



METROPOLITAN SERVICE DISTRICT

1220 S.W. MORRISON, ROOM 300, PORTLAND, OREGON 97205

(503) 222-3671

MSD MANAGEMENT COMMITTEE

SEPTEMBER 7, 1977

A G E N D A

1. H.B. 2070 DISCUSSION
2. MSD PERSONNEL MANUAL MODIFICATIONS
3. ACCOUNTS RECEIVABLE - DR. OGILVIE

L G P I

Local government
personnel institute

1201 Court St. N.E.
Phone (503) 588-2251

P.O. Box 928
Salem, Oregon 97308

August 16, 1977

RECEIVED
AUG 17 1977

METRO SERVICE DISTRICT

Mr. Charles Estes
Metropolitan Service District
1220 SW Morrison
Portland, Oregon 97205

Dear Mr. Estes:

Enclosed is a formal quotation for conducting a classification and compensation study of the Metropolitan Service District staff. The quotation is based on the work plan outline which we discussed at our meeting August 10. As I indicated at the meeting, you may select to include or exclude those elements which relate to the development of a specific pay plan. The quotation is based on the existence of 51 job classification and approximately 115 employees which would be included in the study.

If I can provide additional information or clarification, please contact me.

Sincerely yours,



Kirk Berger
Personnel Consultant

plw

Enclosure



local government
personnel institute

1201 Court St. N.E.
Phone (503) 588-2251

P.O. Box 928
Salem, Oregon 97308

WORK PROGRAM OUTLINE FOR
CLASSIFICATION AND PAY STUDIES

1. CLASSIFICATION ANALYSIS

- 1.0 Meet with department heads and other supervisory personnel to explain the classification and compensation study concepts and specific procedures to be used in the study.
- 1.1 Meet with all employes to explain the classification and compensation study concepts and procedures. Distribute and discuss the position questionnaire to be completed by all employes (if applicable).
- 1.2 Employes complete questionnaire or revise existing job description. Supervisors review employe statements and make statements of their own without changing employe statements.
- 1.3 LGPI reviews completed position questionnaires or revised position descriptions prepared by the employes.
- 1.4 LGPI conducts job audits and interviews of 50 to 75 percent of the employes included in the study for the purposes of gathering additional job-related information or obtaining clarification of information provided in the questionnaire or position description. Interview all supervisory personnel regarding positions within their jurisdiction.
- 1.5 LGPI prepares draft copies of the new classification descriptions. Present the draft copies to supervisory personnel for their review and distribution to all employes.
- 1.6 Employes critique the descriptions in writing and return them to the appropriate supervisor.
- 1.7 Supervisors critique the descriptions and the employes' comments. Supervisors do not alter comments made by employes.
- 1.8 LGPI reviews supervisor and employe critiques and makes appropriate changes in classification descriptions. This process may involve re-interviewing some staff.
- 1.9 Final classification description recommendations are prepared.

2. COMPENSATION ANALYSIS

- 2.0 Develop a proposed list of comparable employers in cooperation with the organization's staff. The list is to be based upon comparability of positions being surveyed, comparability of agencies being surveyed, competition in the labor market for employes being surveyed, and geographical proximity.
- 2.1 Conduct a comprehensive wage survey and analysis of public and private employers in the surrounding geographic area. Detailed rates of pay are reported in tabular form.
- 2.2 Conduct a separate fringe benefit survey and analysis of public and private employers. (Optional)
- 2.3 Develop a recommended classification and pay plan based on the classification and salary survey results with consideration given to existing internal relationships. The type of plan is established in consultation with the organization. It includes salary range recommendations and placement of individual employes within the plan.
- 2.4 Develop optional plans for the installation of the pay plan.
- 2.5 Estimate cost of installing each pay plan option.

3. CLASSIFICATION AND COMPENSATION REPORT

- 3.0 Prepare a classification and compensation report which includes:
 - a. Final draft of the class specifications.
 - b. Purposes and use of a classification plan.
 - c. Methods for administration of the plan.
 - d. Purposes and use of a compensation plan.
 - e. Explanation of the proper use of pay schedules and methods used in preparing the pay plan.
 - f. Methods for the administration of the pay plan.
 - g. Tabular data showing the impact of alternate pay plans on individual employes salaries and the organization's budget.
- 3.1 Present and explain the recommended plan to appropriate agency officials and work with officials after completion of the study on any matters which may arise out of the implementation of the new plan.

