405
Metro South Station operating contract	2,258,025	-	-	2,258,025
DEQ landfill siting fees	1,001,333	-	-	1,001,333
Depreciation	765,465	-	-	765,465
Rent and payments in lieu of rent	314,066	-	-	314,066
Payment of administrative expenses to the General Fund	1,205,583	-	-	1,205,583
Payment to Planning Fund for services	7,500	-	-	7,500
Insurance expense	370,270	158,144	-	528,414
Claims expense	-	9,867	-	9,867
Post-closure costs	514,630	-	-	514,630
Payment of rehabilitation fees	348,465	-	-	348,465
Contractual services	1,080,922	-	-	1,080,922
Other materials and services	2,317,020	125,256	-	2,442,276
Pension benefits	-	-	600,952	600,952
Distribution to participants	-	-	286,325	286,325
Total operating and administrative expenses	14,533,695	293,267	887,277	15,714,239
Income from operations	3,206,153	387,272	-	3,593,425

(Continued)

METROPOLITAN SERVICE DISTRICT

Combined Statement of Revenues, Expenses and Changes
in Retained Earnings/Fund Balance - Proprietary Fund
Types and Similar Trust Fund, Continued

	<u>Proprietary fund types</u>		<u>Fiduciary fund type</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Pension Trust</u>	<u>(memorandum only)</u>
Non-operating revenues (expenses):				
Interest on investments	\$ 4,223,713	45,026	-	4,268,739
Interest expense	(324,189)	-	-	(324,189)
Non-operating revenues, net	<u>3,899,524</u>	<u>45,026</u>	<u>-</u>	<u>3,944,550</u>
Income before operating transfers	7,105,677	432,298	-	7,537,975
Operating transfers out	<u>(1,710,281)</u>	<u>-</u>	<u>-</u>	<u>(1,710,281)</u>
Net income	5,395,396	432,298	-	5,827,694
Depreciation on fixed assets that reduces contributed capital	<u>91,448</u>	<u>-</u>	<u>-</u>	<u>91,448</u>
Increase in retained earnings	5,486,844	432,298	-	5,919,142
Retained earnings/fund balance - June 30, 1987	<u>8,975,584</u>	<u>184,572</u>	<u>-</u>	<u>9,160,156</u>
Retained earnings/fund balance - June 30, 1988	<u>\$ 14,462,428</u>	<u>616,870</u>	<u>-</u>	<u>15,079,298</u>

See accompanying notes to combined financial statements.

METROPOLITAN SERVICE DISTRICT

Combined Statement of Changes in Financial Position -
Proprietary Fund Types and Similar Trust Fund

For the year ended June 30, 1988

	<u>Proprietary fund types</u>		<u>Fiduciary fund type</u>	<u>Total (memorandum only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Pension Trust</u>	
Working capital provided from operations:				
Net income	\$ 5,395,396	432,298	-	5,827,694
Add charges to operations not affecting working capital in the current year:				
Depreciation	765,465	-	-	765,465
Post-closure costs	<u>514,630</u>	<u>-</u>	<u>-</u>	<u>514,630</u>
Working capital provided from operations	6,675,491	432,298	-	7,107,789
Increase in pension benefits payable	-	-	593,805	593,805
Increase in liabilities payable from restricted assets	274,467	-	-	274,467
Increase in contributed capital	<u>65,050,000</u>	<u>-</u>	<u>-</u>	<u>65,050,000</u>
Total working capital provided	<u>71,999,958</u>	<u>432,298</u>	<u>593,805</u>	<u>73,026,061</u>
Working capital used:				
Additions to plant and equipment	16,737,162	-	-	16,737,162
Current maturities of loan payable	384,000	-	-	384,000
Increase in restricted assets	<u>789,097</u>	<u>-</u>	<u>-</u>	<u>789,097</u>
Total working capital used	<u>17,910,259</u>	<u>-</u>	<u>-</u>	<u>17,910,259</u>
Increase in working capital	<u>\$ 54,089,699</u>	<u>432,298</u>	<u>593,805</u>	<u>55,115,802</u>
Elements of net increase (decrease) in working capital:				
Cash and investments	53,844,125	422,070	531,652	54,797,847
Receivables	1,277,349	2,500	62,153	1,342,002
Due from other governments	92,842	-	-	92,842
Due from other funds	(420,390)	-	-	(420,390)
Other assets	(81,500)	23,745	-	(57,755)
Accounts, salaries and other payables	(1,246,570)	(16,017)	-	(1,262,587)
Due to other funds	419,843	-	-	419,843
Loan payable within one year	<u>204,000</u>	<u>-</u>	<u>-</u>	<u>204,000</u>
Increase in working capital	<u>\$ 54,089,699</u>	<u>432,298</u>	<u>593,805</u>	<u>55,115,802</u>

See accompanying notes to combined financial statements.

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements

June 30, 1988

(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 combined financial statements.

(a) Basis of Accounting

The Governmental Fund types and the Expendable Trust Fund are maintained using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become measurable and available and expenditures are recorded when the liability for them is incurred, except for:

- o interfund transactions;
- o revenues from grants and contracts which are recorded as earned.

Significant revenues which are measurable and available under the modified accrual basis of accounting are:

- o Federal and state grants;
- o interest earned on temporary investments;
- o property taxes received within approximately 60 days of the end of a fiscal year.

The Proprietary Fund types and Pension Trust Fund are accounted for utilizing 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 liabilities are incurred.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(b) Cash and Investments

Cash and investments consist of each fund's portion of pooled cash balances, time certificates of deposit, U. S. Government Securities and investments in the State Treasurer's investment pool. Such investments are stated at cost, which approximates market. Interest earned on investments is allocated monthly based upon each fund's average monthly cash balance. Pension plan investments are stated at market value and consist principally of insurance contracts, public utility bonds, and residential and commercial mortgages.

(c) Property Taxes Receivable

Uncollected property taxes are shown on the combined balance sheet as a receivable. Property taxes collected and remitted to Metro by county treasurers within approximately 60 days of fiscal year end are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period.

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Property taxes become a lien against the property as of January 1 for personal property and on July 1 for real property and are payable in three installments which are due on November 15, February 15 and May 15.

(d) Inventory of Materials and Supplies

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

(e) 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.

(f) Materials and Volunteer Services Donated to Zoo

Donated materials relating to improvements are recorded at estimated fair values when received. Other volunteer services and donated supplies are not accounted for in the combined financial statements as there is no reasonable basis for valuing these donations.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(g) 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 capitalized in the General Fixed Assets Account Group. Depreciation is not recorded on general fixed assets. Maintenance and repairs are charged to expenditures in various Governmental Funds as incurred and not capitalized. Upon disposal, the General Fixed Assets Account Group is relieved of the asset's original cost or other basis; any receipt from such disposal is accounted for as revenue in the General Fund or Special Revenue Funds.

(h) Proprietary Fund Type Fixed Assets

Fixed assets 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 using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 40 years. Gains or losses realized from sales or retirements are credited or charged to operations.

(i) Restricted Assets and Liabilities

Cash and investments have been restricted for future payment of retainages on several construction projects, deposits made by vendors for bid bond purposes, future payment of post-closure costs to be incurred at the St. Johns Landfill and arbitrage earnings on Convention Center general obligation bonds.

(j) Capitalized Interest

Interest costs in the Proprietary Fund types are capitalized as part of the costs of fixed assets during the period of construction based on the related weighted average net borrowing costs incurred. Interest earned on temporary investments acquired with the proceeds of such borrowed funds from the date of the borrowing until the assets are ready for their intended use is used to reduce the interest costs capitalized on the constructed assets. During fiscal 1988, no interest costs were capitalized.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(k) Grants

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

Amounts received from grantor agencies for which Metro acts in a pass-through capacity are recorded in a Fiduciary Fund type as a liability.

In Enterprise Funds, capital grants restricted by the grantor for capital outlay projects are credited directly to contributed capital as received and the related project costs are capitalized as fixed assets. Contributed capital is subsequently reduced in an amount equivalent to the depreciation on such fixed assets.

Metro allocates indirect costs, primarily administrative costs, to grants in compliance with a cost allocation plan subject to the approval of Metro's cognizant agency. The plan in effect for fiscal 1988 allocated indirect costs to all grants which allow indirect costs at a rate of approximately 50% of the direct personnel costs.

(l) Leases

Leases which meet certain criteria established by the Financial Accounting Standards Board and adopted by the Governmental Accounting Standards Board are classified as capital leases and the assets and related liabilities are recorded at amounts equal to the lesser of the present value of minimum lease payments or the fair value of the leased property at the beginning of the lease term. Capital leases of general fixed assets are recorded at the inception of the leases as expenditures and other financing sources in Governmental Fund types and as assets and liabilities in the General Fixed Asset and General Long-term Obligations Account groups, respectively, at the present value of the minimum lease payments, using the interest rates stated in the leases. Lease payments are recorded as expenditures on the due date; the portion of the payments applicable to principal, determined by using interest rates implicit in the leases, is reported as a reduction of the capitalized lease obligation in the General Long-term Debt Account Group. Leases which do not meet the criteria of a capital lease are classified as operating leases and related rentals are charged to expenditures or expenses as appropriate.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(m) Interfund Transactions

It is Metro's policy to record certain administrative expenditures 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. Additionally, certain operating revenues and expenditures under generally accepted accounting principles have been presented as transfers among funds for budgetary purposes in the combined statement of revenues, expenditures and changes in fund balances - budget and actual on a budgetary basis - all Governmental Fund types and Expendable Trust Funds. The amounts of such interfund charges are based upon management's estimates (which are periodically updated) as reflected in the operating budgets.

(n) Liability for Compensated Absences

Accumulated unpaid vacation benefits in the Governmental Fund types are recorded as expenditures to the extent they are expected to be liquidated with expendable available resources. The amount payable from future resources is recorded in the General Long-term Obligations Account Group. Accumulated unpaid vacation benefits in the Proprietary Fund types are recorded as earned. Accumulated sick leave does not vest and is, therefore, recorded when leave is taken.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(o) Budget

A budget is prepared for each Governmental Fund type in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The original budget is adopted by the Council by resolution prior to the beginning of Metro's fiscal year (July 1 through June 30). Budget amounts shown in the combined financial statements include the original budget amounts and all appropriation transfer and amendment amounts approved by the Council. The resolution authorizing appropriations for each fund establishes maximum authorized expenditure levels. Personal services, materials and services, capital outlay and other expenditures by department in the General Fund, Zoo Fund and Solid Waste Fund and total personal services, materials and services, capital outlay and other expenditures in all other budgeted funds are the levels of control established by resolution. The detail budget document, however, is required to contain more specific, detailed information about the aforementioned expenditure categories. Unexpected additional resources and budget revisions may be added to the budget through the use of a supplemental budget or by a resolution passed by the Council amending the budget. A supplemental budget requires hearings before the public, publication in newspapers and approval by the Council. Original, amended and supplemental budgets may be modified by the use of appropriations transfers between the levels of control. Such transfers require the approval of the Council. Metro adopted sixteen budget amendments and one supplemental budget during the year ended June 30, 1988.

(p) Total (Memorandum Only) Columns

The total (memorandum only) columns in the combined financial statements represent an aggregate of the columnar statements by fund type and account group; they do not represent consolidated financial information.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(2) Organization and Operation

The Metropolitan Service District was organized under the provisions of Oregon Revised Statutes (ORS) Chapter 268 to make available in the Portland metropolitan area public services not adequately available through previously authorized governmental agencies. Subject to the limitations of state law, Metro may provide the metropolitan area aspects of sewerage, solid and liquid waste disposal, control of surface water, public transportation and zoo facilities. ORS 268 further allows the District to acquire, construct, alter, maintain, administer and operate major cultural, convention, exhibition, sports and entertainment facilities. It may also provide local area 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 operations and maintenance of zoo facilities. As a result of this legislation and the passage of a special tax levy, Metro began operation and funding of the Metro 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, except for a railroad line and equipment subject to a perpetual lease agreement, to Metro.

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. Additionally, approval was also granted, effective January 1, 1979, to abolish the Columbia Region Association of Governments and transfer its planning activities to Metro.

The 1987 Oregon legislature amended ORS 268 to provide that unless the electors of the District first approve the financing of the facilities, the District shall not construct new facilities or acquire existing facilities (except by means of an intergovernmental agreement). By vote of the electorate in November 1986, the District was authorized to finance, construct and operate a regional convention center.

Included in the District's combined financial statements are all activities and organizations with which the District exercises oversight authority as demonstrated by financial interdependency and/or authoritative appointment of governing authority. The District has no potential component units.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(3) Description of Funds

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

Governmental Fund Types

General Fund

This fund accounts primarily for Metro's administrative activities. The principal resources of the fund are provided by reimbursements from other funds which benefit from General Fund activities.

Special Revenue Funds

These funds account for revenues from specific sources. Included are the following:

Convention, Trade and Spectator Facilities Fund - accounts for funding of planning activities related to convention, trade and spectator facilities in the Metro region. Principal sources of revenues are contracts, intergovernmental agreements and state grants.

Planning Fund - accounts for funding and operation of planning activities in the area of data services, transportation, development services and criminal justice. Principal sources of revenues are Federal, state and local grants, and dues assessed to member governmental bodies within Metro's District. The dues assessment is based on the population within the member district. The 1987 rate was \$.51 per person. Metro has the authority to assess this same rate through July 1, 1989.

Zoo Fund - accounts for funding and operation of the Metro Washington Park Zoo. Principal sources of revenues are admissions, concessions, and a special serial tax levy of \$5,500,000 per year through June 30, 1990.

Debt Service Fund

The Convention Center Debt Service Fund accounts for payments of general obligation bond principal and interest to bond holders. The principal source of revenue is from property taxes. Other financing sources consist of a transfer from the Convention Center Capital Fund.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

Capital Projects Fund

The Zoo Capital Fund accounts for the major capital improvement projects at the Metro Washington Park Zoo. Principal resources include donations, interest and a portion of the serial levy approved for the zoo and transferred from the Zoo Fund.

Proprietary Fund Types

Enterprise Funds

These funds account for the financing of predominantly self-supporting activities which are funded on a user charge basis or to meet management's desire to control and measure costs of service. Included are the following funds:

Solid Waste Fund - accounts for revenues, derived primarily from fees imposed for the disposal of solid waste, and expenses for the implementation, administration and enforcement of Metro's Solid Waste Management Plan. This fund also accounts for the St. Johns Landfill and Metro South Station operations. This fund consists of four budgetary funds accounted for as an Enterprise Fund in accordance with generally accepted accounting principles.

Building Management Fund - accounts for revenues and expenses related to leasing and managing Metro's central office space at 2000 S. W. First Avenue, Portland, Oregon. Principal sources of revenue are sublease income and charges to user funds. Expenses primarily consist of lease payments, maintenance and utilities costs.

Convention Center Fund - accounts for revenues and expenses related to the management and construction of the Oregon Convention Center in Portland, Oregon. The principal source of revenue currently is intergovernmental revenue from a 3% Multnomah County lodging tax. An expected future source of revenue upon the Center's opening in 1990 is user fees. General obligation bond proceeds, state grants and City of Portland Local Improvement District funds will be used to finance the construction of the Center. Expenses primarily consist of project management and marketing prior to the Center's opening in 1990.

Internal Service Fund

An internal service fund is used to account for activities or services furnished by a designated department to other organizational units within the entity. Charges are made to the various "user" departments to support these activities.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

Insurance Fund - accounts for insurance activities and services performed primarily for other organizational units within Metro. Revenues are derived primarily by charges to user funds, interest and loss reimbursements from insurance companies. Expenses consist primarily of insurance premiums, claims paid (deductibles) and studies related to insurance issues.

Fiduciary Fund Types

Pension Trust Fund

Pension Plan Fund - accounts for Metro's contributions to two defined contribution pension plans for the benefit of substantially all employees. Resources are contributions, based upon a percentage of participants' wages, and interest and other earnings on investments. This Non-expendable Trust Fund is accounted for and reported in a manner similar to Proprietary Funds since capital maintenance is critical.

Expendable Trust Fund

St. Johns Rehabilitation and Enhancement Fund - accounts for funds received and expenditures for rehabilitation and enhancement of the area in and around the St. Johns Landfill. Primary resources are rehabilitation and enhancement fees and interest on investments. Expenditures are for planning and implementation of rehabilitation and enhancement programs in the area. This Expendable Trust Fund is accounted for and reported in a manner similar to Governmental Funds.

Account Groups

General Fixed Assets - accounts for Metro's investment in fixed assets not recorded in the Proprietary Fund types.

General Long-term Obligations - accounts for Metro's obligations under capital leases and accrued vacation liabilities payable from future resources, and retirement of general obligation bonds.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(4) Individual Fund Disclosures

Generally accepted accounting principles require disclosure, as part of the combined financial statements, of certain information concerning individual funds.

Metro made the following budget basis expenditures in excess of the budgeted appropriation:

<u>Fund</u>	<u>Budget category</u>	<u>Amount</u>
General Fund	General counsel materials and services	\$ 363
Zoo Fund	Administration capital outlay	86
Zoo Fund	Animal management personal services	9,336
Zoo Fund	Animal management materials and services	15,509
Zoo Fund	Facilities management personal services	10,976
Zoo Fund	Facilities management materials and services	1,032
Solid Waste Operating Fund	Facilities development materials and services	535,658
Solid Waste Operating Fund	Transfers	353,927
Convention Center Project Management Fund	Personal services	<u>347</u>

(5) Cash and Investments

Deposits

At June 30, 1988, the carrying amount of Metro's cash deposits with various financial institutions presented in the accompanying financial statements was \$232,504 and the corresponding bank balances were \$312,540. The entire amount of the bank balance was covered by Federal depository insurance or by collateral held by Metro's agent, First Interstate Bank of Oregon, in Metro's name. Metro also has cash on hand of \$28,900. Oregon statutes require each depository throughout the period of its possession of public funds to maintain on deposit securities having a value not less than 25% of the certificates of participation issued by its pool manager.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

Investments

Policies officially adopted by the Investment Advisory Board and the Metro Council authorize Metro to invest in obligations of the U. S. Treasury and agencies, time certificates of deposit, bankers' acceptances, and the State Treasurer's investment pool. The Pension Trust Fund is also authorized to invest in, but is not limited to, stocks, mortgages, insurance contracts, bonds and other evidences of indebtedness or ownership.

