

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF ACCEPTING THE)
REPORT OF INDEPENDENT CERTIFIED)
PUBLIC ACCOUNTANTS ON METRO'S)
FY 1990 COMPREHENSIVE ANNUAL)
FINANCIAL REPORT AND SCHEDULE OF)
FEDERAL FINANCIAL ASSISTANCE)

RESOLUTION NO. 90-1365

Introduced by the
Council Finance
Committee

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, KPMG Peat Marwick has completed the audits required and prepared their reports thereon; and

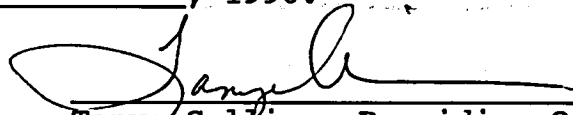
WHEREAS, the Council Finance Committee has reviewed and considered the annual financial report, schedule of federal financial assistance and the reports thereon presented by KPMG Peat Marwick dated November 9, 1990; and

WHEREAS, the Council Finance Committee recommends accepting these reports; now therefore,

BE IT RESOLVED,

That the Council of the Metropolitan Service District hereby accepts the Comprehensive 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
the 27th day of December, 1990.



Tanya Collier, Presiding Officer

FINANCE COMMITTEE REPORT

RESOLUTION NO. 90-1365 ACCEPTING THE FY 1990 COMPREHENSIVE ANNUAL FINANCIAL REPORT (AUDIT) AND SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Date: December 21, 1990 Presented by: Councilor Van Bergen

Committee Recommendation: At its December 20, 1990 meeting the Committee voted unanimously to recommend Council adoption of Resolution 90-1365. Voting in favor were Councilors Collier, Gardner, Van Bergen and Wyers. Councilor Devlin was excused.

Committee Discussion/Issues: Susan Clement, KPMG Peat Marwick Audit Manager, presented the Comprehensive Annual Financial Report, the Independent Auditors' Reports in Accordance with the Single Audit Act of 1984 and the Letter to Management. She indicated that the financial report was prepared by the Metro accounting department and Peat Marwick has issued an unqualified opinion on the financial report. In regard to the Management Letter, Peat Marwick has added a comment since the Finance Committee reviewed the Draft Management Letter at its December 6, 1990 meeting. She indicated that the comment is in the nature of a "reportable condition" under standards of the American Institute of Certified Public Accountants, which places it a step above the normal comment in the Management Letter. The subject matter of the comment is a \$1.3 million expenditure in the Solid Waste Operating Fund which exceeds the Council-approved appropriation for the specific category in question. She indicated such an event is of concern to the auditors because it reveals a weakness in the financial management system.

Council staff presented a report expressing concern about: 1) the expenditures in excess of appropriations reported in the FY 1990 audit; and 2) the overstatement of certain budgeted Beginning Fund Balances as compared to the Actual Ending Fund Balances reported in the 1990 audit. The Council staff memo is attached as Exhibit A.

Committee members stated that the information presented by Peat Marwick and Council staff is of great concern to them and concurred with the Council staff recommendation that the appropriate administrative staff return with a written report on why the problems occurred, how they may be corrected and the financial status of the Solid Waste Revenue Fund, including how this problem may affect solid waste rates. Also, Council staff was instructed to review the Management Letter and return to the Finance Committee with recommendations for Committee consideration of items for which staff should take corrective action, and a method for insuring Committee oversight.



METRO

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

Memo

EXHIBIT A
(Fin. Comm./Res. 90-1365)

Date: December 20, 1990
To: Finance Committee
From: Donald E. Carlson, Council Administrator
Re: Fiscal Management Performance Indicators from the FY 89-90 Audit

The purpose of this memo is to use data from the FY 89-90 audit to test effectiveness of the District's financial management system. By "financial management system" I include the central budget and accounting operations in the Finance and Administration Department plus the fiscal management operations in each operating entity. Both parts are important to a responsive, responsible system.

The performance indicators tested are 1) the extent to which expenditures exceeded Council adopted budget and appropriation limits and 2) the accuracy of Actual Ending Fund Balances (FY 89-90) compared to Budgeted Beginning Fund Balances in the following fiscal year (FY90-91). The data used is taken from the Draft Annual Financial Report distributed at the December 4, 1990 Finance Committee meeting.

Exhibit A shows that there were seven (7) instances of expenditures in excess of appropriations during FY 89-90. They ranged in size from \$305 in Capital Outlay category in the Administration Division in the Zoo Operating Fund to \$1,342,826 in the Materials and Services category in the Operations Division in the Solid Waste Operating Fund. It should be pointed out that the FY 89-90 Budget and Schedule of Appropriations contained 15 funds and 145 separate appropriation units. Also, the information in Exhibit A does not mean that funds were expended for unlawful purposes.

Exhibit B shows a comparison of the actual Ending Fund Balances for FY 89-90 with the Beginning Fund Balances included in the FY 90-91 Budget. A positive figure in the third column indicates that there are more resources in the fund than were anticipated in the Budget and the opposite is true if the number is negative. Exhibit B is footnoted to note the changes in the structure of funds between the two fiscal years.

Of concern to Council staff is the substantial amount (\$6.3 million) of reduced resources available to the SW Revenue Fund during the current fiscal year. If revenue is realized in the

Fund as budgeted and expenditures occur as budgeted the net result will be that Ending Fund Balance in the fund will be substantially less than anticipated in FY 90-91 Budget. If it is important to maintain the Fund Balance then either expenditures will have to be reduced or revenue increased.

This same concern is held for the apparent reduced resources for the Convention Center Project Capital Fund.