PROPOSAL FOR METROPOLITAN SERVICE DISTRICT
CLASSIFICATION AND COMPENSATION STUDY
AUGUST 16, 1977

51 job classifications 115 employes (approximate)

CLASSIFICATION ANALYSIS AND RECOMMENDATIONS

Initial Presentation to Supervisory Staff	1 hour
Initial Presentation to Employees	4 hours
Review of Completed Position Questionnaires	16 hours
Employee Interviews	43 hours
Initial Drafting of Position Descriptions	71 hours
Revision of Position Descriptions	8 hours
<hr/>	
Sub-total, Professional Services	143 hours
<hr/>	
5 Percent Contingency	7 hours
<hr/>	
Total Professional Services	150 hours @ \$20/hour = \$3,000
<hr/>	
Secretarial Services	30 hours @ \$8.75/hour = \$263
<hr/>	
Total Amount for Classification Analysis & Recommendations	\$3,263

COMPENSATION ANALYSIS AND RECOMMENDATIONS

Developing Salary Survey Questionnaire	3 hours
Collecting Salary Survey Data	15 hours
Tabulating and Summarizing	3 hours
Development of Pay Plan, Rules & Narrative for Management and Non-Union Employees	6 hours
Development of Pay Plan, Rules & Narrative for Union Employees	4 hours
Development of Salary Range Recommendations	6 hours
Computation of Individual Employee Salaries	3 hours
Computation of Total Cost, Budgetary Impact and Cost of Possible Alternative Methods of Implementation	5 hours
Introduction of Recommendations	3 hours
<hr/>	
Sub-total, Professional Services	48 hours
<hr/>	
5 Percent Contingency	2.5 hours
<hr/>	
Total Professional Services	50.5 hours @ \$20/hour = \$1,010
<hr/>	
Secretarial Services	8 hours @ \$8.75/hour = 70
<hr/>	
Total Amount for Compensation Analysis and Recommendations	\$1,080

OTHER EXPENSES

Actual expenses for travel time, mileage, per diem, lodging and xeroxing are charged at the following rates:

Travel Time	\$10/hour
Mileage	\$.15/mile
Per Diem	\$13/day, prorated by the meal
Lodging	At Cost (if applicable)
Xeroxing	\$.07/page

LGPI

August 16, 1977

METROPOLITAN SERVICE DISTRICT

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA

(Containing Audit Comments and Disclosures
Required by State Regulations)

for the year ended June 30, 1977

COOPERS & LYBRAND
CERTIFIED PUBLIC ACCOUNTANTS

METROPOLITAN SERVICE DISTRICT

Governing Body Under ORS 268.200 as of June 30, 1977:

<u>Name</u>	<u>Representing</u>
Commissioner Ray Miller, Chairman Washington County Courthouse Hillsboro, Oregon 97123	Washington County
Commissioner Connie McCready, Vice-Chairman City Hall Portland, Oregon 97204	City of Portland
Councilman Lyle Salquist 15910 S. W. Queen Victoria Place Tigard, Oregon 97223	Cities of Washington County
Councilman Sidney Bartels 21440 S. E. Stark Street Gresham, Oregon 97030	Cities of Multnomah County
Commissioner Mel Gordon Multnomah County Courthouse Portland, Oregon 97204	Multnomah County
The Honorable James Robnett Mayor, City of Happy Valley 12305 S. E. Mt. Scott Blvd. Portland, Oregon	Cities of Clackamas County
Commissioner Robert Schumacher Clackamas County Courthouse Oregon City, Oregon 97045	Clackamas County
Administrative Office:	1220 S. W. Morrison Portland, Oregon 97205
Directors:	Charles C. Kemper, Administrative and Solid Waste Divisions Warren J. Iliff, Washington Park Zoo
Legal Counsel:	Hardy, Buttler, McEwen, Weiss & Newman
Registered Agent:	Dean P. Gisvold
Address of Registered Office:	1408 Standard Plaza Portland, Oregon

METROPOLITAN SERVICE DISTRICT
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SECTION I

ACCOUNTANT'S REPORT AND
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

IN PRINCIPAL AREAS
OF THE WORLD


Board of Directors
Metropolitan Service District
Portland, Oregon

We have examined the financial statements (identified as "basic financial statements" in the table of contents on a preceding page of this report) of the various funds and General Fixed Assets Account Group of Metropolitan Service District as of June 30, 1977 and for the year then ended. Our examination was made in accordance with generally accepted auditing standards and the Minimum Standards for Audits of Oregon Municipal Corporations and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned basic financial statements present fairly the financial position of the various funds and General Fixed Assets Account Group of the Metropolitan Service District at June 30, 1977, and the results of such funds operations and the changes in financial position of the Solid Waste Fund for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements referred to in the foregoing opinion are set forth on pages 2 to 17, inclusive, of this report. Our examination was made primarily for the purpose of rendering an opinion on these basic financial statements, taken as a whole. The other data included in this report on pages 18 to 25, inclusive, and the "Combined (memorandum only)" columns on the basic financial statements, although not considered necessary for a fair presentation of financial position and results of operations, and changes in financial position of the Solid Waste Fund in conformity with generally accepted accounting principles, are presented primarily for supplemental analysis purposes. This additional information has been subjected to the audit procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COOPERS & LYBRAND