During the period, there were no known violations of legal or contractual provisions for deposits and investments.

Metro's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by Metro or its agent in Metro's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in Metro's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in Metro's name.

	<u>Category</u>			<u>Carrying amount</u>	<u>Market value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of deposit	\$ 28,200,000	-	-	28,200,000	28,200,000
Money market investments	986,036	-	-	986,036	986,036
U. S. Government obligations	22,049,111	-	-	22,049,111	22,334,630
Pooled short-term pension investments, primarily insurance contracts, residential and commercial mortgages and public utility bonds	-	-	3,296,049	3,296,049	3,296,049
	<u>\$ 51,235,147</u>	<u>-</u>	<u>3,296,049</u>	<u>54,531,196</u>	<u>54,816,715</u>
Investment in Oregon State Treasurer's investment pool				<u>19,704,551</u>	<u>19,704,551</u>
Total investments				<u>\$ 74,235,747</u>	<u>74,521,266</u>

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

The Pension Trust Fund owns all of the investments included in Category 3 above. Cash and investments are reflected on the combined balance sheets as follows:

Unrestricted	\$ 71,132,829
Restricted	<u>3,364,322</u>
	<u>\$ 74,497,151</u>

(6) Due From Other Governments

Metro has entered into an intergovernmental agreement with Multnomah County, Oregon to receive the proceeds of a 3% room tax levied on hotels and motels within the County's boundaries. At June 30, 1988, \$685,946 is owed to Metro for taxes levied and collected subsequent to year end by Multnomah County but not remitted to Metro by that date.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(7) Fixed Assets

Fixed assets by major class for the General Fixed Assets Account Group and the Enterprise Funds are as follows:

	Balance June 30, <u>1987</u>	<u>Additions</u>	Disposals and <u>transfers</u>	Balance June 30, <u>1988</u>
<u>General Fixed Assets</u>				
<u>Account Group</u>				
Land	\$ 2,573,449	-	-	2,573,449
Buildings	17,879,662	6,437,490	-	24,317,152
Improvements	851,174	72,418	-	923,592
Equipment	1,136,874	73,598	-	1,210,472
Office furniture	465,453	168,869	-	634,322
Railroad equipment and facilities	594,198	6,397	-	600,595
Capitalized leased equipment	<u>230,250</u>	<u>633,699</u>	<u>-</u>	<u>863,949</u>
	<u>\$ 23,731,060</u>	<u>7,392,471</u>	<u>-</u>	<u>31,123,531</u>
<u>Enterprise Funds</u>				
Land	2,653,421	10,708,593	-	13,362,014
Buildings	5,026,437	5,092,109	-	10,118,546
Improvements	259,592	7,497	-	267,089
Equipment	170,674	3,373	-	174,047
Office furniture	217,668	67,492	-	285,160
Leasehold improvements	<u>4,295,516</u>	<u>858,098</u>	<u>-</u>	<u>5,153,614</u>
	12,623,308	16,737,162	-	29,360,470
Less accumulated depreciation	<u>2,978,287</u>	<u>765,465</u>	<u>-</u>	<u>3,743,752</u>
	<u>\$ 9,645,021</u>	<u>15,971,697</u>	<u>-</u>	<u>25,616,718</u>

An agreement effective July 1, 1976, transferred title of real property in the amount of \$4,063,148, accounted for in the General Fixed Assets Account Group, 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 ceases to be used for such purposes or is used for other purposes, title reverts to the City.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

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 (see note 18). Under this agreement, the City of Portland retains ownership of the property. Therefore, Metro's cost of expansion and improvements at the landfill are recorded as leasehold improvements in the Solid Waste Enterprise Fund and are amortized over the expected life of the landfill.

(8) Bonds Payable

Bond principal and interest outstanding at June 30 and the corresponding maturities are as follows:

Fiscal year ending June 30	Principal			Interest
	New issue July 1, 1987	Matured and paid during year	Outstanding June 30, 1988	
1989	\$ 990,000	-	990,000	4,765,828
1990	1,045,000	-	1,045,000	4,674,253
1991	1,110,000	-	1,110,000	4,577,278
1992	1,175,000	-	1,175,000	4,474,453
1993	1,250,000	-	1,250,000	4,370,328
1994-2013	59,430,000	-	59,430,000	55,354,062
Total	\$ 65,000,000	-	65,000,000	78,216,202

On July 1, 1987, Metro sold \$65,000,000 of General Obligation Convention Center Bonds (Series 1987), which mature serially each December 1, beginning in 1988 and continuing through 2012. Interest is payable semiannually on December 1 and June 1, beginning June 1, 1988.

Interest rates range from 5.75% to 9.00% on various maturities with the interest cost for the entire issue being 7.37%. Bond proceeds are to be used, in conjunction with a \$5,000,000 grant from the City of Portland (local improvement district) and a \$15,000,000 State of Oregon grant, to finance the acquisition and construction of a regional convention and trade show center. The bonds are to be repaid with proceeds of Metro's ad valorem property tax levied each year.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(9) Loans Payable

Loans payable to the State of Oregon Department of Environmental Quality (DEQ) and included in the Solid Waste Enterprise Fund consist of the following at June 30, 1988:

	Balance June 30, <u>1987</u>	Principal <u>payments</u>	Balance June 30, <u>1988</u>
Loan 115, payable in annual principal installments ranging from \$160,000 to \$175,000 through October 1992. Interest rate varies from 4% to 6% over the life of the loan and is payable semiannually on April 1 and October 1	\$ 990,000	160,000	830,000
Loan 117, payable in annual principal installments ranging from \$200,000 to \$216,000 through October 1987. Interest rate varied from 4% to 6% over the life of the loan	216,000	216,000	-
Loan 118, payable in annual principal installments ranging from \$12,000 to \$337,000 through August 2002. Interest rate varies from 5.2% to 7.9% over the life of the loan and is payable semiannually on February 1 and August 1	<u>3,952,000</u>	<u>212,000</u>	<u>3,740,000</u>
	<u>\$ 5,158,000</u>	<u>588,000</u>	<u>4,570,000</u>

Loan 115 is for implementation of the solid waste plan. 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 in excess of the current balance are subject to the approval of DEQ.

Loan 117 was for expansion of the St. Johns Landfill.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

Loan 118 is for the site development for the former Energy Recovery Facility and site development, design and construction of the Metro South Station. Under the provisions of its agreement with DEQ, Metro has pledged all of the solid waste disposal user fees collected subsequent to May 18, 1981. However, DEQ shall not unreasonably withhold its consent to a subordination of part or all of the pledged fees upon written request from Metro supported by a financing plan for a resource recovery facility accompanied by an underwriter's statement of necessity for subordination. In addition, Metro has agreed not to discontinue operation or dispose of the Metro South Station without the prior approval of DEQ.

Loan 115 is not collateralized.

Maturities of loan principal and interest are as follows:

Fiscal year ending June 30	Loan 115		Loan 118		Total requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
1989	\$ 160,000	33,000	224,000	266,918	384,000	299,918
1990	160,000	25,400	225,000	250,677	385,000	276,077
1991	160,000	17,800	225,000	235,298	385,000	253,098
1992	175,000	10,500	229,000	220,463	404,000	230,963
1993	175,000	3,500	264,000	204,092	439,000	207,592
Later years	-	-	2,573,000	861,062	2,573,000	861,062
	<u>\$ 830,000</u>	<u>90,200</u>	<u>3,740,000</u>	<u>2,038,510</u>	<u>4,570,000</u>	<u>2,128,710</u>

(10) General Long-term Obligations Account Group

The change in the balance of the liability in the General Long-term Obligations Account Group is as follows:

	Balance at June 30, 1987	Net increase in liability	Balance at June 30, 1988
Bonds payable	\$ -	65,000,000	65,000,000
Liability for compensated absences	203,382	34,108	237,490
Obligations under capital leases	<u>121,103</u>	<u>586,876</u>	<u>707,979</u>
	<u>\$ 324,485</u>	<u>65,620,984</u>	<u>65,945,469</u>

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(11) End Use Fee Payable

Effective January 1, 1987, Metro is required to contribute annually to the City of Portland \$.40 for each ton of solid waste deposited at the St. Johns Landfill. This contribution, to be used by the City for implementation of the landfill end use plan, will continue until the landfill has reached capacity and is limited to the amount needed to effectuate the end use plan. Metro has recorded a liability to the City of Portland for \$134,195 in the Solid Waste Enterprise Fund which represents the required contribution as of June 30, 1988.

(12) Deferred Revenue

Deferred revenue as of June 30, 1988 consists of:

Taxes receivable and not collected within 60 days after year end	\$ 867,248
Contract revenue received in advance of work performed	<u>9,937</u>
	<u>\$ 877,185</u>

(13) Capital Lease Obligations

Metro has capital lease agreements for computer hardware and software, a copy machine, high speed printer, telephone system and some office equipment. The agreements are for varying periods through 1994. Interest rates range from 8.4% to 13.2%.

The future minimum lease payments are:

Fiscal year ending <u>June 30</u>	
1989	\$ 151,437
1990	189,222
1991	180,390
1992	151,141
1993	151,141
Thereafter	<u>37,790</u>
Total minimum lease payments	861,121
Less amount representing interest	<u>153,142</u>
Net present value of future minimum lease payments	<u>\$ 707,979</u>

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(14) Contributed Capital

Changes in contributed capital in the Enterprise Funds for the year ended June 30, 1988 are as follows:

	<u>Solid Waste Funds</u>	<u>Building Management Fund</u>	<u>Convention Center Fund</u>	<u>Total</u>
Balance, June 30, 1987	\$ 1,357,380	250,264	-	1,607,644
Additions	-	-	65,050,000	65,050,000
Depreciation on fixed assets that reduces contributed capital (\$773,804 total accumulated depreciation at June 30, 1988)	<u>63,641</u>	<u>27,807</u>	<u>-</u>	<u>91,448</u>
Balance, June 30, 1988	<u>\$ 1,293,739</u>	<u>222,457</u>	<u>65,050,000</u>	<u>66,566,196</u>

(15) Pension Plans

Metro provides pension benefits for substantially all of its full-time employees, other than four employees who participate in the State of Oregon Public Employees Retirement System (PERS), through two defined contribution plans. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. A resolution by the Metro Council established a 5% plan which requires the employer to contribute 5% of the employee's salary and the employee vests in the contributions and earnings of the plan at 40% after two years of employment and an additional 20% per year for the next three years. Metro contributions for, and earnings forfeited by, employees who leave employment before five years of service are used to reduce Metro's current period contribution requirement. Additionally, a Metro Council resolution established a plan whereby 6% of the employee's salary is contributed by Metro and is immediately fully vested.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(15), Continued

Metro's total payroll in fiscal year 1988 was \$6,338,569. Metro's contributions for the 5% plan were calculated using the base salary amount of \$5,327,520. Metro made the required 5% contribution, amounting to \$266,376. Metro's contributions for the 6% plan were calculated using \$5,386,967 as the base salary amount. Metro made the required 6% contribution for the fiscal year, which amounted to \$323,218. In addition, employee voluntary contributions were made to the plan in the amount of \$70,598.

The 6% plan allows for loans to be taken against an individual's balance in specified circumstances. The balance of this related party transaction, employee loans outstanding, at June 30, 1988 is \$62,508.

Metro's pension contributions approximated \$590,000 for the year ended June 30, 1988 for all of the above plans.

(16) Segment Information for Enterprise Funds

Metro maintains three Enterprise Funds: the Solid Waste Fund accounts for self-supporting activities which are rendered to the general public on a user charge basis; the Building Management Fund accounts for the operations of the leased office facility at 2000 S. W. First Avenue for which management desires a periodic determination of revenues earned and expenses incurred for management control and accountability purposes; and the Convention Center Fund accounts for construction, marketing and operations of the Oregon Convention Center which will be operated on a user charge basis, supplemented by intergovernmental revenues.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

	Solid Waste <u>Fund</u>	Building Management <u>Fund</u>	Convention Center <u>Fund</u>	<u>Total</u>
Operating revenue	\$ 14,632,581	603,019	2,504,248	17,739,848
Depreciation expense	684,480	77,449	3,536	765,465
Income from operations	1,806,288	44,271	1,355,594	3,206,153
Operating transfers out	-	-	1,710,281	1,710,281
Net income	1,961,158	44,397	3,389,841	5,395,396
Contributed capital	-	-	65,050,000	65,050,000
Fixed assets -				
Additions	828,373	120,037	15,788,752	16,737,162
Net working capital	6,762,834	2,982	52,510,425	59,276,241
Total assets	19,917,606	548,041	71,084,015	91,549,662
Long-term liabilities:				
Payable from operating revenues	4,570,000	-	-	4,570,000
Less amount due within one year	<u>384,000</u>	<u>-</u>	<u>-</u>	<u>384,000</u>
	\$ <u>4,186,000</u>	<u>-</u>	<u>-</u>	<u>4,186,000</u>
Total equity	\$ <u><u>11,218,504</u></u>	<u><u>473,876</u></u>	<u><u>69,336,244</u></u>	<u><u>81,028,624</u></u>

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(17) Reconciliation of Revenues and Expenditures - Budgetary Basis to GAAP Basis

Oregon Budget Law requires accounting for certain transactions to be on a basis other than generally accepted accounting principles (GAAP basis). For all fund types presented in the combined financial statements except the Enterprise Funds, there is no difference between the excess of revenues over expenditures on a budget basis and a GAAP basis. The differences, which arise through the employment of a basis of accounting for budgetary purposes which differs from the basis of accounting appropriate for the Enterprise Funds when reporting in accordance with GAAP, are summarized in the following schedule:

	<u>Enterprise Funds</u>
Excess of expenditures over revenues on a budget basis	\$ (6,824,801)
Add amounts included as expenditures on a budgetary basis but not deducted as expenses on a GAAP basis:	
Fixed asset additions	16,737,162
Principal payments on loans	588,000
Add amounts not included as revenues on a budgetary basis but included as revenues on a GAAP basis:	
Receipts in lieu of rent	410,043
Landfill siting fees	79,434
Intergovernmental revenue	92,842
Subtract amounts not included as expenditures on a budgetary basis but included as expenses on a GAAP basis:	
Depreciation	(765,465)
Post-closure costs	(514,630)
Arbitrage	(316,189)
Subtract amount included as revenues on a budgetary basis but not included as revenues on a GAAP basis -	
Contributed capital - Federal grant	(50,000)
Less costs paid to various funds, recorded as transfers on a budgetary basis:	
Administrative costs paid to General Fund	(1,488,114)
Payment for services provided by Planning Fund	(7,500)
Payment to Building Management Fund in lieu of rent	(92,464)
Payment to Insurance Fund	(387,343)
Payment of fees collected to Rehabilitation and Enhancement Fund	(348,465)
Less operating transfers included in net income for GAAP purposes	(1,710,281)
Other	<u>(6,833)</u>
Net income presented in combined statement of revenues, expenses and changes in retained earnings/fund balance - proprietary fund types and similar trust fund	<u>\$ 5,395,396</u>

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

(18) Commitments and Contingencies

Contracts

Total contract commitments at June 30, 1988, primarily for construction projects, were approximately \$1,000,000 for the Capital Projects Fund and \$600,000 for the Convention Center Fund.

Reviews by Grantor Agencies

Grant costs are subject to review by the grantor agencies. Any costs disallowed as the result of the review would be borne by Metro and would require the return of such amount 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 subgrantees.

Arbitrage Payable

Under certain conditions, the Tax Reform Act of 1986 requires governmental units to remit a portion of any arbitrage on general obligation bond issues. As of June 30, 1988, Metro has recorded a liability of \$316,189 in these financial statements for their estimated arbitrage payable.

Office Leases

Metro leases office space at 2000 S. W. First Avenue, Portland, Oregon. The term of the lease is eleven years and four months beginning March 1985, with a five-year renewal option at the end of the initial term. Under this lease, Metro is required to pay all utilities and certain other maintenance costs. Metro intends to sublease a significant portion of the office space and as of June 30, 1988 has entered into six sublease agreements.

Rental expense under the lease for the year ended June 30, 1988 amounted to approximately \$234,000, which has not been reduced by approximately \$146,000 of sublease rental receipts.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

The following is a schedule by years of future minimum rental payments required under the operating lease for the office space at 2000 S. W. First Avenue as of June 30, 1988:

Fiscal year ending June 30	
1989	\$ 234,000
1990	234,000
1991	234,000
1992	291,000
1993	291,000
Thereafter	<u>872,000</u>
Total minimum payments required	<u>\$ 2,156,000</u>

Minimum payments of \$2,156,000 presented in the schedule have not been reduced by future minimum sublease rentals totalling approximately \$400,800 at June 30, 1988.

St. Johns Landfill

Metro is leasing the landfill from the City of Portland. The lease term runs through December 31, 1991, or until the operational life of the landfill is completed, whichever is earlier. The lease agreement commits Metro to meet waste tonnage targets in order to ensure the availability of a disposal site for the region. If the tonnage targets are exceeded, subject to certain allowances, Metro is required to pay to the City of Portland \$2.00 per ton for all tons deposited in the landfill.

The lease agreement commits Metro to finance certain post-closure environmental control measures for the expansion area of the landfill. At June 30, 1988, a liability of \$2,150,992 has been recorded for post-closure costs based upon prior engineering studies and Metro's post-closure plan. The United States Environmental Protection Agency (EPA) recently issued proposed rules requiring post-closure care up to or beyond thirty years instead of the current ten years required by State of Oregon rules. Although the State of Oregon Department of Environmental quality (DEQ) and the City of Portland have indicated that post-closure costs will be higher than the liability established, no reasonable estimate can be made at this time.

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

Additionally, Metro contracts with Browning-Ferris for the maintenance and operation of the landfill (other than the gatehouse which Metro operates). The contract runs through the landfill closure date or September 30, 1992, whichever is earlier.

The approximate annual commitments related to the St. Johns Landfill, based on forecasted tons of refuse and a 5% inflation factor, are:

Fiscal year ending <u>June 30</u>	City of Portland landfill <u>lease</u>	Maintenance and operations <u>contract</u>
1989	\$ 332,000	3,237,000
1990	349,000	3,630,000
1991	<u>366,000</u>	<u>3,159,000</u>
	<u>\$ 1,047,000</u>	<u>10,026,000</u>

A portion of the maintenance and operations commitment, estimated by management to be \$1,500,000, relates to landfill improvements, primarily final ground cover.