Conclusion and Recommendations

The information contained in these exhibits indicates that there are problems with the District's financial management system. It does not appear that this system is responsive so that necessary budget and appropriation changes are brought to the Council in a timely manner to avoid over expenditures and that it fails to provide information for sound fund balance projections during annual budget deliberations.

Council Staff recommends that the appropriate representatives of the Finance and Administration Department and Solid Waste Department provide information in writing to the Finance Committee which address these problems and suggest solutions. Included in this information should be a report on the SW Revenue Fund which shows revenue and expenditures to date (11/30/90) and projects revenue and expenditures at the end of the fiscal year. The report should be at the appropriation unit level of detail. It should include an analysis of the impact of the reduced actual fund balance (and/or transfers) in the Solid Waste Revenue Fund.

Finance and Administration staff should prepare a similar report on the Convention Center Project Capital Fund.

DEC:lc
Fiscal.mgm

cc: Rena Cusma
Jennifer Sims
Bob Martin
Hal D'Ambrogia

EXHIBIT A

ACTUAL EXPENDITURES EXCEEDING BUDGET AND
APPROPRIATION AMOUNTS FOR FY 1989-90

<u>Fund/Program</u>	<u>FY 89-90 Approp.</u>	<u>FY 89-90 Actual Exp.</u>	<u>Excess Amount</u>
<u>Zoo Operating Fund</u>			
Administration Division			
Capital Outlay	3,737	4,042	305
Marketing Division			
Personal Services	149,484	150,922	1,438
<u>SW Operating Fund</u>			
Operations Division			
Material & Services	13,119,107	14,461,933	1,342,826
Total Expenditure	13,795,343	14,925,215	1,129,872
<u>Metro ER Commission Fund</u>			
Material & Services	1,641,463	1,663,817	22,354
Capital Outlay	205,663	206,752	1,089
<u>CC Project Mgmt Fund</u>			
Personal Services	78,581	79,686	1,105

EXHIBIT B

COMPARISON OF ACTUAL ENDING FUND BALANCES FOR FY 89-90
WITH BUDGETED BEGINNING FUND BALANCES for FY 90-91

Fund	Column A	Column B	Difference
	FY 1989-90 Actual Ending Fund Bal.	FY 1990-91 Budgeted Beg. Fund Bal	
General Fund	\$ 532,548	\$ 448,000	\$ 84,548
Planning Fund ^A	469,650	279,815	189,835
Zoo Operating Fund	2,341,734	1,493,142	848,592
Zoo Capital Fund	5,686,827	4,715,764	971,063
SW Revenue Fund ^B	14,760,123	14,730,239	29,884
SW Operating Fund ^C	2,649,958	8,500,000	(5,850,042)
SW Debt Fund ^C	0	4,756	(4,756)
SW Capital Fund ^C	3,275,783	3,690,000	(414,217)
St. Johns Res. Fund ^C	26,220,270	26,375,520	(155,250)
Total All SW Funds ^D	46,906,134	53,300,515	(6,394,381)
Building Mgmt Fund	0	0	0
Metro ERC Fund ^E	2,638,101	1,802,961	835,140
CC Proj Mgmt Fund	388,127	302,336	85,791
CC Proj Cap Fund	10,320,942	13,571,252	(3,250,310)
Insurance Fund	3,098,316	2,956,435	138,881
St. Johns R&E Fund	1,884,269	1,934,871	50,602

^A FY 89-90 Fund included both Transportation Planning and Planning & Development functions. FY 90-91 Budget separated these functions into two funds. The Budgeted Fund balance for Transportation Planning was \$204,815 and for Planning & Development was \$75,000.

^B The Revenue fund in FY 89-90 includes all activities related to revenue bond project (Metro East composter)

^C These four funds are consolidated in the SW Revenue Fund for FY 90-91 the amounts in Column B are budgeted as transfers to the SW Revenue Fund in FY 90-91.

^D This "Total all SW Funds" portrays actual and budgeted fund balances for all SW activities now included in the Revenue Fund.

^E This fund is the "MERC Fund" for FY 89-90 (Column A) and the "Convention Center Operations Fund" for FY 90-91 (Column B)

FINANCE COMMITTEE REPORT

RESOLUTION NO. 90-1365 ACCEPTING THE FY 1990
COMPREHENSIVE ANNUAL FINANCIAL REPORT (AUDIT) AND
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

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STAFF REPORT

CONSIDERATION OF RESOLUTION NO. 90-1365 FOR THE PURPOSE OF
ACCEPTING THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS REPORT
ON METRO'S COMPREHENSIVE ANNUAL FINANCIAL REPORT AND SCHEDULE
OF FEDERAL FINANCIAL ASSISTANCE

Date: December 6, 1990

Presented by: Jennifer Sims

FACTUAL BACKGROUND AND ANALYSIS

KPMG Peat Marwick has completed their field work for the audit of Metro's Comprehensive Annual Financial Report and Schedule of Federal Financial Assistance. Metro Accounting staff are in the final stages of drafting the two reports noted above as well as formulating responses to the draft Letter to Council and Executive Officer. Don Cox, Chief Accountant, and Susan Clement, Audit Manager for KPMG Peat Marwick, are present to answer questions of the Council.

The reports are presented in draft form at this time in order to provide the Council an opportunity for input and adequate review time prior to final acceptance. The reports must be submitted to the State of Oregon Secretary of State's Office no later than December 31, 1990. Copies of the draft reports have previously been provided to the Council.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends acceptance of the reports upon completion of the final draft and the submission of same to the appropriate government agencies.