By 
James L. Savage, a partner

Portland, Oregon
December 23, 1977

METROPOLITAN SERVICE DISTRICT
 COMBINED BALANCE SHEET - ALL FUNDS AND ACCOUNT GROUP
 June 30, 1977

	<u>Combined (Memorandum Only)</u>	<u>Special Revenue Funds</u>	<u>Enterprise Fund</u>	<u>General Fixed Assets Account Group</u>
		<u>Johnson Creek Drainage Fund</u>	<u>Zoo Fund</u>	
				<u>Solid Waste Fund</u>
ASSETS				
Cash and investments	\$3,244,186	\$ 383	\$1,369,263	\$1,874,540
User fees receivable	84,379			84,379
Property taxes receivable	193,769		193,769	
Grants receivable	11,081		11,081	
Other receivables	6,590		5,544	1,046
Inventory of materials and supplies	33,348		33,348	
Fixed assets, net of accumulated depreciation of \$1,108 in Solid Waste Fund	<u>5,287,810</u>			<u>228,015</u>
	<u>\$8,861,163</u>	<u>\$ 383</u>	<u>\$1,613,005</u>	<u>\$2,187,980</u>
				<u>\$5,059,795</u>
LIABILITIES, RESERVES AND FUND BALANCES/RETAINED EARNINGS				
Liabilities:				
Accounts payable	\$ 132,050		\$ 37,676	\$ 94,374
Salaries, withholdings and payroll taxes payable	45,186		38,816	6,370
Accrued interest payable	25,861			25,861
Amounts payable to grantors	38,008		7,423	30,585
Loan payable within one year	40,000			40,000
Loans payable after one year	2,125,292	\$15,292		2,110,000
Commitments and contingencies				
Reserve for uncollected property taxes and other receivables	199,313		199,313	
Fund balance/retained earnings (deficit):				
Investment in General Fixed Assets	5,059,795			\$5,059,795
Available for appropriations	1,314,868	(14,909)	1,329,777	
Retained earnings (deficit)	<u>(119,210)</u>			<u>(119,210)</u>
	<u>\$8,861,163</u>	<u>\$ 383</u>	<u>\$1,613,005</u>	<u>\$2,187,980</u>
				<u>\$5,059,795</u>

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

METROPOLITAN SERVICE DISTRICT
 COMBINED STATEMENT OF CHANGES IN FUND BALANCE
 AVAILABLE FOR APPROPRIATIONS/RETAINED EARNINGS - ALL FUNDS
 for the year ended June 30, 1977

	Combined (Memorandum Only)	Special Revenue Funds		Enterprise Fund
		Johnson Creek Drainage Fund	Zoo Fund	Solid Waste Fund
Balances (deficit), June 30, 1976	\$ (93,640)	\$ (14,624)	\$ (36,216)	\$ (42,800)
Add:				
Revenues	3,038,278		3,038,278	
Transfer of net assets available for appropriations from the Portland Zoological Society	213,437		213,437	
Reclassification of general fixed assets to Solid Waste Fund to conform with enterprise method of reporting	<u>4,604</u>			<u>4,604</u>
	<u>3,162,679</u>	<u>(14,624)</u>	<u>3,215,499</u>	<u>(38,196)</u>
Deduct:				
Expenditures	1,886,007	285	1,885,722	
Net loss for the year	<u>81,014</u>			<u>81,014</u>
	<u>1,967,021</u>	<u>285</u>	<u>1,885,722</u>	<u>81,014</u>
Balances (deficit), June 30, 1977	<u>\$1,195,658</u>	<u>\$ (14,909)</u>	<u>\$1,329,777</u>	<u>\$ (119,210)</u>

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

METROPOLITAN SERVICE DISTRICT
 JOHNSON CREEK DRAINAGE FUND
 STATEMENT OF REVENUES AND EXPENDITURES
 for the fiscal year ended June 30, 1977

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:			
State grant	\$150,000		\$(150,000)
Jurisdiction loan/grant	<u>10</u>		<u>(10)</u>
Total revenues	150,010		(150,010)
BEGINNING FUND BALANCE AVAILABLE			
FOR APPROPRIATIONS (DEFICIT)	<u>990</u>	\$(14,624)	<u>(15,614)</u>
	<u>\$151,000</u>	<u>\$(14,624)</u>	<u>\$(165,624)</u>
	<u>Budgeted Appropriations</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
EXPENDITURES:			
Personal services	\$ 38,190	\$ 285	\$ 37,905
Materials and services	105,725		105,725
Service payment to the Solid Waste Fund (reimbursement of administrative expenses)	2,583		2,583
Contingency	<u>4,502</u>	<u> </u>	<u>4,502</u>
Total expenditures	<u>\$151,000</u>	<u>\$ 285</u>	<u>\$150,715</u>