Gilliam County Landfill Site

Metro has entered into a contract with Oregon Waste Systems for disposal of 17 million tons of solid waste or the time span of 20 years, whichever is earlier. Limited hauling is scheduled to begin approximately January 1990.

The contract requires fixed payments of approximately \$3,000,000 per year, in addition to a per ton rate of \$19.50. This per ton rate will be adjusted accordingly with the Consumer Price Index (CPI).

(Continued)

METROPOLITAN SERVICE DISTRICT

Notes to Combined Financial Statements, Continued

The approximate annual commitment based on forecasted tons of refuse and 5% inflation factor are:

Fiscal year ending June 30	Fixed payments	Variable payment based on tons
1989	\$ -	-
1990	3,004,917	12,558,000
1991	3,004,917	13,616,000
1992	3,004,917	14,748,000
1993	3,004,917	15,957,000
Later years	24,039,332	337,038,000
Total	\$ 36,059,000	393,917,000

Metro South Station

Metro contracts for operations of the Metro South Station. The contract term is six years from the start of operation in April 1983.

The approximate commitment based on forecasted usage and a 5% inflation factor relative to the Metro South Station for the fiscal year ending June 30, 1989 is \$1,800,000.

Waste Reduction Program Contingency

Beginning in fiscal year 1986, Metro is required under Oregon Revised Statutes Section 459 to apportion the charges collected for disposal of solid waste; \$.50 per ton of solid waste is currently set aside for rehabilitation and enhancement of the area in and around the landfill from which the fees were collected and \$1.00 per ton is currently paid into the State's Land Disposal Mitigation Account.

Legal Matters

Metro is involved as a defendant in several claims and disputes which, for the most part, are normal to Metro's activities. Management intends to vigorously contest these matters and does not believe their ultimate resolution will have a material effect upon its financial position or operations.

*Combining
Individual Fund
Statements and
Schedules*

METROPOLITAN SERVICE DISTRICT

General Fund

Statement of Revenues - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Documents and publications	\$ 3,500	6,230	2,730
Professional and contract service fees	3,000	5,378	2,378
Interest	50,000	109,926	59,926
Miscellaneous	<u>1,500</u>	<u>4,799</u>	<u>3,299</u>
Total revenues	<u>58,000</u>	<u>126,333</u>	<u>68,333</u>
Other financing sources:			
Operating transfers from:			
Solid Waste Operating Fund	1,116,363	1,116,363	-
Zoo Operating Fund	602,837	602,837	-
Planning Fund	641,756	555,069	(86,687)
Convention Center Project Management Fund	89,220	89,220	-
Convention Center Capital Fund	<u>282,531</u>	<u>282,531</u>	<u>-</u>
Total other financing sources	<u>2,732,707</u>	<u>2,646,020</u>	<u>(86,687)</u>
Beginning fund balance available for appropriation	<u>325,000</u>	<u>332,655</u>	<u>7,655</u>
	<u>\$ 3,115,707</u>	<u>3,105,008</u>	<u>(10,699)</u>

METROPOLITAN SERVICE DISTRICT

General Fund

Statement of Expenditures -
Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Expenditures:			
Council:			
Personal services	\$ 201,514	195,143	6,371
Materials and services	71,620	62,878	8,742
Capital outlay	5,160	4,752	408
	<u>278,294</u>	<u>262,773</u>	<u>15,521</u>
General counsel:			
Personal services	68,457	59,067	9,390
Materials and services	-	363	(363)
	<u>68,457</u>	<u>59,430</u>	<u>9,027</u>
Executive management:			
Personal services	288,715	287,564	1,151
Materials and services	78,587	78,474	113
Capital outlay	3,000	2,989	11
	<u>370,302</u>	<u>369,027</u>	<u>1,275</u>
Public affairs:			
Personal services	376,573	331,522	45,051
Materials and services	53,716	47,981	5,735
Capital outlay	16,650	16,047	603
	<u>446,939</u>	<u>395,550</u>	<u>51,389</u>
Finance and administration:			
Personal services	876,965	842,351	34,614
Materials and services	569,320	471,940	97,380
Capital outlay	35,106	32,850	2,256
	<u>1,481,391</u>	<u>1,347,141</u>	<u>134,250</u>

(Continued)

METROPOLITAN SERVICE DISTRICT

General Fund

Statement of Expenditures -
Budget and Actual, Continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Expenditures, continued:			
General operating contingency	\$ <u>143,756</u>	<u>-</u>	<u>143,756</u>
Total expenditures	2,789,139	2,433,921	355,218
Other financing uses -			
Transfers	<u>272,901</u>	<u>272,901</u>	<u>-</u>
Total expenditures and other financing uses	3,062,040	2,706,822	355,218
Unappropriated ending fund balance	<u>53,667</u>	<u>398,186</u>	<u>344,519</u>
	<u>\$ 3,115,707</u>	<u>3,105,008</u>	<u>10,699</u>

METROPOLITAN SERVICE DISTRICT

Special Revenue Funds

Combining Balance Sheet

June 30, 1988

<u>Assets</u>	Convention, Trade and Spectator Facilities Fund	Planning Fund	Zoo Fund	<u>Totals</u>
Cash and investments	\$ 10,674	64,921	2,395,502	2,471,097
Receivables:				
Property taxes	-	-	741,420	741,420
Federal grants	-	134,560	-	134,560
State grants	-	105,985	-	105,985
Local grants/contracts	-	80,540	-	80,540
Other	-	54	4,036	4,090
Inventory of materials and supplies	-	-	161,562	161,562
Other assets	-	2,939	125	3,064
	<u>\$ 10,674</u>	<u>388,999</u>	<u>3,302,645</u>	<u>3,702,318</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	-	60,468	355,592	416,060
Salaries, withholdings and payroll taxes payable	-	45,421	241,031	286,452
Contracts payable	737	4,375	-	5,112
Deferred revenue	9,937	-	692,605	702,542
Unearned grant revenue	-	121,552	-	121,552
Deposits payable	-	-	2,879	2,879
Other	-	10,248	-	10,248
Total liabilities	10,674	242,064	1,292,107	1,544,845
Fund balances - unreserved	-	146,935	2,010,538	2,157,473
	<u>\$ 10,674</u>	<u>388,999</u>	<u>3,302,645</u>	<u>3,702,318</u>

METROPOLITAN SERVICE DISTRICT

Special Revenue Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the year ended June 30, 1988

	Convention, Trade and Spectator Facilities <u>Fund</u>	Planning <u>Fund</u>	Zoo <u>Fund</u>	<u>Totals</u>
Revenues:				
Property taxes	\$ -	-	5,555,979	5,555,979
Dues	-	625,488	-	625,488
Federal grants	-	565,360	77,020	642,380
State grants	-	348,579	-	348,579
Local grants	-	198,212	-	198,212
Admissions	-	-	1,515,004	1,515,004
Charges for services	-	7,500	346,591	354,091
Vending and concessions	-	-	1,742,039	1,742,039
Donations and bequests	-	-	125,172	125,172
Professional and contract service fees	6,012	60,050	-	66,062
Interest	1,241	17,838	128,681	147,760
Miscellaneous	-	11,797	135,267	147,064
Total revenues	7,253	1,834,824	9,625,753	11,467,830
Other financing sources:				
Operating transfer from - General Fund	-	21,953	-	21,953
Total revenues and other financing sources	7,253	1,856,777	9,625,753	11,489,783
Expenditures:				
Current:				
Zoo operations	-	-	6,246,405	6,246,405
Planning and development:				
Personal services	-	925,425	-	925,425
Materials and services	16,040	371,790	-	387,830
Expense reimbursement - General Fund	-	555,069	602,837	1,157,906
Capital outlay	-	19,741	393,243	412,984
Total expenditures	16,040	1,872,025	7,242,485	9,130,550

(Continued)

METROPOLITAN SERVICE DISTRICT

Special Revenue Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances, Continued

	Convention, Trade and Spectator Facilities <u>Fund</u>	Planning <u>Fund</u>	Zoo <u>Fund</u>	<u>Totals</u>
Other financing uses:				
Operating transfers to - Zoo Capital Fund	\$ -	-	2,219,549	2,219,549
Total other financing uses	-	-	2,219,549	2,219,549
Total expenditures and other financing uses	16,040	1,872,025	9,462,034	11,350,099
Revenues and other financing sources over (under) expenditures and other financing uses	(8,787)	(15,248)	163,719	139,684
Fund balances - June 30, 1987	<u>8,787</u>	<u>162,183</u>	<u>1,846,819</u>	<u>2,017,789</u>
Fund balances - June 30, 1988	\$ -	146,935	2,010,538	2,157,473

METROPOLITAN SERVICE DISTRICT

Convention, Trade and Spectator Facilities Fund

Statement of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Professional and contract service fees	\$ 50,000	6,012	(43,988)
Interest	<u>1,500</u>	<u>1,241</u>	<u>(259)</u>
Total revenues	51,500	7,253	(44,247)
Beginning fund balance available for appropriation	<u>8,312</u>	<u>8,787</u>	<u>(475)</u>
	<u>\$ 59,812</u>	<u>16,040</u>	<u>(43,772)</u>
Expenditures:			
Materials and services	58,000	16,040	41,960
General operating contingency	<u>1,812</u>	<u>-</u>	<u>1,812</u>
Total expenditures	<u>\$ 59,812</u>	<u>16,040</u>	<u>43,772</u>

METROPOLITAN SERVICE DISTRICT

Planning Fund

Statement of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Dues	\$ 625,488	625,488	-
Federal grants	897,711	565,360	(332,351)
State grants	391,712	348,579	(43,133)
Local grants	37,854	198,212	160,358
Professional and contract service fees	26,500	60,050	33,550
Interest	20,000	17,838	(2,162)
Miscellaneous	<u>80,301</u>	<u>11,797</u>	<u>(68,504)</u>
Total revenues	2,079,566	1,827,324	(252,242)
Other financing sources:			
Operating transfers from:			
General Fund	21,953	21,953	-
Solid Waste Operating Fund	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Total revenues and other financing sources	2,109,019	1,856,777	(252,242)
Beginning fund balance available for appropriation	<u>261,427</u>	<u>162,183</u>	<u>(99,244)</u>
	<u>\$ 2,370,446</u>	<u>2,018,960</u>	<u>(351,486)</u>
Expenditures:			
Personal services	1,000,133	925,425	74,708
Materials and services	477,007	284,941	192,066
Capital outlay	29,701	19,741	9,960
General operating contingency	<u>94,286</u>	<u>-</u>	<u>94,286</u>
Total expenditures	1,601,127	1,230,107	371,020
Other financing uses -			
Transfers	<u>728,938</u>	<u>641,918</u>	<u>87,020</u>
Total expenditures and other financing uses	2,330,065	1,872,025	458,040
Unappropriated ending fund balance	<u>40,381</u>	<u>146,935</u>	<u>106,554</u>
	<u>\$ 2,370,446</u>	<u>2,018,960</u>	<u>351,486</u>

METROPOLITAN SERVICE DISTRICT

Zoo Fund

Statement of Revenues and Expenditures -
Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Property taxes	\$ 5,500,000	5,555,979	55,979
Federal grants	25,000	77,020	52,020
Admissions	1,506,340	1,515,004	8,664
Railroad	281,424	346,591	65,167
Vending and concessions	1,100,112	1,318,415	218,303
Gift shop	375,232	423,624	48,392
Donations and bequests	69,000	125,172	56,172
Interest	84,262	128,681	44,419
Miscellaneous	156,150	135,267	(20,883)
Total revenues	9,097,520	9,625,753	528,233
 Beginning fund balance available for appropriation	 1,440,000	 1,846,819	 406,819
	<u>\$ 10,537,520</u>	<u>11,472,572</u>	<u>935,052</u>
 Expenditures:			
Administration:			
Personal services	257,471	247,310	10,161
Materials and services	152,009	135,990	16,019
Capital outlay	27,599	27,685	(86)
	437,079	410,985	26,094
 Animal management:			
Personal services	1,209,183	1,218,519	(9,336)
Materials and services	214,900	230,409	(15,509)
Capital outlay	14,300	13,573	727
	1,438,383	1,462,501	(24,118)
 Facilities management:			
Personal services	978,228	989,204	(10,976)
Materials and services	898,737	899,769	(1,032)
Capital outlay	381,156	318,402	62,754
	2,258,121	2,207,375	50,746

(Continued)

METROPOLITAN SERVICE DISTRICT

Zoo Fund

Statement of Revenues and Expenditures -
Budget and Actual, Continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Expenditures, continued:			
Educational services:			
Personal services	\$ 430,697	424,210	6,487
Materials and services	93,347	90,120	3,227
Capital outlay	<u>11,400</u>	<u>11,028</u>	<u>372</u>
	<u>535,444</u>	<u>525,358</u>	<u>10,086</u>
Marketing:			
Personal services	106,752	102,259	4,493
Materials and services	145,955	122,196	23,759
Capital outlay	<u>6,750</u>	<u>6,344</u>	<u>406</u>
	<u>259,457</u>	<u>230,799</u>	<u>28,658</u>
Visitor services:			
Personal services	865,723	850,020	15,703
Materials and services	693,206	663,422	29,784
Capital outlay	<u>16,720</u>	<u>16,210</u>	<u>510</u>
	<u>1,575,649</u>	<u>1,529,652</u>	<u>45,997</u>
General operating contingency	<u>117,826</u>	<u>-</u>	<u>117,826</u>
Total expenditures	<u>6,621,959</u>	<u>6,366,670</u>	<u>255,289</u>
Other financing uses -			
Transfers	<u>3,095,364</u>	<u>3,095,364</u>	<u>-</u>
Total expenditures and other financing uses	<u>9,717,323</u>	<u>9,462,034</u>	<u>255,289</u>
Unappropriated ending fund balance	<u>820,197</u>	<u>2,010,538</u>	<u>1,190,341</u>
	<u>\$ 10,537,520</u>	<u>11,472,572</u>	<u>935,052</u>

METROPOLITAN SERVICE DISTRICT

Convention Center Debt Service Fund

Statement of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Taxes	\$ 2,438,800	2,515,431	76,631
Bond issue proceeds	200,432	200,432	-
Interest on investments	<u>60,000</u>	<u>95,671</u>	<u>35,671</u>
Total revenues	2,699,232	2,811,534	112,302
Other financing sources:			
Transfer from -			
Convention Center Capital			
Fund	<u>1,710,281</u>	<u>1,710,281</u>	<u>-</u>
Total revenues and other	\$ 4,409,513	4,521,815	112,302
financing sources	<u> </u>	<u> </u>	<u> </u>
Expenditures -			
Debt service interest	<u>4,409,513</u>	<u>4,409,513</u>	<u>-</u>
Total expenditures	4,409,513	4,409,513	-
Unappropriated ending fund balance	<u>-</u>	<u>112,302</u>	<u>112,302</u>
	<u>\$ 4,409,513</u>	<u>4,521,815</u>	<u>112,302</u>

METROPOLITAN SERVICE DISTRICT

Zoo Capital Fund

Statement of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Donations and bequests	\$ 75,000	382,885	307,885
Interest	468,339	450,152	(18,187)
Miscellaneous	<u>45,000</u>	<u>190</u>	<u>(44,810)</u>
Total revenues	588,339	833,227	244,888
Other financing sources:			
Transfer from -			
Zoo Fund	<u>2,219,549</u>	<u>2,219,549</u>	<u>-</u>
Total revenues and other financing sources	2,807,888	3,052,776	244,888
Beginning fund balance available for appropriation	<u>7,080,557</u>	<u>7,362,624</u>	<u>282,067</u>
	<u>\$ 9,888,445</u>	<u>10,415,400</u>	<u>526,955</u>
Expenditures:			
Personal services	53,439	52,681	758
Capital outlay	6,895,292	6,236,469	658,823
General operating contingency	<u>156,364</u>	<u>-</u>	<u>156,364</u>
Total expenditures	7,105,095	6,289,150	815,945
Unappropriated ending fund balance	<u>2,783,350</u>	<u>4,126,250</u>	<u>1,342,900</u>
	<u>\$ 9,888,445</u>	<u>10,415,400</u>	<u>526,955</u>

METROPOLITAN SERVICE DISTRICT

Enterprise Funds

Combining Balance Sheet

June 30, 1988

<u>Assets</u>	<u>Solid Waste Fund</u>	<u>Building Management Fund</u>	<u>Convention Center Fund</u>	<u>Total</u>
Cash and investments	\$ 5,851,263	60,265	52,664,308	58,575,836
Receivables:				
Trade, net	1,902,476	13,851	-	1,916,327
Landfill siting fees	542,819	-	-	542,819
Interest receivable	-	-	857,882	857,882
Federal grant	-	-	50,000	50,000
Other	2,644	36	60	2,740
Due from other governments	-	-	685,946	685,946
Advance to other governments	290,000	-	-	290,000
Restricted assets -				
Cash and investments	2,695,205	-	316,189	3,011,394
Fixed assets, net	<u>8,633,199</u>	<u>473,889</u>	<u>16,509,630</u>	<u>25,616,718</u>
Total assets	<u>\$ 19,917,606</u>	<u>548,041</u>	<u>71,084,015</u>	<u>91,549,662</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	1,065,371	72,553	1,404,903	2,542,827
Salaries, withholdings and payroll taxes payable	109,945	1,568	22,008	133,521
Accrued interest payable	123,839	-	-	123,839
Contracts payable	-	44	-	44
End use fee payable	134,195	-	-	134,195
Due to other funds	547	-	-	547
Payable from restricted assets:				
Arbitrage payable	-	-	316,189	316,189
Contracts payable	436,427	-	-	436,427
Deposits	107,786	-	-	107,786
Post-closure costs payable	2,150,992	-	-	2,150,992
Loans payable	4,570,000	-	-	4,570,000
Other	-	-	4,671	4,671
Total liabilities	<u>8,699,102</u>	<u>74,165</u>	<u>1,747,771</u>	<u>10,521,038</u>
Fund equity:				
Contributed capital, net	1,293,739	222,457	65,050,000	66,566,196
Retained earnings	<u>9,924,765</u>	<u>251,419</u>	<u>4,286,244</u>	<u>14,462,428</u>
Total fund equity	<u>11,218,504</u>	<u>473,876</u>	<u>69,336,244</u>	<u>81,028,624</u>
Total liabilities and fund equity	<u>\$ 19,917,606</u>	<u>548,041</u>	<u>71,084,015</u>	<u>91,549,662</u>