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

METROPOLITAN SERVICE DISTRICT
ZOO FUND
STATEMENT OF REVENUES
for the fiscal year ended June 30, 1977

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:			
Property tax levy	\$1,760,000	\$1,884,763	\$124,763
Taxes in lieu of property taxes		787	787
Interest on property taxes		967	967
Admissions	390,000	481,316	91,316
Concessions	139,000	235,267	96,267
Railroad	120,000	179,142	59,142
Gift shop	38,000	63,298	25,298
Vending - animal food	19,000	25,110	6,110
Vending - human food	13,000	11,155	(1,845)
Vending - exhibit machines	9,100	7,261	(1,839)
Boat ride	7,400	6,436	(964)
Federal grants		76,770	76,770
Elephant ride	10,000		(10,000)
Stroller rentals	4,500	4,981	481
Donations		7,271	7,271
Service fees from Zoological Society	12,000		(12,000)
Education tuition	1,200	35	(1,165)
Interest	50,000	50,061	61
Miscellaneous	1,200	3,658	2,458
Donation for prior years' liabilities	65,000		(65,000)
Total revenues	2,639,400	3,038,278	398,878
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION (DEFICIT)	100	(36,216)	(36,316)
	<u>\$2,639,500</u>	<u>\$3,002,062</u>	<u>\$362,562</u>

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

METROPOLITAN SERVICE DISTRICT
ZOO FUND
STATEMENT OF EXPENDITURES
for the fiscal year ended June 30, 1977

	Budgeted Appropriations			Actual	(Over) Under Budget
	Original	Supplemental Appropriations and Transfers In (Out)	Revised		
EXPENDITURES:					
Administration and Visitor Service Division:					
Personal services	\$ 231,625	\$ 34,875	\$ 266,500	\$ 260,402	\$ 6,098
Materials and services	393,070	(13,070)	380,000	357,801	22,199
Capital outlay	5,425	40,795	46,220	26,316	19,904
	<u>630,120</u>	<u>62,600</u>	<u>692,720</u>	<u>644,519</u>	<u>48,201</u>
Educational Division:					
Personal services	154,737	12,461	167,198	113,495	53,703
Materials and services	49,252	18,748	68,000	50,326	17,674
Capital outlay	1,625	1,500	3,125	2,093	1,032
	<u>205,614</u>	<u>32,709</u>	<u>238,323</u>	<u>165,914</u>	<u>72,409</u>
Research Division:					
Personal services	89,739	(3,990)	85,749	82,026	3,723
Materials and services	6,115	2,000	8,115	4,632	3,483
Capital outlay	18,310		18,310	3,113	15,197
	<u>114,164</u>	<u>(1,990)</u>	<u>112,174</u>	<u>89,771</u>	<u>22,403</u>
Maintenance Division:					
Personal services	228,318	16,881	245,199	183,478	61,721
Materials and services	81,150	20,900	102,050	77,249	24,801
Capital outlay	5,095		5,095	7,016	(1,921)
	<u>314,563</u>	<u>37,781</u>	<u>352,344</u>	<u>267,743</u>	<u>84,601</u>
Animal and Grounds Division:					
Personal services	362,574	23,609	386,183	355,418	30,765
Materials and services	60,191	9,309	69,500	59,107	10,393
Capital outlay	1,300		1,300	220	1,080
	<u>424,065</u>	<u>32,918</u>	<u>456,983</u>	<u>414,745</u>	<u>42,238</u>
Animal Health Division:					
Personal services	52,839	3,160	55,999	55,576	423
Materials and services	92,775		92,775	87,802	4,973
Capital outlay	3,250		3,250	3,304	(54)
	<u>148,864</u>	<u>3,160</u>	<u>152,024</u>	<u>146,682</u>	<u>5,342</u>
Grant Division:					
Personal services		47,280	47,280	45,202	2,078
Materials and services		4,085	4,085	2,775	1,310
Capital outlay		15,205	15,205	14,220	985
		<u>66,570</u>	<u>66,570</u>	<u>62,197</u>	<u>4,373</u>
General Capital Improvements Division:					
Capital outlay	667,200	(96,299)	570,901	39,711	531,190
Service payment to the Solid Waste Fund (reimbursement of adminis- trative expenses)		54,440	54,440	54,440	
Contingency	109,910	(109,910)			
Total expenditures	2,614,500	81,979	2,696,479	<u>\$1,885,722</u>	<u>\$810,757</u>
ENDING FUND BALANCE AVAILABLE FOR APPROPRIATIONS	25,000		25,000		
	<u>\$2,639,500</u>	<u>\$ 81,979*</u>	<u>\$2,721,479</u>		

*The increase in appropriations, \$81,979, was authorized by Ordinance 43. The basis for the increased appropriations was H.E.W. grants awarded during the year. Appropriations for such grants are not subject to the provisions of the Oregon Local Budget law.

METROPOLITAN SERVICE DISTRICT
 ZOO CAPITAL IMPROVEMENT FUND
 STATEMENT OF REVENUES AND EXPENDITURES
 for the fiscal year ended June 30, 1977

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:			
Donation from City of Portland	\$181,701		\$(181,701)
Interest	<u>4,525</u>		<u>(4,525)</u>
Total revenues	<u>\$186,226</u>	<u>\$ -</u>	<u>\$(186,226)</u>

	<u>Budgeted Appropriations</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
EXPENDITURES:			
Contingency	\$ 95,726	<u>\$ -</u>	<u>\$ 95,726</u>
ENDING FUND BALANCE AVAILABLE FOR APPROPRIATIONS	<u>90,500</u>		
	<u>\$186,226</u>		

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

METROPOLITAN SERVICE DISTRICT
SOLID WASTE FUND
STATEMENT OF REVENUES AND EXPENSES
for the year ended June 30, 1977

Operating revenues:	
Solid waste collection fees	\$ 84,379
Tire disposal fees	15,558
Tire carrier permits	829
Other	<u>418</u>
Total operating revenues	<u>101,184</u>
Operating expenses:	
Salaries and wages	132,460
Fringe benefits	22,407
Rent	13,550
Legal, accounting and other professional fees	47,889
Office supplies	9,989
Telephone	3,604
Travel expense	6,139
Insurance	1,035
Depreciation	1,108
Other	<u>2,398</u>
	240,579
Less reimbursement of administrative expenses from the Zoo Fund	<u>54,440</u>
Total operating expenses	<u>186,139</u>
Loss from operations	<u>(84,955)</u>
Other income (expense):	
Interest expense	(14,695)
Interest income	<u>18,636</u>
Total other income	<u>3,941</u>
Net loss	<u><u>\$(81,014)</u></u>

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

METROPOLITAN SERVICE DISTRICT
SOLID WASTE FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
for the fiscal year ended June 30, 1977

Working capital provided:	
Proceeds of loan from Department of Environmental Quality	<u>\$2,150,000</u>
Working capital used:	
From operations:	
Net loss for the year	81,014
Deduct charges to operations not affecting working capital in the current period - depreciation	<u>(1,108)</u>
Working capital used by operations	79,906
Additions to plant and equipment	224,519
Reduction of long-term debt	<u>40,000</u>
Total working capital used	<u>344,425</u>
Increase in working capital	<u>\$1,805,575</u>
Changes in components which increased (decreased)	
working capital:	
Cash and investments	\$1,765,232
Receivables	73,146
Other assets	(771)
Accounts and salaries payable and accrued interest	13,265
Amounts payable to grantors	(16,000)
Contract retainage payable	10,703
Loan payable within one year	<u>(40,000)</u>
Increase in working capital	<u>\$1,805,575</u>

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

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Bases of Accounting

The Zoo Fund and the Johnson Creek Drainage Fund are maintained using the modified accrual basis of accounting. Under such modified accrual basis of accounting, revenues are recorded as received and expenditures are recorded at the time liabilities are incurred, except that grant revenues are recorded as earned.

The Solid Waste Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenditures when incurred.

Receivables

Uncollected property taxes and other receivables of the Zoo Fund except earned federal grant receivables are not considered susceptible to accrual since they are not available for expenditure; therefore, they are shown in the balance sheet as assets but are offset by reserves and, accordingly, have not been recorded as revenue.

Receivables of the Solid Waste Fund and federal grant receivables of the Zoo Fund are recorded as revenue as earned.

Inventories of Materials and Supplies

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

Fixed Assets

General Fixed Assets

Fixed assets purchased by the District are stated at cost. Fixed assets transferred from the City of Portland and the Portland Zoological Society are recorded at cost or other basis to the predecessor entity. Current purchases of fixed assets applicable to the Zoo are recorded as capital outlay expenditures of the Zoo Fund; the cost of such assets is capitalized in the General Fixed Asset Account Group. Depreciation is not recorded on general fixed assets.

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued:

Fixed Assets, Continued

General Fixed Assets, Continued

Capitalized leased assets, comprised of railroad line and equipment at or near the Zoo, are stated at cost or other basis of the predecessor entities referred to above and are included in the General Fixed Asset group of accounts.

Enterprise Fund Assets

Fixed assets in the Solid Waste Fund are stated at cost. Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

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.