METROPOLITAN SERVICE DISTRICT

Enterprise Funds

Combining Statement of Revenues, Expenses
and Changes in Retained Earnings

For the year ended June 30, 1988

	<u>Solid Waste Fund</u>	<u>Building Management Fund</u>	<u>Convention Center Fund</u>	<u>Total</u>
Operating revenues:				
Disposal fees	\$ 7,044,192	-	-	7,044,192
User fees	3,230,037	-	-	3,230,037
Regional transfer charge	2,302,501	-	-	2,302,501
Convenience charge	870,158	-	-	870,158
Landfill siting and rehabilitation fees	1,127,140	-	-	1,127,140
Intergovernmental revenue	-	-	2,503,656	2,503,656
Rental and lease income	-	147,590	-	147,590
Receipts in lieu of rent	-	410,043	-	410,043
Parking fees	-	45,166	-	45,166
Miscellaneous	58,553	220	592	59,365
Total operating revenues	14,632,581	603,019	2,504,248	17,739,848
Operating and administrative expenses:				
Payroll and fringe benefits	1,357,490	45,120	76,401	1,479,011
St. Johns Landfill operating expenses, including \$311,016 rent	2,871,405	-	-	2,871,405
Metro South Station operating expenses	2,258,025	-	-	2,258,025
DEQ landfill siting fees	1,001,333	-	-	1,001,333
Depreciation	684,480	77,449	3,536	765,465
Rent and payments in lieu of rent	75,640	234,388	4,038	314,066
Administrative expenses paid to General Fund	1,116,363	-	89,220	1,205,583
Payments to Planning Fund for services	7,500	-	-	7,500
Insurance expense	364,878	-	5,392	370,270
Post-closure costs	514,630	-	-	514,630
Payment of rehabilitation fees	348,465	-	-	348,465
Contractual services	1,080,922	-	-	1,080,922
Other materials and services	1,145,162	201,791	970,067	2,317,020
Total operating and administrative expenses	12,826,293	558,748	1,148,654	14,533,695
Income from operations	1,806,288	44,271	1,355,594	3,206,153

(Continued)

METROPOLITAN SERVICE DISTRICT

Enterprise Funds

Combining Statement of Revenues, Expenses
and Changes in Retained Earnings, Continued

	<u>Solid Waste Fund</u>	<u>Building Management Fund</u>	<u>Convention Center Fund</u>	<u>Total</u>
Non-operating revenues (expenses):				
Interest on investments	\$ 472,447	126	3,751,140	4,223,713
Interest expense	<u>(317,577)</u>	<u>-</u>	<u>(6,612)</u>	<u>(324,189)</u>
Non-operating revenues (expenses), net	<u>154,870</u>	<u>126</u>	<u>3,744,528</u>	<u>3,899,524</u>
Income before operating transfers	1,961,158	44,397	5,100,122	7,105,677
Operating transfers out	<u>-</u>	<u>-</u>	<u>(1,710,281)</u>	<u>(1,710,281)</u>
Net income	1,961,158	44,397	3,389,841	5,395,396
Depreciation on fixed assets that reduces contributed capital	<u>63,641</u>	<u>27,807</u>	<u>-</u>	<u>91,448</u>
Increase in retained earnings	2,024,799	72,204	3,389,841	5,486,844
Retained earnings - June 30, 1987	<u>7,899,966</u>	<u>179,215</u>	<u>896,403</u>	<u>8,975,584</u>
Retained earnings - June 30, 1988	<u>\$ 9,924,765</u>	<u>251,419</u>	<u>4,286,244</u>	<u>14,462,428</u>

METROPOLITAN SERVICE DISTRICT

Enterprise Funds

Combining Statement of Changes
in Financial Position

For the year ended June 30, 1988

	<u>Solid Waste Fund</u>	<u>Building Management Fund</u>	<u>Convention Center Fund</u>	<u>Total</u>
Working capital provided from:				
Net income	\$ 1,961,158	44,397	3,389,841	5,395,396
Add charges to operations not affecting working capital in the current year:				
Depreciation	684,480	77,449	3,536	765,465
Post-closure costs	<u>514,630</u>	<u>-</u>	<u>-</u>	<u>514,630</u>
Working capital provided from operations	3,160,268	121,846	3,393,377	6,675,491
Increase (decrease) in liabilities payable from restricted assets	(41,722)	-	316,189	274,467
Increase in contributed capital	<u>-</u>	<u>-</u>	<u>65,050,000</u>	<u>65,050,000</u>
Total working capital provided	<u>3,118,546</u>	<u>121,846</u>	<u>68,759,566</u>	<u>71,999,958</u>
Working capital used:				
Additions to plant and equipment	828,373	120,037	15,788,752	16,737,162
Current maturities of loans payable	384,000	-	-	384,000
Increase in restricted assets	<u>472,908</u>	<u>-</u>	<u>316,189</u>	<u>789,097</u>
Total working capital used	<u>1,685,281</u>	<u>120,037</u>	<u>16,104,941</u>	<u>17,910,259</u>
Increase in working capital	<u>\$ 1,433,265</u>	<u>1,809</u>	<u>52,654,625</u>	<u>54,089,699</u>
Elements of net increase (decrease) in working capital:				
Cash and investments	1,584,872	(16,103)	52,275,356	53,844,125
Receivables	370,768	(1,240)	907,821	1,277,349
Due from other governments	-	-	92,842	92,842
Due from other funds	(420,390)	-	-	(420,390)
Other assets	(81,500)	-	-	(81,500)
Accounts, salaries and other payables	(223,938)	19,152	(1,041,784)	(1,246,570)
Due to other funds	(547)	-	420,390	419,843
Loan payable within one year	<u>204,000</u>	<u>-</u>	<u>-</u>	<u>204,000</u>
Increase in working capital	<u>\$ 1,433,265</u>	<u>1,809</u>	<u>52,654,625</u>	<u>54,089,699</u>

METROPOLITAN SERVICE DISTRICT

Enterprise Funds

Description of Solid Waste Budgetary Funds

For financial reporting purposes, management considers the activities relating to solid waste management as those of a unitary enterprise operation and as such the activities 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. Statements for these funds prepared according to budgetary concepts are presented in the following pages.

Solid Waste Operating Fund

The primary activities accounted for in the Solid Waste Operating Fund are expenditures relating to the implementation, administration and enforcement of Metro's Solid Waste Management Plan and operation of the St. Johns Landfill and Metro South Station. Disposal fees provide the primary sources of revenue.

Solid Waste Debt Service Fund

The Solid Waste Debt Service Fund accounts for repayment of loans from the State of Oregon Department of Environmental Quality (DEQ). The principal source for loan repayments is transfers from the Solid Waste Operating Fund.

Solid Waste Capital Improvement Fund

The Solid Waste Capital Improvement Fund accounts for the construction of capital improvements for the Solid Waste Management Program, including expenditures incurred to properly close out the St. Johns Landfill. The primary expenditures in the fund are for the placement of final cover, roads and drainage structures. The principal sources of revenues are transfers from the Solid Waste Operating Fund and interest earnings on cash and investments.

Solid Waste St. Johns Reserve Fund

The Solid Waste St. Johns Reserve Fund accounts for the funding of two environmental control activities which will begin after the St. Johns Landfill is closed. The activities are:

- o annual maintenance of the landfill, including grading, compacting and reseeding;
- o leachate processing and transportation.

Solid Waste St. Johns Final Improvement Fund

The Solid Waste St. Johns Final Improvement Fund was closed during the current fiscal year. All available funds were transferred to the Solid Waste Capital Improvement Fund.

METROPOLITAN SERVICE DISTRICT

Solid Waste Operating Fund

Statement of Revenues and Expenditures -
Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	Variance favorable (unfavorable)
Revenues:			
Disposal fees	\$ 9,170,900	6,956,251	(2,214,649)
User fees	3,299,600	3,230,037	(69,563)
Regional transfer charge	3,450,750	2,302,501	(1,148,249)
Convenience charge	790,600	870,158	79,558
Landfill siting and rehabilitation fees	891,600	1,047,706	156,106
Interest	75,000	180,954	105,954
Miscellaneous	<u>118,300</u>	<u>54,747</u>	<u>(63,553)</u>
Total revenues	17,796,750	14,642,354	(3,154,396)
Other financing sources:			
Operating transfers from - Convention Center Management Fund	<u>560,000</u>	<u>427,002</u>	<u>(132,998)</u>
Total revenues and other financing sources	18,356,750	15,069,356	(3,287,394)
Beginning fund balance available for appropriation	<u>1,351,000</u>	<u>3,053,985</u>	<u>1,702,985</u>
	<u>\$ 19,707,750</u>	<u>18,123,341</u>	<u>(1,584,409)</u>
Expenditures:			
Administration:			
Personal services	290,750	285,097	5,653
Materials and services	112,120	97,553	14,567
Capital outlay	<u>55,000</u>	<u>48,356</u>	<u>6,644</u>
	<u>457,870</u>	<u>431,006</u>	<u>26,864</u>
St. Johns:			
Personal services	259,022	258,888	134
Materials and services	7,557,480	3,653,591	3,903,889
Capital outlay	<u>54,000</u>	<u>9,820</u>	<u>44,180</u>
	<u>7,870,502</u>	<u>3,922,299</u>	<u>3,948,203</u>
Metro South Station:			
Personal services	149,332	149,292	40
Materials and services	2,642,490	2,523,419	119,071
Capital outlay	<u>18,800</u>	<u>3,175</u>	<u>15,625</u>
	<u>2,810,622</u>	<u>2,675,886</u>	<u>134,736</u>

(Continued)

METROPOLITAN SERVICE DISTRICT

Solid Waste Operating Fund

Statement of Revenues and Expenditures -
Budget and Actual, Continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Expenditures, continued:			
West Transfer and Recycling Center:			
Personal services	\$ 3,138	2,936	202
Materials and services	19,675	10,335	9,340
Capital outlay	5,000	-	5,000
	<u>27,813</u>	<u>13,271</u>	<u>14,542</u>
Facilities Development:			
Personal services	266,873	264,731	2,142
Materials and services	1,139,530	1,675,188	(535,658)
Capital outlay	1,400	1,088	312
	<u>1,407,803</u>	<u>1,941,007</u>	<u>(533,204)</u>
Waste reduction:			
Personal services	215,738	214,887	851
Materials and services	342,155	181,191	160,964
Capital outlay	4,600	4,068	532
	<u>562,493</u>	<u>400,146</u>	<u>162,347</u>
Systems planning:			
Personal services	173,494	171,504	1,990
Materials and services	139,275	127,627	11,648
	<u>312,769</u>	<u>299,131</u>	<u>13,638</u>
General operating contingency	<u>905,579</u>	<u>-</u>	<u>905,579</u>
Total expenditures	14,355,451	9,682,746	4,672,705
Other financing uses -			
Transfers	<u>3,953,883</u>	<u>4,307,810</u>	<u>(353,927)</u>
Total expenditures and other financing uses	18,309,334	13,990,556	4,318,778
Unappropriated ending fund balance	<u>1,398,416</u>	<u>4,132,785</u>	<u>2,734,369</u>
	<u>\$ 19,707,750</u>	<u>18,123,341</u>	<u>1,584,409</u>

METROPOLITAN SERVICE DISTRICT

Solid Waste Debt Service Fund

Statement of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Other financing sources:			
Operating transfers from:			
Solid Waste Operating Fund	\$ 916,261	916,260	(1)
Solid Waste Capital Fund	<u>1,225,000</u>	<u>-</u>	<u>(1,225,000)</u>
Total revenues and other financing sources	<u>\$ 2,141,261</u>	<u>916,260</u>	<u>(1,225,001)</u>
Expenditures -			
Interest expense and principal payment on Department of Environmental Quality loans	1,471,261	916,260	555,001
Unappropriated ending fund balance	<u>670,000</u>	<u>-</u>	<u>(670,000)</u>
	<u>\$ 2,141,261</u>	<u>916,260</u>	<u>1,225,001</u>

METROPOLITAN SERVICE DISTRICT

Solid Waste Capital Improvement Fund

Statement of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Interest	\$ 120,000	152,263	32,263
Miscellaneous	<u>-</u>	<u>3,804</u>	<u>3,804</u>
Total revenues	120,000	156,067	36,067
Other financing sources:			
Department of Environmental Quality loan proceeds	8,900,000	-	(8,900,000)
Operating transfers from:			
Solid Waste Operating Fund	968,749	1,096,692	127,943
Solid Waste Final Improvement Fund	<u>2,300,000</u>	<u>1,858,669</u>	<u>(441,331)</u>
Total revenues and other financing sources	<u>\$ 12,288,749</u>	<u>3,111,428</u>	<u>(9,177,321)</u>
Total expenditures - Capital outlay	4,151,000	761,865	3,389,135
Other financing uses - Transfers	<u>1,225,000</u>	<u>-</u>	<u>1,225,000</u>
Total expenditures and other financing uses	5,376,000	761,865	4,614,135
Unappropriated ending fund balance	<u>6,912,749</u>	<u>2,349,563</u>	<u>(4,563,186)</u>
	<u>\$ 12,288,749</u>	<u>3,111,428</u>	<u>9,177,321</u>

METROPOLITAN SERVICE DISTRICT

Solid Waste St. Johns Reserve Fund

Statement of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues -			
Interest	\$ 83,941	132,617	48,676
Other financing sources:			
Operating transfers from -			
Solid Waste Operating Fund	<u>227,993</u>	<u>382,012</u>	<u>154,019</u>
Total revenues and other financing sources	311,934	514,629	202,695
Beginning fund balance available for appropriation	<u>1,564,827</u>	<u>1,636,362</u>	<u>71,535</u>
Unappropriated ending fund balance	<u>\$ 1,876,761</u>	<u>2,150,991</u>	<u>274,230</u>

METROPOLITAN SERVICE DISTRICT

Solid Waste St. Johns Final Improvement Fund

Statement of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	Variance favorable (unfavorable)
Beginning fund balance available for appropriation	\$ <u>2,300,000</u>	<u>1,858,669</u>	(<u>441,331</u>)
Other financing uses - Transfer to Solid Waste Capital Fund	\$ <u>2,300,000</u>	<u>1,858,669</u>	<u>441,331</u>

METROPOLITAN SERVICE DISTRICT

Building Management Fund

Statement of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Rental and lease income	\$ 163,349	147,590	(15,759)
Parking fees	40,348	45,166	4,818
Interest	-	126	126
Miscellaneous	-	220	220
Total revenues	<u>203,697</u>	<u>193,102</u>	<u>(10,595)</u>
Other financing sources:			
Operating transfers:			
General Fund	240,737	240,737	-
Solid Waste Operating Fund	74,923	75,640	717
Planning Fund	76,971	76,842	(129)
Convention Center Project Management Fund	4,029	4,038	9
Convention Center Project Capital Fund	<u>12,757</u>	<u>12,786</u>	<u>29</u>
Total other financing sources	<u>409,417</u>	<u>410,043</u>	<u>626</u>
Total revenues and other financing sources	<u>\$ 613,114</u>	<u>603,145</u>	<u>(9,969)</u>
Expenditures:			
Personal services	47,572	46,929	643
Materials and services	444,500	436,179	8,321
Capital outlay	<u>121,042</u>	<u>120,037</u>	<u>1,005</u>
Total expenditures	<u>\$ 613,114</u>	<u>603,145</u>	<u>9,969</u>

METROPOLITAN SERVICE DISTRICT

Enterprise Funds

Description of Convention Center Budgetary Funds

For financial reporting purposes, management considers the activities relating to Convention Center management as those of a unitary enterprise operation and as such the activities are reported in the Convention Center Fund in a preceding section of this report. However, for budgetary and legal purposes, these activities are accounted for in the funds described below. Statements for these funds prepared according to budgetary concepts are presented in the following pages.

Convention Center Project Management Fund

The Convention Center Project Management Fund accounts for expenditures associated with marketing, booking and the operation of the Convention Center. The primary source of revenue for this fund is the hotel/motel tax proceeds transferred from Multnomah County.

Convention Center Project Capital Fund

The primary sources of revenue for the Convention Center Project Capital Fund are the proceeds from general obligation bonds, interest, and state and Federal grants. Eligible expenditures to be made from this fund relate directly to the site acquisition and construction of the Convention Center.

METROPOLITAN SERVICE DISTRICT

Convention Center Project Management Fund

Statement of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Intergovernmental revenue	\$ 2,050,000	2,410,814	360,814
Interest on investments	-	56,611	56,611
Miscellaneous	-	262	262
Total revenues	2,050,000	2,467,687	417,687
Other financing sources -			
Transfer from Convention Center Capital Fund	560,000	427,002	(132,998)
Total revenues and other financing sources	\$ 2,610,000	2,894,689	284,689
Expenditures:			
Project office:			
Personal services	66,884	67,231	(347)
Materials and services	1,081,535	963,106	118,429
Total project office	1,148,419	1,030,337	118,082
Metro ER Commission -			
Materials and services	88,900	6,961	81,939
Total expenditures	1,237,319	1,037,298	200,021
Other financing uses:			
Transfer	658,641	525,653	132,988
General operating contingency	214,040	-	214,040
Total other financing uses	872,681	525,653	347,028
Unappropriated ending fund balance	500,000	1,331,738	831,738
Total expenditures and other financing uses	\$ 2,610,000	2,894,689	284,689

METROPOLITAN SERVICE DISTRICT

Convention Center Capital Fund

Statement of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Federal grants	\$ 50,000	50,000	-
Interest	3,894,320	4,010,718	116,398
Miscellaneous	-	330	330
Total revenues	3,944,320	4,061,048	116,728
Other financing sources -			
Bond issue proceeds	65,000,000	65,000,000	-
Total revenues and other financing sources	\$ 68,944,320	69,061,048	116,728
Expenditures:			
Personal services	210,372	188,543	21,829
Materials and services	340,300	218,706	121,594
Capital outlay	18,863,123	15,069,113	3,794,010
Contingency	2,334,081	-	2,334,081
Total expenditures	21,747,876	15,476,362	6,271,514
Other financing uses -			
Transfers	2,582,642	2,449,673	132,969
Total expenditures and other financing uses	24,330,518	17,926,035	6,404,483
Unappropriated ending fund balance	44,613,802	51,135,013	6,521,211
	\$ 68,944,320	69,061,048	116,728

METROPOLITAN SERVICE DISTRICT

Reconciliation of Enterprise Funds' Revenues and Expenditures
(Budgetary Basis) to Combining Statement of Revenues, Expenses
and Changes in Retained Earnings (GAAP Basis)

For the year ended June 30, 1988

	Budgetary basis		Revenues over (under) expenditures
	Revenues	Expenditures	
Solid Waste Fund:			
Solid Waste Operating Fund	\$ 14,642,354	9,682,746	4,959,608
Solid Waste Debt Service Fund	-	916,260	(916,260)
Solid Waste Capital Improvement Fund	156,067	761,865	(605,798)
Solid Waste St. Johns Reserve Fund	<u>132,617</u>	<u>-</u>	<u>132,617</u>
Total Solid Waste Fund	<u>\$ 14,931,038</u>	<u>11,360,871</u>	<u>3,570,167</u>
Building Management Fund	<u>\$ 193,102</u>	<u>603,145</u>	<u>(410,043)</u>
Convention Center Fund:			
Convention Center Project Management Fund	2,467,687	1,037,298	1,430,389
Convention Center Capital Fund	<u>4,061,048</u>	<u>15,476,362</u>	<u>(11,415,314)</u>
Total Convention Center Fund	<u>\$ 6,528,735</u>	<u>16,513,660</u>	<u>(9,984,925)</u>

(Continued)

METROPOLITAN SERVICE DISTRICT

Reconciliation of Enterprise Funds' Revenues and Expenditures (Budgetary Basis) to Combining Statement of Revenues, Expenses and Changes in Retained Earnings (GAAP Basis), Continued

	Solid Waste Fund	Building Management Fund	Convention Center Fund	Total
Budgetary basis:				
Revenues	\$ 14,931,038	193,102	6,528,735	21,652,875
Expenditures	(11,360,871)	(603,145)	(16,513,660)	(28,477,676)
	3,570,167	(410,043)	(9,984,925)	(6,824,801)
Add amounts included as expenditures in budgetary schedules not deducted as expenses in statement of revenues, expenses and changes in retained earnings/fund balance:				
Capital outlay expenditures, recorded as fixed asset additions	828,372	120,037	15,788,753	16,737,162
Principal payments on loans	588,000	-	-	588,000
Add amounts not included as revenues in budgetary schedules but included as revenues in statement of revenues, expenses and changes in retained earnings/fund balance:				
Receipts in lieu of rent	-	410,043	-	410,043
Landfill siting fees	79,434	-	-	79,434
Intergovernmental revenue	-	-	92,842	92,842
Subtract amounts not included as expenditures in budgetary schedules but included as expenses in statement of revenues, expenses and changes in retained earnings/fund balance:				
Depreciation	(684,480)	(77,449)	(3,536)	(765,465)
Post-closure costs	(514,630)	-	-	(514,630)
Arbitrage expense	-	-	(316,189)	(316,189)
Subtract amounts included as revenues on a budgetary basis but not included as revenues on a GAAP basis -				
Contributed capital - Federal grant	-	-	(50,000)	(50,000)
Less costs paid to various funds, recorded as transfers in budgetary schedules:				
Administrative costs paid to the General Fund	(1,116,363)	-	(371,751)	(1,488,114)
Payment of services provided by Planning Fund	(7,500)	-	-	(7,500)
Payment to Building Management Fund in lieu of rent	(75,640)	-	(16,824)	(92,464)
Payment to Insurance Fund	(364,878)	-	(22,465)	(387,343)
Payment of fees collected to Rehabilitation and Enhancement Fund	(348,465)	-	-	(348,465)
Less operating transfers out included in net income for GAAP purposes	-	-	(1,710,281)	(1,710,281)
Other:				
Decrease (increase) in accrued interest payable	10,683	-	(6,613)	4,070
Decrease (increase) in accrued vacation payable	(10,155)	1,809	(9,170)	(17,516)
Increase in accrued interest receivable	6,613	-	-	6,613
Net income per combining statement of revenues, expenses and changes in retained earnings/fund balance	\$ 1,961,158	44,397	3,389,841	5,395,396

METROPOLITAN SERVICE DISTRICT

Insurance Fund

Statement of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Interest	\$ 60,000	45,026	(14,974)
Miscellaneous	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
Total revenues	64,000	45,026	(18,974)
Other financing sources:			
Operating transfers from:			
Zoo Operating Fund	272,978	272,978	-
Solid Waste Operating Fund	364,878	364,878	-
Planning Fund	10,211	10,007	(204)
Convention Center Management Fund	5,392	5,392	-
Convention Center Capital Fund	17,073	17,073	-
General Fund	<u>10,211</u>	<u>10,211</u>	<u>-</u>
Total revenues and other financing sources	744,743	725,565	(19,178)
Beginning fund balance available for appropriation	<u>138,617</u>	<u>184,572</u>	<u>45,955</u>
	<u>\$ 883,360</u>	<u>910,137</u>	<u>26,777</u>
Expenditures:			
Materials and services	313,413	293,267	20,146
General operating contingency	<u>569,947</u>	<u>-</u>	<u>569,947</u>
Total expenditures	883,360	293,267	590,093
Unappropriated ending fund balance	<u>-</u>	<u>616,870</u>	<u>616,870</u>
	<u>\$ 883,360</u>	<u>910,137</u>	<u>26,777</u>

METROPOLITAN SERVICE DISTRICT

Trust Funds

Combining Balance Sheet

June 30, 1988

<u>Assets</u>	<u>Pension Trust Pension Plan</u>	<u>Expendable Trust Rehabilitation and Enhancement Fund</u>	<u>Total</u>
Cash and investments	\$ 3,296,049	1,098,336	4,394,385
Receivables	123,108	-	123,108
	<u>\$ 3,419,157</u>	<u>1,098,336</u>	<u>4,517,493</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	-	4,087	4,087
Pension benefits payable	<u>3,419,157</u>	<u>-</u>	<u>3,419,157</u>
Total liabilities	3,419,157	4,087	3,423,244
Fund balance - unreserved	<u>-</u>	<u>1,094,249</u>	<u>1,094,249</u>
	<u>\$ 3,419,157</u>	<u>1,098,336</u>	<u>4,517,493</u>

METROPOLITAN SERVICE DISTRICT

St. Johns Rehabilitation and Enhancement Fund

Statement of Revenues and Expenditures - Budget and Actual

For the year ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues -			
Interest	\$ 40,000	63,342	23,342
Other financing sources:			
Operating transfers -			
Solid Waste Operating Fund	<u>277,216</u>	<u>348,465</u>	<u>71,249</u>
Total revenues and other financing sources	317,216	411,807	94,591
Beginning fund balance available for appropriation	<u>700,000</u>	<u>708,123</u>	<u>8,123</u>
	<u>\$ 1,017,216</u>	<u>1,119,930</u>	<u>102,714</u>
Expenditures -			
Materials and services	40,000	25,681	14,319
Unappropriated ending fund balance	<u>977,216</u>	<u>1,094,249</u>	<u>117,033</u>
	<u>\$ 1,017,216</u>	<u>1,119,930</u>	<u>102,714</u>

Supplementary Data

-
- Schedule of Property Tax Transactions
 - Schedule of Long-term Debt Transactions
 - Schedule of Future Debt Service Requirements
 - Supplementary Grant Schedules

METROPOLITAN SERVICE DISTRICT

Schedule of Property Tax Transactions
and Outstanding Receivable

For the year ended June 30, 1988

<u>Fiscal year</u>	Property taxes receivable June 30, 1987	Current levy as extended by <u>assessors</u>
1987-88	\$ -	8,356,465
1986-87	373,404	-
1985-86	202,732	-
1984-85	110,915	-
1983-84	37,517	-
1982-83 and prior	<u>10,950</u>	<u>-</u>
	<u>\$ 735,518</u>	<u>8,356,465</u>

	<u>Collections</u>	
	<u>Collections to June 30, 1988</u>	<u>July 1, 1987 to August 31, 1987</u> <u>July 1, 1988 to August 31, 1988</u>
Reconciliation to property tax revenue per combined financial statements:		
Zoo Fund	\$ 5,536,073	54,019 48,815
Debt Service Fund -		
Convention Center	<u>2,485,898</u>	<u>-</u> <u>17,336</u>
	<u>\$ 8,021,971</u>	<u>54,019</u> <u>66,151</u>

<u>Adjustments</u>	<u>Add (deduct)</u>			<u>Property taxes receivable June 30, 1988</u>
	<u>Interest</u>	<u>Discounts</u>	<u>Collections</u>	
(17,033)	7,399	(172,600)	(7,588,212)	586,019
(10,357)	16,282	-	(188,523)	190,806
(7,609)	18,803	-	(102,470)	111,456
(5,215)	25,569	-	(98,675)	32,594
(2,128)	12,425	-	(39,456)	8,358
(4,234)	2,085	-	(4,635)	4,166
(46,576)	82,563	(172,600)	(8,021,971)	933,399
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

<u>Payment in lieu of property taxes</u>	<u>Property tax revenue per combined statement of revenues, expenditures and changes in fund balances</u>	<u>Taxes uncollected June 30, 1988</u>	<u>Deferred revenue</u>
25,110	5,555,979	741,420	692,605
<u>12,197</u>	<u>2,515,431</u>	<u>191,979</u>	<u>174,643</u>
<u>37,307</u>	<u>8,071,410</u>	<u>933,399</u>	<u>867,248</u>

METROPOLITAN SERVICE DISTRICT

Schedule of Long-term Debt Transactions
(Loans from Department of Environmental Quality)

For the year ended June 30, 1988

	<u>Date</u>	<u>Original issue</u> <u>Amount</u>
Loan 115:		
Principal	Apr. 21, 1977	\$ <u>2,150,000</u>
Interest		
Loan 117:		
Principal	Feb. 1, 1980	\$ <u>1,360,870</u>
Interest		
Loan 118:		
Principal	Jun. 1, 1981	2,930,000
Addition	Apr. 1, 1982	400,000
Addition	Aug. 1, 1982	<u>1,157,000</u>
Total		\$ <u>4,487,000</u>
Interest		
Total requirements		

Outstanding June 30, <u>1987</u>	<u>1987-1988 transactions</u>		Outstanding June 30, <u>1988</u>
	<u>Matured</u>	<u>Paid</u>	
<u>990,000</u>	<u>160,000</u>	<u>160,000</u>	<u>830,000</u>
	\$ <u>40,600</u>	<u>40,600</u>	
<u>216,000</u>	<u>216,000</u>	<u>216,000</u>	<u>-</u>
	\$ <u>4,968</u>	<u>4,968</u>	
2,548,000	146,000	146,000	2,402,000
368,000	20,000	20,000	348,000
<u>1,036,000</u>	<u>46,000</u>	<u>46,000</u>	<u>990,000</u>
<u>3,952,000</u>	<u>212,000</u>	<u>212,000</u>	<u>3,740,000</u>
	\$ <u>282,692</u>	<u>282,692</u>	
			\$ <u>4,570,000</u>

METROPOLITAN SERVICE DISTRICT

Schedule of Future Debt Service Requirements
(Loans from Department of Environmental Quality)

For the year ended June 30, 1988

Fiscal year	Loan 115		Loan 118		Total requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
1988-89	\$ 160,000	33,000	224,000	266,918	384,000	299,918
1989-90	160,000	25,400	225,000	250,677	385,000	276,077
1990-91	160,000	17,800	225,000	235,298	385,000	253,098
1991-92	175,000	10,500	229,000	220,463	404,000	230,963
1992-93	175,000	3,500	264,000	204,092	439,000	207,592
1993-94	-	-	270,000	185,572	270,000	185,572
1994-95	-	-	299,000	165,129	299,000	165,129
1995-96	-	-	299,000	143,208	299,000	143,208
1996-97	-	-	305,000	120,458	305,000	120,458
1997-98	-	-	305,000	97,178	305,000	97,178
1998-99	-	-	316,000	73,160	316,000	73,160
1999-2000	-	-	318,000	48,326	318,000	48,326
2000-2001	-	-	337,000	22,671	337,000	22,671
2001-2002	-	-	112,000	5,048	112,000	5,048
2002-2003	-	-	12,000	312	12,000	312
	<u>\$ 830,000</u>	<u>90,200</u>	<u>3,740,000</u>	<u>2,038,510</u>	<u>4,570,000</u>	<u>2,128,710</u>

METROPOLITAN SERVICE DISTRICT

Schedule of Future Debt Service Requirements
(General Obligation Convention Center Bonds)

For the year ended June 30, 1988

<u>Year of maturity</u>	Dated July 1, 1987 5.75% to 9.00%	
	<u>Principal</u>	<u>Interest</u>
1988-89	\$ 990,000	4,765,828
1989-90	1,045,000	4,674,253
1990-91	1,110,000	4,577,278
1991-92	1,175,000	4,474,453
1992-93	1,250,000	4,370,328
1993-94	1,335,000	4,280,696
1994-95	1,425,000	4,199,565
1995-96	1,530,000	4,109,385
1996-97	1,640,000	4,009,475
1997-98	1,760,000	3,898,915
1998-99	1,890,000	3,776,575
1999-00	2,040,000	3,641,935
2000-01	2,195,000	3,494,730
2001-02	2,370,000	3,333,770
2002-03	2,560,000	3,157,475
2003-04	2,770,000	2,964,210
2004-05	2,995,000	2,752,290
2005-06	3,240,000	2,521,595
2006-07	3,510,000	2,270,090
2007-08	3,805,000	1,995,777
2008-09	4,120,000	1,698,590
2009-10	4,465,000	1,374,420
2010-11	4,840,000	1,020,830
2011-12	5,250,000	636,097
2012-13	5,690,000	217,642
Total	\$ 65,000,000	78,216,202

METROPOLITAN SERVICE DISTRICT

Schedule of Long-term Debt Transactions
(General Obligation Convention Center Bonds Payable)

For the year ended June 30, 1988

	Principal			Interest expense
	Outstanding June 30, <u>1987</u>	Issued during <u>year</u>	Matured and paid during <u>year</u>	Outstanding June 30, <u>1988</u>
General Obligation Convention Center Bonds with interest rates from 5.75% to 9.00%, final year of maturity 2013	\$ <u>-</u>	<u>65,000,000</u>	<u>-</u>	<u>65,000,000</u>
				<u>4,409,513</u>

METROPOLITAN SERVICE DISTRICT

Abbreviated Designations for Grantor Agencies

<u>Abbreviated designation</u>	<u>Description</u>
FHWA	U. S. Federal Highway Administration
IMS	U. S. Department of Education, Institute of Museum Services
LCDC	Oregon Land Conservation and Development Commission
ODOT	Oregon Department of Transportation
ODOT/PL	Oregon Department of Transportation - Federal Highway Planning Grant
NEA	National Endowment for the Arts
UMTA	U. S. Urban Mass Transportation Administration

METROPOLITAN SERVICE DISTRICT

Zoo Fund

Schedule of Revenues and Expenditures by Grant

For the year ended June 30, 1988

	IMS IC-70058-87	IMS IC-70326-87	Total
Federal funding percentage	<u>49%</u>	<u>100%</u>	
Revenues -			
Federal grants	\$ <u>2,020</u>	<u>75,000</u>	<u>77,020</u>
Total revenues	\$ <u>2,020</u>	<u>75,000</u>	<u>77,020</u>
Expenditures:			
Direct costs:			
Salaries	-	33,258	33,258
Fringe benefits	-	10,310	10,310
Travel	2,020	-	2,020
Contractual services	-	17,654	17,654
Other	-	<u>13,778</u>	<u>13,778</u>
Total direct costs	2,020	75,000	77,020
Indirect costs*	-	-	-
Total expenditures	\$ <u>2,020</u>	<u>75,000</u>	<u>77,020</u>

*Indirect costs are not allowed under the grant agreement.

METROPOLITAN SERVICE DISTRICT

Planning Fund

Schedule of Revenues and Expenditures by Grantor

For the year ended June 30, 1988

	<u>UMTA</u>	<u>FHWA/ ODOT</u>	<u>ODOT</u>	<u>LCDC</u>	<u>Total</u>
Revenues earned:					
Federal grants	\$ 565,360	-	-	-	565,360
State and state administered grants	12,500	220,790	108,238	7,051	348,579
Local and local administered grants/match	198,212	-	-	-	198,212
Required match	<u>90,097</u>	<u>3,556</u>	<u>-</u>	<u>-</u>	<u>93,653</u>
Total revenues	<u>\$ 866,169</u>	<u>224,346</u>	<u>108,238</u>	<u>7,051</u>	<u>1,205,804</u>
Expenditures:					
Direct costs:					
Salaries	345,212	108,334	49,114	3,658	506,318
Fringe benefits	97,485	30,494	13,780	1,043	142,802
Travel	2,344	393	232	-	2,969
Contractual services	177,048	3,535	2,265	-	182,848
Data processing	18,303	10,653	11,177	-	40,133
Printing	1,938	1,466	-	-	3,404
Other	1,118	58	223	-	1,399
Expenditures by subgrantees	<u>1,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,375</u>
Total direct costs	644,823	154,933	76,791	4,701	881,248
Indirect costs*	<u>221,346</u>	<u>69,413</u>	<u>31,447</u>	<u>2,350</u>	<u>324,556</u>
Total expenditures	<u>\$ 866,169</u>	<u>224,346</u>	<u>108,238</u>	<u>7,051</u>	<u>1,205,804</u>

*Indirect costs are not allowed under certain grant agreements.