Interfund Transactions

It is the District's policy to record certain administrative expenditures (mainly personnel) for other funds in the Solid Waste Fund. Such expenditures are reimbursed by the various funds to the Solid Waste Fund which accounts for such reimbursements as a reduction of expenditures. Reimbursed expenditures to the Solid Waste Fund for fiscal 1977 comprised entirely of Zoo Fund reimbursements amounted to \$54,440. The amounts of such interfund charges are based upon management's estimates which are periodically updated.

Property and Volunteer Services Donated to Zoo

Donated materials and equipment and volunteer labor relating to improvements are recorded at estimated fair values when received (except those donated by predecessor entities). Other volunteer services and donated supplies are not accounted for in the accompanying financial statements.

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

2. Organization and Operation:

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

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

As provided by ORS 268.200, the governing body of the District consists of a representative of each governing body of a county within the District, of the most populous city in the District, and of all other cities in each of the counties in the District.

3. Description of Funds:

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

Johnson Creek Drainage Fund

This special revenue fund was created to account for funds received for preparation of a drainage management plan for the Johnson Creek Drainage Basin. No funds were received in fiscal 1977.

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

3. Description of Funds, Continued:

Zoo Fund

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

Zoo Capital Improvement Fund

This fund was established to receive funds from the City of Portland that are specifically dedicated for Zoo capital improvements. No such funds were received in fiscal 1977.

Solid Waste Fund

This enterprise fund accounts for District revenues derived primarily from user fees imposed on the disposal of solid waste and tires, and expenditures for the implementation, administration and enforcement of the MSD Solid Waste Management Plan. The fund also accounts for certain District administrative costs, a portion of which are reimbursed by the Zoo Fund. Since the operations of the Solid Waste Fund are currently funded primarily by user fees, this fund has been reclassified from a budgetary to an enterprise fund in the basic financial statements effective for the year ended June 30, 1977.

4. Cash and Investments:

Cash and investments are comprised of the following at June 30, 1977:

Cash on hand	\$ 4,350
Demand deposit with bank (checking account overdraft)	(31,290)
Cash in hands of fiscal agents	4,140
Investments in local government investment pool	3,253,507
U.S. Treasury notes - 7-1/4% to 7-3/4%	<u>13,479</u>
	<u>\$3,244,186</u>

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

5. Fixed Assets:

Changes in these accounts during the fiscal year comprised:

	Balance June 30, 1976	Transfers from Other Entities		Other Additions	Reclassi- fications and Deletions	Balance June 30, 1977
		Portland Zoological Society	City of Portland			
General fixed assets:						
Land and land improvements			\$ 898,865	\$ 6,045	\$ 1,500	\$ 906,410
Buildings and improvements		\$594,350	2,980,695	4,833	2,500	3,582,378
Furniture, fixtures and equipment	\$5,118	203,752		41,464	(5,118)	245,216
Railroad facilities under capital lease		118,303	183,588			301,891
Construction in progress		<u>72,965</u>			(49,065)	<u>23,900</u>
Total General Fixed Assets	<u>5,118</u>	<u>989,370</u>	<u>4,063,148</u>	<u>52,342</u>	<u>(50,183)</u>	<u>5,059,795</u>
Solid Waste Fund:						
Land				161,975	100	162,075
Equipment				12,408	4,504	16,912
Construction in progress				<u>50,136</u>		<u>50,136</u>
				224,519	4,604	229,123
Accumulated depreciation				<u>(1,108)</u>		<u>(1,108)</u>
Total Solid Waste Fund				<u>223,411</u>	<u>4,604</u>	<u>228,015</u>
	<u>\$5,118</u>	<u>\$989,370</u>	<u>\$4,063,148</u>	<u>\$275,753</u>	<u>\$(45,579)</u>	<u>\$5,287,810</u>

The agreement transferring title of real property from the City of Portland to the District provides that such property must be used for Zoo or Zoo-related purposes, and if such property shall cease to be used for such purposes, or shall be used for other purposes, title shall revert to the City.

METROPOLITAN SERVICE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, Continued

6. Loans Payable:

Loans payable are comprised of the following at June 30, 1977:

	<u>Total</u>	<u>Amount Due Within One Year</u>	<u>Amount Due After One Year</u>
Solid Waste Fund:			
Payable to the Department of Environmental Quality in annual installments ranging from \$40,000 to \$175,000 through October 1992. Interest expense varies from 4 to 6% over the life of the loan and is payable semi-annually on April 1 and October 1	\$2,150,000	\$40,000	\$2,110,000
Johnson Creek Drainage Fund:			
Payable to other governmental jurisdictions, no stated interest or maturity date	<u>15,292</u>	<u> </u>	<u>15,292</u>
	<u>\$2,165,292</u>	<u>\$40,000</u>	<u>\$2,125,292</u>

In 1975 the State of Oregon approved a loan of \$8,101,622 and a grant of \$3,113,378 for implementation of the District's solid waste plan. The District must commit the total loan portion prior to committing any of the grant portions.