METROPOLITAN SERVICE DISTRICT

Planning Fund

Schedule of Revenues and Expenditures by Grant

For the year ended June 30, 1988

	<u>UMTA</u> <u>OR-29-9013</u>	<u>UMTA</u> <u>OR-08-0051</u>	<u>UMTA</u> <u>OR-08-0054</u>	<u>UMTA</u> <u>OR-29-9012</u>
Federal funding percentage	<u>85%</u>	<u>80%</u>	<u>80%</u>	<u>85%</u>
Revenues earned:				
Federal grants	\$ 54,025	194,106	163,691	94,130
State and state administered grants	-	7,500	-	5,000
Local and local administered grants/match	1,224	-	40,923	-
Required match	<u>8,310</u>	<u>41,027</u>	<u>-</u>	<u>11,611</u>
Total revenues	<u>\$ 63,559</u>	<u>242,633</u>	<u>204,614</u>	<u>110,741</u>
Expenditures:				
Direct costs:				
Salaries	30,478	121,915	15,449	54,846
Fringe benefits	8,688	34,435	4,404	15,633
Travel	582	271	-	-
Contractual services	92	2,123	174,126	328
Data processing	3,989	4,211	-	4,530
Printing	-	1,503	-	164
Other	148	-	710	-
Expenditures by subgrantee	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total direct costs	<u>43,977</u>	<u>164,458</u>	<u>194,689</u>	<u>75,501</u>
Indirect costs	<u>19,582</u>	<u>78,175</u>	<u>9,925</u>	<u>35,240</u>
Total expenditures	<u>\$ 63,559</u>	<u>242,633</u>	<u>204,614</u>	<u>110,741</u>

(Continued)

<u>UMTA</u> <u>OR-08-0046</u>	<u>UMTA</u> <u>OR-29-9011</u>	<u>UMTA</u> <u>OR-08-0045</u>	<u>UMTA</u> <u>OR-29-9010</u>	<u>UMTA</u> <u>OR-90-2019</u>	<u>UMTA</u> <u>OR-90-2017</u>	<u>UMTA</u> <u>OR-90-X026</u>	Total <u>UMTA</u>
<u>80%</u>	<u>85%</u>	<u>80%</u>	<u>85%</u>	<u>80%**</u>	<u>80%**</u>	<u>80%**</u>	
22,038	20,576	15,419	1,375	-	-	-	565,360
-	-	-	-	-	-	-	12,500
-	-	-	-	118,476	34,800	2,789	198,212
<u>5,510</u>	<u>3,631</u>	<u>3,854</u>	<u>-</u>	<u>6,524</u>	<u>8,700</u>	<u>930</u>	<u>90,097</u>
<u>27,548</u>	<u>24,207</u>	<u>19,273</u>	<u>1,375</u>	<u>125,000</u>	<u>43,500</u>	<u>3,719</u>	<u>866,169</u>
13,771	11,649	9,818	-	63,525	21,926	1,835	345,212
3,916	3,321	2,700	-	17,615	6,250	523	97,485
753	166	67	-	505	-	-	2,344
-	26	15	-	338	-	-	177,048
29	1,518	297	-	2,311	1,236	182	18,303
41	-	117	-	113	-	-	1,938
195	42	-	-	23	-	-	1,118
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,375</u>
18,705	16,722	13,014	1,375	84,430	29,412	2,540	644,823
<u>8,843</u>	<u>7,485</u>	<u>6,259</u>	<u>-</u>	<u>40,570</u>	<u>14,088</u>	<u>1,179</u>	<u>221,346</u>
<u>27,548</u>	<u>24,207</u>	<u>19,273</u>	<u>1,375</u>	<u>125,000</u>	<u>43,500</u>	<u>3,719</u>	<u>866,169</u>

METROPOLITAN SERVICE DISTRICT

Planning Fund, Continued

Schedule of Revenues and Expenditures by Grant, Continued

	<u>FHWA/ODOT</u> <u>FY 88 PL</u>	<u>ODOT</u> <u>FY 88 H.P.R.</u>
Federal funding percentage	<u>89.06%**</u>	<u>89.06%**</u>
Revenues earned:		
State and state administered grants	\$ 191,848	28,942
Required match	<u>-</u>	<u>3,556</u>
Total revenues	<u>\$ 191,848</u>	<u>32,498</u>
Expenditures:		
Direct costs:		
Salaries	92,745	15,589
Fringe benefits	26,175	4,319
Travel	342	51
Contractual services	3,401	134
Data processing	9,086	1,567
Printing	582	884
Other	<u>58</u>	<u>-</u>
Total direct costs	132,389	22,544
Indirect costs	<u>59,459</u>	<u>9,954</u>
Total expenditures	<u>\$ 191,848</u>	<u>32,498</u>

**Metro is a subgrantee of the state or local grantee who is receiving funds from the Federal government at the rate indicated.

<u>Total FHWA/ODOT</u>	<u>ODOT TA Expansion</u> <u>0%</u>	<u>ODOT FY 88 Supplement</u> <u>0%</u>	<u>Total ODOT</u>	<u>LCDC DD-010</u> <u>0%</u>
220,790	33,238	75,000	108,238	7,051
<u>3,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>224,346</u>	<u>33,238</u>	<u>75,000</u>	<u>108,238</u>	<u>7,051</u>
108,334	113,665	35,449	49,114	3,658
30,494	3,855	9,925	13,780	1,043
393	-	232	232	-
3,535	975	1,290	2,265	-
10,653	5,764	5,413	11,177	-
1,466	-	-	-	-
<u>58</u>	<u>219</u>	<u>4</u>	<u>223</u>	<u>-</u>
154,933	24,478	52,313	76,791	4,701
<u>69,413</u>	<u>8,760</u>	<u>22,687</u>	<u>31,447</u>	<u>2,350</u>
<u>224,346</u>	<u>33,238</u>	<u>75,000</u>	<u>108,238</u>	<u>7,051</u>

METROPOLITAN SERVICE DISTRICT

Convention Center Project Capital Fund

Schedule of Revenues and Expenditures by Grant

For the year ended June 30, 1988

	NEA 87-4170-0460
Federal funding percentage	<u>100%</u>
Revenues:	
Federal grants	\$ 50,000
Match-in-excess of required match	<u>82,581</u>
Total revenues	<u>\$ 132,581</u>
Expenditures:	
Direct costs:	
Salaries	25,744
Travel	11,394
Contractual services	91,618
Printing	1,697
Other	<u>2,128</u>
Total direct costs	132,581
Indirect costs*	<u>-</u>
Total expenditures	<u>\$ 132,581</u>

*Indirect costs are not allowed under the grant agreement.

METROPOLITAN SERVICE DISTRICT

Zoo Fund

Schedule of Revenues and Expenditures by Grant

From inception through June 30, 1988

	IMS IC-70058-87 Jul.30,1987	IMS IG-70326-87 Jun. 1,1987	Total
Grant award date			
Grant award total	\$ <u>18,779</u>	<u>75,000</u>	<u>93,779</u>
Unexpended grant award	\$ <u>16,759</u>	<u>-</u>	<u>16,759</u>
Federal funding percentage	<u>49%</u>	<u>100%</u>	
Revenues -			
Federal grants	\$ <u>2,020</u>	<u>75,000</u>	<u>77,020</u>
Total revenues	\$ <u>2,020</u>	<u>75,000</u>	<u>77,020</u>
Expenditures:			
Direct costs:			
Salaries and benefits	-	43,568	43,568
Consultants and other	<u>2,020</u>	<u>31,432</u>	<u>33,452</u>
Total direct costs	2,020	75,000	77,020
Indirect costs*	-	-	-
Total expenditures	\$ <u>2,020</u>	<u>75,000</u>	<u>77,020</u>
Funding activity:			
Total expenditures	2,020	75,000	77,020
Total award and match received to date	<u>2,020</u>	<u>75,000</u>	<u>77,020</u>
Amount receivable from grantor agency	\$ <u>-</u>	<u>-</u>	<u>-</u>

*Indirect costs are not allowed under the grant agreement.

METROPOLITAN SERVICE DISTRICT

Planning Fund

Schedule of Revenues and Expenditures by Grantor

From inception through June 30, 1988

	<u>UMTA</u>	<u>FHWA/ ODOT</u>	<u>ODOT</u>	<u>LCDC</u>	<u>Total</u>
Grant award total	\$ <u>2,862,159</u>	<u>814,624</u>	<u>367,429</u>	<u>60,000</u>	<u>4,104,212</u>
Unexpended grant award	\$ <u>440,879</u>	<u>152,569</u>	<u>93,267</u>	<u>12,968</u>	<u>699,683</u>
Revenues:					
Federal grants	1,793,084	-	-	-	1,793,084
State and state administered grants	406,200	658,499	247,052	47,032	1,358,783
Contracts	-	-	27,110	-	27,110
Required match	<u>257,996</u>	<u>3,556</u>	<u>-</u>	<u>-</u>	<u>261,552</u>
Total revenues	\$ <u>2,457,280</u>	<u>662,055</u>	<u>274,162</u>	<u>47,032</u>	<u>3,440,529</u>
Expenditures:					
Direct costs:					
Salaries and fringe benefits	1,352,495	408,166	118,901	31,355	1,910,917
Consultants and other	295,101	52,703	95,811	-	443,615
Expenditures by subgrantees	<u>119,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,058</u>
Total direct costs	1,766,654	460,869	214,712	31,355	2,473,590
Indirect costs	<u>690,626</u>	<u>201,186</u>	<u>59,450</u>	<u>15,677</u>	<u>966,939</u>
Total expenditures	\$ <u>2,457,280</u>	<u>662,055</u>	<u>274,162</u>	<u>47,032</u>	<u>3,440,529</u>
Funding activity:					
Total expenditures	2,457,280	662,055	274,162	47,032	3,440,529
Total award and match received to date	<u>2,291,452</u>	<u>583,803</u>	<u>300,909</u>	<u>55,000</u>	<u>3,231,164</u>
Amount receivable from (advanced by) grantor agencies	\$ <u>165,828</u>	<u>78,252</u>	<u>(26,747)</u>	<u>(7,968)</u>	<u>209,365</u>

METROPOLITAN SERVICE DISTRICT

Planning Fund

Schedule of Revenues and Expenditures by Grant

From inception through June 30, 1988

	<u>UMTA</u> <u>OR-29-9013</u>	<u>UMTA</u> <u>OR-08-0051</u>	<u>UMTA</u> <u>OR-08-0054</u>	<u>UMTA</u> <u>OR-29-9012</u>	<u>UMTA</u> <u>OR-90-2017</u>	<u>UMTA</u> <u>OR-08-0046</u>
Grant award date	Jun. 22, 1987	Jun. 19, 1987	Dec. 31, 1987	Jul. 1, 1986	Jan. 2, 1987	Jul. 1, 1986
Grant award total	\$ <u>72,324</u>	<u>279,525</u>	<u>375,000</u>	<u>235,294</u>	<u>78,500</u>	<u>282,050</u>
Unexpended grant award	\$ <u>8,765</u>	<u>36,892</u>	<u>170,386</u>	<u>54,075</u>	<u>-</u>	<u>712</u>
Federal funding percentage	<u>85%</u>	<u>80%</u>	<u>80%</u>	<u>85%</u>	<u>80%*</u>	<u>80%</u>
Revenues:						
Federal grants	\$ 54,025	194,106	163,691	154,033	-	225,071
State and state administered grants	1,224	7,500	40,923	14,856	62,800	4,047
Required match	<u>8,310</u>	<u>41,027</u>	<u>-</u>	<u>12,330</u>	<u>15,700</u>	<u>52,220</u>
Total revenues	\$ <u>63,559</u>	<u>242,633</u>	<u>204,614</u>	<u>181,219</u>	<u>78,500</u>	<u>281,338</u>
Expenditures:						
Direct costs:						
Salaries and fringe benefits	39,166	156,350	19,853	115,771	50,433	181,347
Consultants and other	4,811	8,108	174,836	7,562	2,851	9,318
Expenditures by subgrantee	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total direct costs	43,977	164,458	194,689	123,333	53,284	190,665
Indirect costs	<u>19,582</u>	<u>78,175</u>	<u>9,925</u>	<u>57,886</u>	<u>25,216</u>	<u>90,673</u>
Total expenditures	\$ <u>63,559</u>	<u>242,633</u>	<u>204,614</u>	<u>181,219</u>	<u>78,500</u>	<u>281,338</u>
Funding activity:						
Total expenditures	63,559	242,633	204,614	181,219	78,500	281,338
Total award and match received to date	<u>66,118</u>	<u>223,721</u>	<u>156,866</u>	<u>164,256</u>	<u>78,070</u>	<u>269,454</u>
Amount receivable from (advanced by) grantor agencies	\$ <u>(2,559)</u>	<u>18,912</u>	<u>47,748</u>	<u>16,963</u>	<u>430</u>	<u>11,884</u>

(Continued)

<u>UMTA</u> <u>OR-90-0007</u>	<u>UMTA</u> <u>OR-29-9011</u>	<u>UMTA</u> <u>OR-08-0045</u>	<u>UMTA</u> <u>OR-29-9010</u>	<u>UMTA</u> <u>OR-29-9010</u> <u>Portland</u>	<u>UMTA</u> <u>OR-29-9008</u>	<u>UMTA</u> <u>OR-29-9008</u> <u>Tri-Met</u>	<u>UMTA</u> <u>OR-90-2019</u>	<u>UMTA</u> <u>OR-90-X026</u>	Total <u>UMTA</u>
Jan. 2, 1986	Jul. 1, 1985	Jul. 1, 1985	Jun. 8, 1984	Jun. 8, 1984	Mar. 30, 1983	Mar. 30, 1983	Apr. 15, 1988		
<u>106,300</u>	<u>352,840</u>	<u>315,375</u>	<u>385,001</u>	<u>12,750</u>	<u>28,500</u>	<u>133,000</u>	<u>125,000</u>	<u>80,700</u>	<u>2,862,159</u>
<u>1,123</u>	<u>5</u>	<u>8</u>	<u>29,190</u>	<u>2,875</u>	<u>50</u>	<u>23,817</u>	<u>-</u>	<u>76,981</u>	<u>404,879</u>
<u>80%*</u>	<u>85%</u>	<u>80%</u>	<u>85%</u>	<u>100%</u>	<u>85%*</u>	<u>100%</u>	<u>80%*</u>	<u>80%*</u>	
-	299,909	252,299	302,442	9,875	28,450	109,183	-	-	1,793,084
85,039	18,201	19,695	30,650	-	-	-	118,476	2,789	406,200
20,138	34,725	43,373	22,719	-	-	-	6,524	930	257,996
<u>105,177</u>	<u>352,835</u>	<u>315,367</u>	<u>355,811</u>	<u>9,875</u>	<u>28,450</u>	<u>109,183</u>	<u>125,000</u>	<u>3,719</u>	<u>2,457,280</u>
65,988	225,352	193,116	221,621	-	-	-	81,140	2,358	1,352,495
6,195	14,808	25,694	8,996	-	28,450	-	3,290	182	295,101
-	-	-	-	<u>9,875</u>	-	<u>109,183</u>	-	-	119,058
72,183	240,160	218,810	230,617	9,875	28,450	109,183	84,430	2,540	1,766,654
<u>32,994</u>	<u>112,675</u>	<u>96,557</u>	<u>125,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,570</u>	<u>1,179</u>	<u>690,626</u>
105,177	352,835	315,367	355,811	9,875	28,450	109,183	125,000	3,719	2,457,280
105,177	352,835	315,367	355,811	9,875	28,450	109,183	125,000	3,719	2,457,280
105,177	350,531	308,238	357,186	9,875	28,450	109,183	63,397	930	2,291,452
-	2,304	7,129	(1,375)	-	-	-	61,603	2,789	165,828

METROPOLITAN SERVICE DISTRICT

Planning Fund

Schedule of Revenues and Expenditures by Grant, Continued

	<u>FHWA/ODOT</u> <u>PL 1986</u>	<u>FHWA/ODOT</u> <u>PL 1987</u>	<u>FHWA/ODOT</u> <u>PL 1988</u>
Grant award date	May 21, 1985	Jul. 1, 1986	Jul. 1, 1987
Grant award total	\$ <u>261,972</u>	<u>249,856</u>	<u>259,538</u>
Unexpended grant award	\$ <u>49,588</u>	<u>24,531</u>	<u>67,690</u>
Federal funding percentage	<u>89.06%*</u>	<u>89.06%*</u>	<u>89.06%*</u>
Revenues:			
State and state administered grants	\$ 212,384	225,325	191,848
Contracts	-	-	-
Required match	-	-	-
Total revenues	<u>\$ 212,384</u>	<u>225,325</u>	<u>191,848</u>
Expenditures:			
Direct costs:			
Salaries and fringe benefits	127,681	141,657	118,920
Consultants and other	23,758	12,840	13,469
Expenditures by subgrantees	-	-	-
Total direct costs	<u>151,439</u>	<u>154,497</u>	<u>132,389</u>
Indirect costs	<u>60,945</u>	<u>70,828</u>	<u>59,459</u>
Total expenditures	<u>\$ 212,384</u>	<u>225,325</u>	<u>191,848</u>
Funding activity:			
Total expenditures	212,384	225,325	191,848
Total award and match received to date	<u>212,384</u>	<u>225,325</u>	<u>142,538</u>
Amount receivable from (advanced by) grantor agencies	<u>\$ -</u>	<u>-</u>	<u>49,310</u>

*Metro is a subgrantee of the state who receives funds from the Federal government at the rate indicated.

<u>FHWA/ODOT</u> <u>FY 88</u> <u>H.P.R.</u>	<u>Total</u> <u>FHWA/ODOT</u>	<u>ODOT</u> <u>TA</u> <u>Expansion</u>	<u>ODOT</u> <u>FY 87</u> <u>Supplement</u>	<u>ODOT</u> <u>FY 88</u> <u>Supplement</u>	<u>Total</u> <u>ODOT</u>	<u>LCDC</u> <u>R-00073</u>	<u>LCDC</u> <u>DD-010</u>	<u>Total</u> <u>LCDC</u>
Jul. 1, 1987		Dec. 16, 1986	Jul. 1, 1986	Jul. 1, 1987		Jun. 1, 1986	Mar. 1, 1988	
<u>43,258</u>	<u>814,624</u>	<u>222,480</u>	<u>69,949</u>	<u>75,000</u>	<u>367,429</u>	<u>40,000</u>	<u>20,000</u>	<u>60,000</u>
<u>10,760</u>	<u>152,569</u>	<u>50,428</u>	<u>42,839</u>	<u>-</u>	<u>93,267</u>	<u>19</u>	<u>12,949</u>	<u>12,968</u>
<u>89.06%*</u>		<u>0%</u>	<u>0%</u>	<u>0%</u>		<u>0%</u>	<u>0%</u>	
<u>28,942</u>	<u>658,499</u>	<u>172,052</u>	<u>-</u>	<u>75,000</u>	<u>247,052</u>	<u>39,981</u>	<u>7,051</u>	<u>47,032</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>27,110</u>	<u>-</u>	<u>27,110</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,556</u>	<u>3,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>32,498</u>	<u>662,055</u>	<u>172,052</u>	<u>27,110</u>	<u>75,000</u>	<u>274,162</u>	<u>39,981</u>	<u>7,051</u>	<u>47,032</u>
<u>19,908</u>	<u>408,166</u>	<u>57,630</u>	<u>15,897</u>	<u>45,374</u>	<u>118,901</u>	<u>26,654</u>	<u>4,701</u>	<u>31,355</u>
<u>2,636</u>	<u>52,703</u>	<u>85,607</u>	<u>3,265</u>	<u>6,939</u>	<u>95,811</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>22,544</u>	<u>460,869</u>	<u>143,237</u>	<u>19,162</u>	<u>52,313</u>	<u>214,712</u>	<u>26,654</u>	<u>4,701</u>	<u>31,355</u>
<u>9,954</u>	<u>201,186</u>	<u>28,815</u>	<u>7,948</u>	<u>22,687</u>	<u>59,450</u>	<u>13,327</u>	<u>2,350</u>	<u>15,677</u>
<u>32,498</u>	<u>662,055</u>	<u>172,052</u>	<u>27,110</u>	<u>75,000</u>	<u>274,162</u>	<u>39,981</u>	<u>7,051</u>	<u>47,032</u>
<u>32,498</u>	<u>662,055</u>	<u>172,052</u>	<u>27,110</u>	<u>75,000</u>	<u>274,162</u>	<u>39,981</u>	<u>7,051</u>	<u>47,032</u>
<u>3,556</u>	<u>583,803</u>	<u>222,480</u>	<u>26,610</u>	<u>51,819</u>	<u>300,909</u>	<u>40,000</u>	<u>15,000</u>	<u>55,000</u>
<u>28,942</u>	<u>78,252</u>	<u>(50,428)</u>	<u>500</u>	<u>23,181</u>	<u>(26,747)</u>	<u>(19)</u>	<u>(7,949)</u>	<u>(7,968)</u>

METROPOLITAN SERVICE DISTRICT

Convention Center Project Capital Fund

Schedule of Revenues and Expenditures by Grant

From inception through June 30, 1988

	NEA
	<u>87-4170-0460</u>
Grant award date	Sep. 1, 1987
Grant award total	\$ <u>50,000</u>
Unexpended grant award	\$ <u>-</u>
Federal funding percentage	<u>100%</u>
Revenues:	
Federal grants	\$ 50,000
Match in excess of required match	<u>82,581</u>
Total revenues	\$ <u>132,581</u>
Expenditures:	
Direct costs:	
Salaries and benefits	25,744
Consultants and other	<u>106,837</u>
Total direct costs	132,581
Indirect costs	<u>-</u>
Total expenditures	\$ <u>132,581</u>
Funding activity:	
Total expenditures	132,581
Total award and match received to date	<u>82,581</u>
Amount receivable from grantor agencies	\$ <u>50,000</u>

METROPOLITAN SERVICE DISTRICT

Zoo Fund

Schedule of Closed Grant Projects

June 30, 1988

	IMS IC-50276-85
Grant award total	\$ <u>25,085</u>
Lapsed or transferred portion of grant	\$ <u>-</u>
Revenues:	
Federal grants	4,414
Required match	<u>22,004</u>
Total revenues	\$ <u>26,418</u>
Expenditures:	
Direct costs:	
Salaries and benefits	22,004
Consultants and other	<u>4,414</u>
Total direct costs	26,418
Indirect costs*	<u>-</u>
Total expenditures	\$ <u>26,418</u>

*Indirect costs are not allowed under grant agreement.

METROPOLITAN SERVICE DISTRICT

Planning Fund

Schedule of Closed Grant Projects

June 30, 1988

	<u>FHWA/ODOT</u> <u>NRD-0032</u>	<u>FHWA/ODOT</u> <u>NRD-0032</u> <u>Tri-Met</u>
Grant award total	\$ <u>34,652</u>	<u>169,698</u>
Lapsed or transferred portion of grant	\$ <u>-</u>	<u>50,499</u>
Revenues:		
Federal grants	-	-
State and state administered grants	25,988	119,199
Required match	<u>8,664</u>	<u>-</u>
Total revenues	\$ <u>34,652</u>	<u>119,199</u>
Expenditures:		
Direct costs:		
Salaries and fringe benefits	22,514	-
Consultants and other	730	-
Expenditures by subgrantees	<u>-</u>	<u>119,199</u>
Total direct costs	23,244	119,199
Indirect costs*	<u>11,408</u>	<u>-</u>
Total expenditures	\$ <u>34,652</u>	<u>119,199</u>

*Indirect costs are not allowed under certain grant agreements.

<u>UMTA</u> <u>OR-23-9001</u>	<u>UMTA</u> <u>OR-29-9009</u>	<u>UMTA</u> <u>OR-29-9008</u> <u>Portland</u>	<u>UMTA</u> <u>OR-29-9010</u> <u>Tri-Met</u>
<u>235,294</u>	<u>352,960</u>	<u>10,000</u>	<u>40,000</u>
<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>
-	300,016	8,500	40,000
199,999	1,379	-	-
<u>35,295</u>	<u>51,565</u>	<u>-</u>	<u>-</u>
<u>235,294</u>	<u>352,960</u>	<u>8,500</u>	<u>40,000</u>
148,557	211,121	-	-
3,853	29,412	-	-
<u>-</u>	<u>-</u>	<u>8,500</u>	<u>40,000</u>
152,410	240,533	8,500	40,000
<u>82,884</u>	<u>112,427</u>	<u>-</u>	<u>-</u>
<u>235,294</u>	<u>352,960</u>	<u>8,500</u>	<u>40,000</u>

METROPOLITAN SERVICE DISTRICT

Planning Fund

Schedule of Indirect Costs

For the year ended June 30, 1988

Salaries and fringe benefits	\$ 239,685
Travel, meetings and related expenses	2,636
Supplies	10,415
Contractual services	6,085
Printing	5,106
Telephone	13,294
Fuels	977
Postage	11,272
Equipment rental and maintenance	16,557
Insurance	9,221
Leases	143,094
Other	<u>4,416</u>
Total indirect costs	<u>\$ 462,758</u>

The indirect cost rate for the year ended June 30, 1988 is the ratio of the indirect costs to direct personnel costs:

Indirect costs	<u>\$462,758</u>	= 50%
Direct personnel costs	\$925,455	

*Audit Comments
& Disclosures*

Required by state regulations

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

Oregon Administrative Rules 162-01-050 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, as 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 the preceding sections of this report. Required comments and disclosures related to our examination of such statements and schedules are set forth in the following pages.

AUDIT COMMENTS AND DISCLOSURES

Accounting and Internal Control System

As part of our examination of the financial statements for the year ended June 30, 1988, we completed a study and evaluation of the Metropolitan Service District's (Metro) accounting records and system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of such a study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on Metro's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Metro is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system 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 financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph of this report section would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Metro taken as a whole. However, our study and evaluation disclosed no condition that we believed to be a material weakness. For this purpose, a weakness is considered material if it results in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the combined financial statements of Metro may occur and not be detected within a timely period.

Also in connection with our examination, certain other observations were made concerning the management and financial and accounting controls over the financial activities of Metro. These additional observations do not represent material weaknesses in internal control as defined under generally accepted auditing standards.

Our recommendations regarding these matters will be documented in a letter to the Council for the year ended June 30, 1988.

AUDIT COMMENTS AND DISCLOSURES, CONTINUED

This report is intended solely for the use of management and the State of Oregon, Secretary of State, Division of Audits and should not be used for any other purpose.

Budgeting and Compliance

Metro appears to have complied with the statutory provisions relating to budgeting and adoption of tax levies for fiscal years 1988 and 1989 except for the expenditures in excess of the related appropriation categories for fiscal 1988 presented below:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund -			
General counsel materials and services	\$ -	363	(363)
Zoo Fund:			
Administration capital outlay	27,599	27,685	(86)
Animal management:			
Personal services	1,209,183	1,218,519	(9,336)
Materials and services	214,900	230,409	(15,509)
Facilities management:			
Personal services	978,228	989,204	(10,976)
Materials and services	898,737	899,769	(1,032)
Solid Waste Operating Fund:			
Facilities development materials and services	1,139,530	1,675,188	(535,658)
Transfers	3,953,883	4,307,810	(353,927)
Convention Center Project			
Management Fund -			
Personal services	<u>66,884</u>	<u>67,231</u>	<u>(347)</u>

Indebtedness

We have reviewed the records of the District for compliance with the ORS requirements regarding bonds issued. Our review disclosed no conditions which we considered to be matters of noncompliance with the statutory requirements relating to the bonds outstanding.

AUDIT COMMENTS AND DISCLOSURES, CONTINUED

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 securities having a value of not less than 25 percent of the certificate of participation issued by the pool manager for those funds not covered under the provisions of the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. Our review of the adequacy of collateral securing amounts deposited indicated that such collateral was adequate throughout the year.

Insurance and Fidelity Bond Coverage

We have reviewed Metro's procedures and policies in regard to their review of insurance and fidelity bond coverages. Our review determined that such procedures appear to be effectively performed and in compliance with legal requirements. We are not competent by professional training to determine the adequacy of Metro's insurance coverage.

Programs Funded from Outside Sources

We reviewed and tested, to the extent deemed appropriate, transactions and reports relative to Federal and state grant programs. The audit was conducted in accordance with the provisions of the Office of Management and Budget (OMB) Circular A-128 and the Single Audit Act of 1984 thereto which specifies audit content of audits of Federal grants. Our audit of Metro's grant programs is reported under separate cover. We did not consider, however, that the terms of our audit contract with Metro required us to make complete audits of each project and our audit opinion on Metro's combined financial statements does not cover each individual grant.



Peat Marwick

Certified Public Accountants

COUNCIL STAFF

Resol. 88-1015

METROPOLITAN SERVICE DISTRICT
Portland, Oregon

Schedule of Federal Financial Assistance
(Single Audit)

June 30, 1988

(With Auditors' Report Thereon)

METROPOLITAN SERVICE DISTRICT
Portland, Oregon

Schedule of Federal Financial Assistance
(Single Audit)

Year ended June 30, 1988

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Certified Public Accountants

Peat Marwick Main & Co.

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Portland, OR 97204

AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE
OF FEDERAL FINANCIAL ASSISTANCE

To the Council
Metropolitan Service District
Portland, Oregon:

We have audited the combined financial statements of the Metropolitan Service District (the District) for the year ended June 30, 1988, and have issued our report thereon dated October 14, 1988. These combined financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatements and whether management has complied with laws and regulations. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

To the Council
Metropolitan Service District
Portland, Oregon

Our audit was made for the purpose of forming an opinion on the combined financial statements of the District taken as a whole. The supplementary information included in the accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Peat Marwick Main & Co.

October 14, 1988

Metropolitan Service District

Schedule of Federal Financial Assistance

For the year ended June 30, 1988

Federal grantor program title	Federal CFDA number	Program award amount	Total program expenditures at June 30, 1988	Accrued revenue at June 30, 1987	Receipts	Expenditures	Accrued revenue at June 30, 1988
<u>Department of Transportation</u>							
Direct programs -							
Technical studies grants	20.505	\$ 2,471,659	2,144,884	71,874	664,818	693,950	101,006
Passed through Tri-County Metropolitan Transit District (Tri-met) - technical studies grants	20.505	390,500	312,396	16,478	123,875	172,219	64,822
Passed through State Department of Transportation - highway, research, planning and construction	20.205	814,624	662,055	72,912	219,006	224,346	78,252
Total Department of Transportation		3,676,783	3,119,335	161,264	1,007,699	1,090,515	244,080
<u>Department of Education</u>							
Institute of Museum Services							
Conservation Project Support	45.301	18,779	2,020	-	2,020	2,020	-
Operating Support Grant	45.301	75,000	75,000	-	75,000	75,000	-
Total Department of Education		93,779	77,020	-	77,020	77,020	-
<u>National Foundation for the Arts and Humanities</u>							
National Endowment for the Arts -							
Promotion of the Arts - Design Arts	45.009	50,000	132,581	-	132,581	132,581	-
Total Federal Financial Assistance Programs		\$ 3,820,562	3,328,936	161,264	1,217,300	1,300,116	244,080

Certified Public Accountants

Peat Marwick Main & Co.

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Portland, OR 97204

AUDITORS' REPORT ON INTERNAL ACCOUNTING
AND ADMINISTRATIVE CONTROLS

To the Council
Metropolitan Service District
Portland, Oregon:

We have audited the combined financial statements of the Metropolitan Service District (the District) for the year ended June 30, 1988, and have issued our report thereon dated October 14, 1988. These combined financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Under the date of October 14, 1988, we reported separately on the results of our study and evaluation of internal controls performed in connection with our audit of the combined financial statements. The results of our study and evaluation of internal accounting and administrative controls used in administering Federal financial assistance programs are presented herein.

For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering Federal financial assistance programs in the following categories:

o Accounting Controls

- 1) Purchases and disbursements.
- 2) Payroll.
- 3) Revenue and receipts.

o Administrative Controls Used in Administering Federal Financial Assistance Programs

- 1) Political activity.
- 2) Civil rights.
- 3) Cash management.
- 4) Federal financial reports.
- 5) Types of services.
- 6) Matching level of efforts.
- 7) Reporting.
- 8) Cost allocation.
- 9) Special requirements.
- 10) Monitoring subrecipients.

Our study and evaluation included all the applicable control categories listed above except that we did not evaluate the accounting controls over revenue and receipts because we believed the audit could be performed more efficiently by expanding substantive testing rather than placing reliance on the internal control system and because the accounting controls that were not evaluated are not significant to the Federal financial assistance programs.

The management of the District is responsible for establishing and maintaining internal control systems used in administering Federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering Federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to Federal financial assistance programs, resource use is consistent with laws, regulations and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering Federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

During the year ended June 30, 1988, the District expended 64% of its total Federal financial assistance under its major Federal financial assistance program. With respect to internal control systems used in administering this major Federal financial assistance program, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

To the Council
Metropolitan Service District
Page 4

With respect to the internal control systems used in administering the nonmajor Federal financial assistance programs, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Accordingly, our examination would not necessarily disclose material weaknesses in the internal control systems used in administering nonmajor Federal financial assistance programs.

Our study and evaluation described above was more limited than would be necessary to express an opinion on the internal control systems used in administering the major and nonmajor Federal financial assistance programs of the District. Accordingly, we do not express an opinion on the internal control systems used in administering the major and nonmajor Federal financial assistance programs of the District. However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a Federal financial assistance program of the District. In our letter to management dated October 14, 1988, we have separately communicated our observations and recommendations regarding certain other matters, including those pertaining to nonmaterial internal control findings.

This report is intended solely for the use of the District and the cognizant and other Federal and state audit agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the District, is a matter of public record.

Peat Marwick Main & Co.

October 14, 1988



Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.

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Portland, OR 97204

AUDITORS' REPORT ON COMPLIANCE
WITH FEDERAL LAWS AND REGULATIONS

To the Council
Metropolitan Service District
Portland, Oregon:

We have audited the combined financial statements of the Metropolitan Service District (the District) for the year ended June 30, 1988, and have issued our report thereon dated October 14, 1988. These combined financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Government Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.



To the Council
Metropolitan Service District
Page 2

The management of the District is also responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from the major Federal financial assistance program and certain nonmajor Federal financial assistance programs. The purpose of our testing of transactions and records from those Federal financial assistance programs was to obtain reasonable assurance that the District has, in all material respects, administered its major program and executed the tested nonmajor program transactions in compliance with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures. Such laws and regulations include those pertaining to Federal financial reports and claims for advances and reimbursements.

In our opinion, the District administered its major Federal financial assistance program in compliance, in all material respects, with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures for the year ended June 30, 1988.

The results of our testing of transactions and records selected from nonmajor Federal financial assistance programs indicate that, for the transactions and records tested, the District complied with the laws and regulations referred to in the third paragraph of our report. Our testing was more limited than would be necessary to express an opinion on whether the District administered those programs in compliance, in all material respects, with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures. With respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the District had not complied with laws and regulations.

Peat Marwick Main & Co.

October 14, 1988

Commen STAFF

METROPOLITAN SERVICE DISTRICT
Portland, Oregon

Auditors' Report on Compliance
with Federal Laws and Regulations
at the Combined Financial Statement Level

June 30, 1988

Certified Public Accountants

Peat Marwick Main & Co.

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AUDITORS' REPORT ON COMPLIANCE
WITH FEDERAL LAWS AND REGULATIONS
AT THE COMBINED FINANCIAL STATEMENT LEVEL

To the Council
Metropolitan Service District
Portland, Oregon:

We have audited the combined financial statements of the Metropolitan Service District (the District) for the year ended June 30, 1988, and have issued our report thereon dated October 14, 1988. These combined financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatements and whether management has complied with laws and regulations. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.



To the Council
Metropolitan Service District
Portland, Oregon
Page 2

The management of the District is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with those laws and regulations for which noncompliance could have a material effect on the District's combined financial statements.

The results of our tests indicate that, for the transactions and records tested, the District complied with those laws and regulations for which noncompliance could have a material effect on the District's combined financial statements. With respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the District had not complied with laws and regulations.

Peat Marwick Main & Co.