During fiscal 1977 the District applied for and received \$2,150,000 of above loan proceeds from the State of Oregon Department of Environmental Quality (DEQ). The District intends to apply for additional loan or grant monies as funds are required to implement its solid waste plan; however, such additional amounts received over the \$2,150,000, if any, are subject to the approval of the Department of Environmental Quality. Among other things, the District has agreed to file such reports containing such information the Director of DEQ may require from time to time including interim project reports of progress and expenditures and to complete the project by December 31, 1981.

Loans from other local governmental jurisdictions are for the purpose of preparation of a drainage management system for the Johnson Creek Drainage Basin and construction of flood control

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

6. Loans Payable, Continued:

improvements to the creek. The loans will be repaid from either a user charge or an assessment to benefited property. If the program is not implemented, the District will not be liable for the loans.

7. Solid Waste Fund Deficit:

Resources for the operation of the Solid Waste Fund in prior years consisted primarily of grants from the Department of Environmental Quality (DEQ). During the current year funding was provided by a \$2,150,000 loan from DEQ and user fees. However, the charge for user fees was not started until June 1, 1977 and they were not sufficient to prevent the Solid Waste Fund deficit from increasing from \$42,800 at July 1, 1976 to \$119,210 at fiscal year end.

Included in the deficit is an unpaid charge of \$43,259 for legal services provided to the District from 1970 through 1975. This charge is based upon District legal counsel's agreement to provide legal services on the basis that if and when funds became available the fees would be paid. Provision for repayment of this amount is made in the District's fiscal 1978 budget.

8. Pension Plans:

Substantially all of the District's full-time employees are participants or will become participants of a contributory defined benefit pension plan administered by the District except that contributions to the plan are deposited under a group annuity contract with the Bankers Life Company. As of January 1, 1977, the date of the latest actuarial valuation, pension plan assets exceeded the actuarially computed value of vested benefits by approximately \$45,000 and unfunded prior service cost amounted to \$14,603. The District is currently funding the plan in monthly employer contributions of 5% of active or anticipated participants' compensation. The amounts funded have also been recognized as expenditures for accounting purposes and have resulted in a provision for pension expense not materially different from that allowable under generally accepted accounting principles.

METROPOLITAN SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

8. Pension Plans, Continued:

In addition to the above plan, the District makes contributions to the State of Oregon Public Employees Retirement Plan (PERS), a defined benefit plan to which employers and employees both contribute on behalf of five District employees who have elected to remain in the State retirement system. Information is not available with respect to the excess, if any, of the actuarially computed value of vested benefits over the total of the pension fund as of June 30, 1977.

Pension expense approximated \$42,700 for the fiscal year ended June 30, 1977 which included \$5,700 applicable to PERS.

9. Commitments and Contingencies:

The District has entered into an agreement for implementation of resource recovery facilities with Publishers Paper Co. to be located at or near Publishers' Oregon City pulp and paper manufacturing plant. It is anticipated the project will be implemented in five phases, with start-up and operation tentatively scheduled for mid-1980. Under Phase I (Engineering) of the above agreement, the District was committed at June 30, 1977 to reimburse Publishers up to \$530,000 (of which \$36,000 is recorded as payable at June 30, 1977) for certain design and engineering costs.

The District's current lease for office space expires December 31, 1977. As of June 30, 1977 the remaining commitment under this lease approximated \$6,000. On November 4, 1977 the District entered into a new lease agreement for expanded office space which commences January 1, 1978 for a period of two years. The approximate annual commitment under this lease is \$21,000, subject to an annual escalation clause based on increased cost to lessor. Rent expense amounted to \$13,550 for the year ended June 30, 1977.

Earned but unpaid and unaccrued vacations payable in the event of termination approximated \$53,000 at June 30, 1977.

The District has been advised that an employment discrimination complaint has been filed against it with the Equal Employment Opportunity Commission. At the date of this report, counsel for the District does not have sufficient facts to form an opinion on possible liability of the District.

SUPPLEMENTARY DATA

METROPOLITAN SERVICE DISTRICT
DESCRIPTION OF SOLID WASTE BUDGETARY FUNDS

For financial reporting and operating purposes, management considers the activities relating to solid waste management as those of an unitary enterprise operation and as such are reported in the Solid Waste Fund in the preceding section of this report. However, for budgetary and legal purposes these activities are accounted for in the funds described below. Schedules for these funds prepared according to budgetary concepts on the modified accrual basis of accounting are shown on pages 19 through 22.