October 14, 1988

DRAFT

**METROPOLITAN SERVICE DISTRICT
Portland, Oregon**

**Schedule of Federal Financial Assistance
(Single Audit)**

June 30, 1988

(With Auditors' Report Thereon)

METROPOLITAN SERVICE DISTRICT
Portland, Oregon

Schedule of Federal Financial Assistance
(Single Audit)

Year ended June 30, 1988

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DRAFT

AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE
OF FEDERAL FINANCIAL ASSISTANCE

To the Council
Metropolitan Service District
Portland, Oregon:

We have audited the combined financial statements of the Metropolitan Service District (the District) for the year ended June 30, 1988, and have issued our report thereon dated October 14, 1988. These combined financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatements and whether management has complied with laws and regulations. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

To the Council
Metropolitan Service District
Portland, Oregon

DRAFT

Our audit was made for the purpose of forming an opinion on the combined financial statements of the District taken as a whole. The supplementary information included in the accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Peat Marwick Main & Co.

October 14, 1988

DRAFT

Metropolitan Service District

Schedule of Federal Financial Assistance

For the year ended June 30, 1988

<u>Federal grantor program title</u>	<u>Federal CFDA number</u>	<u>Program award amount</u>	<u>Total program expenditures at June 30, 1988</u>	<u>Accrued revenue at June 30, 1987</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued revenue at June 30, 1988</u>
<u>Department of Transportation</u>							
Direct programs -							
Technical studies grants	20.505	\$ 2,471,659	2,144,884	71,874	664,818	693,950	101,006
Passed through Tri-County Metropolitan Transit District (Tri-met) - technical studies grants	20.505	390,500	312,396	16,478	123,875	172,219	64,822
Passed through State Department of Transportation - highway, research, planning and construction	20.205	814,624	662,055	72,912	219,006	224,346	78,252
Total Department of Transportation		3,676,783	3,119,335	161,264	1,007,699	1,090,515	244,080
<u>Department of Education</u>							
Institute of Museum Services							
Conservation Project Support	45.301	18,779	2,020	-	2,020	2,020	-
Operating Support Grant	45.301	75,000	75,000	-	75,000	75,000	-
Total Department of Education		93,779	77,020	-	77,020	77,020	-
<u>National Foundation for the Arts and Humanities</u>							
National Endowment for the Arts -							
Promotion of the Arts - Design Arts	45.009	50,000	132,581	-	132,581	132,581	-
Total Federal Financial Assistance Programs		\$ 3,820,562	3,328,936	161,264	1,217,300	1,300,116	244,080

DRAFT

AUDITORS' REPORT ON INTERNAL ACCOUNTING
AND ADMINISTRATIVE CONTROLS

To the Council
Metropolitan Service District
Portland, Oregon:

We have audited the combined financial statements of the Metropolitan Service District (the District) for the year ended June 30, 1988, and have issued our report thereon dated October 14, 1988. These combined financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

DRAFT

Under the date of October 14, 1988, we reported separately on the results of our study and evaluation of internal controls performed in connection with our audit of the combined financial statements. The results of our study and evaluation of internal accounting and administrative controls used in administering Federal financial assistance programs are presented herein.

For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering Federal financial assistance programs in the following categories:

- o Accounting Controls
 - 1) Purchases and disbursements.
 - 2) Payroll.
 - 3) Revenue and receipts.
- o Administrative Controls Used in Administering Federal Financial Assistance Programs
 - 1) Political activity.
 - 2) Civil rights.
 - 3) Cash management.
 - 4) Federal financial reports.
 - 5) Types of services.
 - 6) Matching level of efforts.
 - 7) Reporting.
 - 8) Cost allocation.
 - 9) Special requirements.
 - 10) Monitoring subrecipients.

DRAFT

Our study and evaluation included all the applicable control categories listed above except that we did not evaluate the accounting controls over revenue and receipts because we believed the audit could be performed more efficiently by expanding substantive testing rather than placing reliance on the internal control system and because the accounting controls that were not evaluated are not significant to the Federal financial assistance programs.

The management of the District is responsible for establishing and maintaining internal control systems used in administering Federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering Federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to Federal financial assistance programs, resource use is consistent with laws, regulations and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering Federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

During the year ended June 30, 1988, the District expended 64% of its total Federal financial assistance under its major Federal financial assistance program. With respect to internal control systems used in administering this major Federal financial assistance program, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

To the Council
Metropolitan Service District
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DRAFT

With respect to the internal control systems used in administering the nonmajor Federal financial assistance programs, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Accordingly, our examination would not necessarily disclose material weaknesses in the internal control systems used in administering nonmajor Federal financial assistance programs.

Our study and evaluation described above was more limited than would be necessary to express an opinion on the internal control systems used in administering the major and nonmajor Federal financial assistance programs of the District. Accordingly, we do not express an opinion on the internal control systems used in administering the major and nonmajor Federal financial assistance programs of the District. However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a Federal financial assistance program of the District. In our letter to management dated October 14, 1988, we have separately communicated our observations and recommendations regarding certain other matters, including those pertaining to nonmaterial internal control findings.

This report is intended solely for the use of the District and the cognizant and other Federal and state audit agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the District, is a matter of public record.

Peat Marwick Main & Co.

October 14, 1988

DRAFT

AUDITORS' REPORT ON COMPLIANCE
WITH FEDERAL LAWS AND REGULATIONS

To the Council
Metropolitan Service District
Portland, Oregon:

We have audited the combined financial statements of the Metropolitan Service District (the District) for the year ended June 30, 1988, and have issued our report thereon dated October 14, 1988. These combined financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Standards for Audit of Government Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatements and whether management has complied with laws and regulations and has established and maintained a system of internal controls. An audit in accordance with those standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

To the Council
Metropolitan Service District
Page 2

DRAFT

The management of the District is also responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records from the major Federal financial assistance program and certain nonmajor Federal financial assistance programs. The purpose of our testing of transactions and records from those Federal financial assistance programs was to obtain reasonable assurance that the District has, in all material respects, administered its major program and executed the tested nonmajor program transactions in compliance with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures. Such laws and regulations include those pertaining to Federal financial reports and claims for advances and reimbursements.

In our opinion, the District administered its major Federal financial assistance program in compliance, in all material respects, with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures for the year ended June 30, 1988.

The results of our testing of transactions and records selected from nonmajor Federal financial assistance programs indicate that, for the transactions and records tested, the District complied with the laws and regulations referred to in the third paragraph of our report. Our testing was more limited than would be necessary to express an opinion on whether the District administered those programs in compliance, in all material respects, with those laws and regulations for which noncompliance could have a material effect on the allowability of program expenditures. With respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the District had not complied with laws and regulations.

Peat Marwick Main & Co.

October 14, 1988

Handed out @ Fin. Comm.
11-17-88

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METROPOLITAN SERVICE DISTRICT

Management Letter

Year ended June 30, 1988

Dated October 14, 1988

DRAFT

October 14, 1988

CONFIDENTIAL

The Council and Management
Metropolitan Service District
2000 S. W. First Avenue
Portland, Oregon 97201-5398

Dear Members of the Council
and Management:

We have completed our audit of the combined financial statements of the Metropolitan Service District (Metro) as of and for the year ended June 30, 1988 and have issued our report thereon dated October 14, 1988. As part of our audit, we made a study and evaluation of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on Metro's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Metro is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system 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 financial statements in accordance with generally accepted accounting principles.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Metro taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness. Certain observations were made that we feel are important to bring to your attention. These matters present opportunities for improving management information and improving operational efficiency, but do not represent material weaknesses in internal control as defined under generally accepted auditing standards.

DRAFT

DATA PROCESSING CONCERNS

MONITORING OF FINANCIAL DATA

As was noted in our prior year audit, we again noted several instances in the current year where incorrect output of financial data was received by the accounting department. Furthermore, EDP department personnel were not able to positively identify the cause of the problem, and did not investigate further due to a lack of time.

We believe that the EDP department is an integral part in channeling timely and accurate financial information to the accounting department. EDP personnel should promptly investigate any known errors and ascertain the cause so that corrective measures can be taken. Metro could gain additional confidence over the reliability of financial information, as well as spend less time in reconciling differences.

WRITTEN DISASTER RECOVERY PLAN

In our last letter to management, we recommended that Metro prepare a written disaster recovery plan in the event that the computerized system failed for an extended period of time. Metro staff members have indicated that they intend to develop such a plan during the spring of 1989. We would like to again stress the importance of such a plan and recommend that management designate a Metro employee or hire a consultant to finish developing and documenting the written disaster recovery plan. Metro relies on data processing to perform daily functions in many areas and implementing such a plan will minimize the business interruptions which could occur in the event of a system failure.

DOWNLOADING OF COMPUTER FILES TO PERSONAL COMPUTERS

We understand that with the installation of the new computer system, Metro will ultimately have the capability to download files to personal computers. Certain EDP controls must be in place to ensure the integrity of the data downloaded. In addition, Metro should also control access to information downloaded so that sensitive information is restricted to authorized personnel only.

ACCESS TO SENSITIVE ACCOUNTING DATA

In our review of Metro's EDP control environment, we noted that all EDP personnel have access to certain sensitive accounting information such as payroll related data. Currently, there are no access controls to restrict EDP personnel from this highly sensitive accounting data. We recommend that access to certain sensitive data be restricted only to authorized users.

DRAFT

The Council and Management
Metropolitan Service District
October 14, 1988
Page 3

DOCUMENTATION OF INTERNAL CONTROLS AND PROCEDURES

During our examination, we noted the following:

- o Currently, the accounts receivable, accounts payable and general ledger systems are not documented with respect to what each EDP program does, which EDP files are used, where files are located, or how they are accessed. While certain aspects of this documentation will become available as a result of the implementation of the new computer system, we recommend that Metro designate time for significant aspects of these cycles to be reviewed and documented. This process will educate other accounting staff about these systems so that potential employee turnover in EDP does not result in inefficient transition of responsibilities.
- o In our last two management letters, we recommended that Metro document internal accounting controls via a policies and procedures manual. This manual was to be updated to reflect changes in management's policies and/or procedures and serve as a current guide to employees by providing sufficient detail in all internal control matters for each position. During our current examination, we noted that no work on such a manual has been performed as significant changes were anticipated in connection with the implementation of the new computer system.

We continue to recommend that Metro designate an employee to document control procedures which will be in place for each employee with review and control responsibility (e.g., accounting, Zoo admission/concession operators, landfill gatekeepers, etc.). Not only will Metro gain assurance over the adequacy of their internal control system and identify weaknesses therein, the updated manual will also aid in the training and cross-training of current and future employees.

SINGLE AUDIT ACT AND GRANT COMPLIANCE

During our testwork related to compliance with the Single Audit Act of 1984 (Act), we noted that no specific department is assigned to monitor subrecipients' compliance with Federal regulations which is required under the Act. We recommend that Metro management assign this function to an individual employee within a specific department to ensure compliance with the requirements imposed under the Act.

DRAFT

We also noted that no department is specifically assigned to monitor grant compliance (e.g., preparation of the indirect cost allocation plan and monitoring of political activity compliance). Currently, several accounting department employees are performing parts of this function but there is no documented division of responsibilities or formal coordination. We recommend that Metro either define the necessary procedures to be followed by the various employees in order to comply with all applicable grant laws and regulations or assign responsibility for this function to one individual in a specific department. This change will enable management to readily determine if any potential problems or weaknesses exist in this area.

LANDFILL SITE VISITS

During our last two examinations, we noted that Metro did not perform any landfill site visits during the year as had been performed in prior years due to a lack of staff time available. While we understand that the Finance and Administration Department has scheduled a surprise landfill site visit for this fall, we recommend that Metro accounting staff engage in random non-Metro landfill site visits and Metro landfill site visits at least annually or that such visits be performed by outside consultants. With respect to non-Metro sites, the surprise visits would increase management's confidence that Metro is receiving proper fees from these facilities. The surprise visits to Metro sites would give management a better understanding of compliance with management's internal control policies.

RECONCILIATION OF LANDFILL SITING FEES

As noted in the prior year's management letter, presently no Metro employee is assigned responsibility for reconciling monies collected for landfill siting fees with the payments made to the Department of Environmental Quality for the purpose of siting a regional landfill. This procedure would allow Metro to determine the status of the program at any point in time and to monitor the level of solid waste disposal fees.

DRAFT

ZOO CASH COUNTS

As noted in the prior year's management letter, we again recommend that Metro perform zoo cash counts. Staffing constraints have halted routine visits to the Metro Washington Park zoo cash room. We believe that Metro should budget and schedule time for accounting personnel to perform surprise cash counts at least quarterly. By performing these cash counts, Metro will gain assurance over the adequacy of the internal control system and identify any changes to the system of internal control made by zoo cash room personnel.

CHANGES TO PAYROLL INFORMATION

During our examination, we noted that certain changes made to personnel files by the personnel department were not communicated to the accounting department in a timely manner. The accounting department needs certain personnel data for purposes of payroll processing and computing employer paid benefits. We recommend that needed payroll information (i.e. hirings, terminations, promotions, etc.) be forwarded to the accounting department in a timely fashion.

INTERNAL CONTROLS SURROUNDING THE USE OF VISA CARDS

Metro has made Visa cards available to certain elected officials and employees at Metro. Our understanding is that the purpose of the cards is to make it more convenient for the cardholders to pay for items and services that are necessary in carrying out their responsibilities for Metro.

Based on our review and discussions, we understand that the procedures to be followed in using these cards are as follows: when the cardholder uses the card it is their responsibility to document the time, place, purpose and persons present at the business meeting or function. It is also the cardholder's responsibility to keep the transaction slip and compare it to the monthly statement when it arrives. Once the propriety of the monthly statement is determined, the cardholder completes a Metro payment authorization form. The completed form and other related documentation is then reviewed and approved by the cardholder's supervisor. The approved documentation is then forwarded to the accounting department where a member of the accounting staff reviews the reasonableness of the charges made on a test basis.

During our expenditure testwork, we noted certain instances where these Visa cards were used for personal expenditures. We were not able to locate any written policy governing the use of the Visa cards for personal items, and as a result, we were not able to determine if personal use of the Visa cards is in compliance with Metro's policies or intended use of the cards.

DRAFT

Executive Order No. 31, Non-Travel Expense Policy, and Executive Order No. 32, Travel Expenditures, provide the procedures for reporting business related expenditures for reimbursement. These orders do not provide a procedure for processing a billing statement for charges incurred through the use of a Visa card.

We recommend that Metro amend its Executive Orders or otherwise establish formal written policies and procedures governing the use of Visa cards.

ZOO CASH ROOM PROCEDURES

While performing a surprise visit at the Metro Washington Park Zoo we observed an unauthorized individual (non-Metro employee) enter the cash room while the vault was open. Metro's policy is to restrict admittance to the cash room to authorized personnel only. We also noted that the cash room vault is generally left open during business hours as a matter of convenience for the Metro employees authorized to work in the cash room. In light of these conditions, we recommend that Metro enforce the existing restriction on admittance to the cash room to strengthen safeguard controls over cash on hand.

ZOO DONATIONS AND BEQUESTS

While performing zoo donation and bequest revenue testwork, we noted that zoo personnel currently do not send a check copy of the donation/bequest and/or a remittance advice to the accounting department for review.

We recommend that zoo personnel forward a copy of all zoo donation/bequest check copies or remittance advices to the accounting department for their review and input into the accounting system. While we noted no discrepancies in this area, we believe that this action would strengthen completeness and accuracy controls over the receipt of donations and bequests. The accounting department review would also ensure that donations are accurately applied to the correct fund, as intended by the donor.

DRAFT

The Council and Management
Metropolitan Service District
October 14, 1988
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CENTRAL LOCATION OF ALL METRO GRANT CONTRACTS

During our examination, we noted that grant contract files used in the course of our testwork were not always readily accessible to us from the Metro contract officer. We recommend that Metro enforce the established policy of maintaining all contracts in a central location. This effort will require open communication between the departments and the contract officer so that the contract officer is promptly aware of all new contracts.

REVIEW OF INVOICES PRIOR TO PAYMENT

During our testwork in the expenditure cycle area, we noted that there was no documentation on paid invoices to indicate that verification of the mathematical accuracy of the invoice had been performed prior to payment. We suggest that the accounting department recalculate vendor invoices and document this procedure on the invoice before payment is made.

SOLID WASTE TONNAGE REPORTS

During our testwork in the Solid Waste Operating Fund, we noted some small inconsistencies in the number of tons reported in various solid waste tonnage reports sent to the Finance and Administration department. The Finance and Administration department makes certain financial calculations from these reported amounts. We recommend that representatives of the Solid Waste department meet with Finance and Administration department personnel to determine which tonnage amounts should be properly used for the Finance and Administration department's purposes.

PUBLIC ACCESS TO METRO SOUTH STATION DISPOSAL FACILITIES

In our last management letter, we recommended that Metro establish a policy at Metro South Station whereby the contractor, Wastech, Inc., require public users to show their receipts before allowing them to deposit their refuse as an independent control over the receipt of cash. We again noted that although the contractor converses with the users by directing them to the refuse location, they do not look at the receipt obtained at the gatehouse from the Metro employee.

We again recommend that Metro insist that the contractor independently verify the receipt for proper charges. This additional control will help ensure that all receipts are properly input into the cash register.

DRAFT

The Council and Management
Metropolitan Service District
October 14, 1988
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PREVIOUS RECOMMENDATIONS

We have reviewed the dispositions and recommendations included in our management letter for the year ended June 30, 1987. Except as mentioned previously, the recommendations presented therein have been implemented or acceptable corrective action is currently being planned for implementation.

Our examination referred to in the first paragraph of this letter was based on selective tests of the accounting records and related data. Accordingly, it would not necessarily disclose all opportunities for improvement or all weaknesses in Metro's system of internal accounting control. Metro must rely upon an adequate system of internal accounting control as its principal safeguard against irregularities and it is management's responsibility to ensure that the system is adequate.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

This report is intended solely for the use of the Council, Metro management, the State of Oregon Division of Audits, and the cognizant and other Federal audit agencies and should not be used for any other purpose.

We sincerely appreciate the opportunity to bring to your attention our comments and suggestions to improve internal controls and operations at Metro. We would be pleased to discuss these matters with you.

We would also like to thank the head of the Finance and Administration Department, Mr. Ray Phelps, the Manager of Financial Services, Ms. Jennifer Sims, the Chief Accountant, Mr. Don Cox, and their staff for the cooperation and courtesies extended to us during the course of our examination.