General Fund

The primary activities accounted for in the General Fund are expenditures relating to the implementation, administration and enforcement of the District's Solid Waste Management Plan. In addition, general administrative costs are accounted for in this fund which are reimbursed by other funds. User fees provide the primary source of revenue.

Solid Waste Debt Service Fund

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

Solid Waste Phase I Capital Improvement Fund

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

METROPOLITAN SERVICE DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
for the fiscal year ended June 30, 1977

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>		
REVENUES:					
Solid waste user fees	\$767,200		\$(767,200)		
Tire disposal fees	19,500	\$ 15,558	(3,942)		
Tire carrier permit fees	500	829	329		
Sale of publications	200	63	(137)		
Interest	500	2,882	2,382		
State grant	10		(10)		
Miscellaneous	90	356	266		
Total revenues	788,000	19,688	(768,312)		
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATIONS (DEFICIT)	13,000	(42,800)	(55,800)		
	<u>\$801,000</u>	<u>\$(23,112)</u>	<u>\$(824,112)</u>		
	<u>Budgeted Appropriations</u>				
	<u>Original</u>	<u>Transfers In (Out)</u>	<u>Revised</u>	<u>Actual</u>	<u>(Over Under Budget</u>
EXPENDITURES:					
Solid Waste Division:					
Personal services	\$150,318	\$(5,024)	\$145,294	\$102,152	\$ 43,142
Materials and services	148,000	(360)	147,640	81,305	66,335
Capital outlay	12,850		12,850	12,408	442
Contingency	32,925		32,925		32,925
	344,093	(5,384)	338,709	195,865	142,844
Administrative Division:					
Personal services		55,824	55,824	52,714	3,110
Materials and services		4,000	4,000	3,300	700
	-	59,824	59,824	56,014	3,810
Less service payments from other funds:					
Johnson Creek Drainage Fund	(2,583)		(2,583)		(2,583)
Zoo Fund		(54,440)	(54,440)	(54,440)	
	(2,583)	(54,440)	(57,023)	(54,440)	(2,583)
Total expenditures	341,510		341,510	197,439	144,071
TRANSFER TO SOLID WASTE DEBT SERVICE FUND	459,490		459,490		459,490
	<u>\$801,000</u>	<u>\$ -</u>	<u>\$801,000</u>	<u>\$197,439</u>	<u>\$603,561</u>

METROPOLITAN SERVICE DISTRICT
 SOLID WASTE DEBT SERVICE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 for the fiscal year ended June 30, 1977

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
TRANSFERS:			
Transfer from General Fund	\$459,490		\$(459,490)
Transfer from Solid Waste Phase I Capital Improvement Fund	<u>280,100</u>	<u>\$26,919</u>	<u>(253,181)</u>
	<u>\$739,590</u>	<u>\$26,919</u>	<u>\$(712,671)</u>
	<u>Budgeted Appropriations</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
EXPENDITURES:			
Interest expense on Department of Environmental Quality loan	\$403,730	<u>\$ -</u>	<u>\$403,730</u>
ENDING FUND BALANCE AVAILABLE FOR APPROPRIATIONS	<u>335,860</u>		
	<u>\$739,590</u>		

METROPOLITAN SERVICE DISTRICT
 SOLID WASTE PHASE I CAPITAL IMPROVEMENT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 for the fiscal year ended June 30, 1977

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:			
Department of Environmental Quality grant	\$ 777,750		\$ (777,750)
Department of Environmental Quality loan	8,280,000	\$2,150,000	(6,130,000)
Interest	<u>280,100</u>	<u>26,919</u>	<u>(253,181)</u>
Total revenues	<u>\$9,337,850</u>	<u>\$2,176,919</u>	<u>\$(7,160,931)</u>
	<u>Budgeted</u>		<u>(Over)</u>
	<u>Appropriations</u>	<u>Actual</u>	<u>Under</u>
			<u>Budget</u>
EXPENDITURES:			
Capital improvements	\$4,722,680	\$ 212,111	\$4,510,569
Contingency	<u>3,335,070</u>	<u> </u>	<u>3,335,070</u>
Total expenditures	8,057,750	212,111	7,845,639
TRANSFER TO SOLID WASTE DEBT SERVICE FUND	<u>280,100</u>	<u>26,919</u>	<u>253,181</u>
	8,337,850	<u>\$ 239,030</u>	<u>\$8,098,820</u>
ENDING FUND BALANCE AVAILABLE FOR APPROPRIATIONS	<u>1,000,000</u>		
	<u>\$9,337,850</u>		

METROPOLITAN SERVICE DISTRICT
 SCHEDULE OF CHANGES IN FUND BALANCES (DEFICIT)
 AVAILABLE FOR APPROPRIATION - BUDGETARY BASIS
 for the year ended June 30, 1977

	<u>Combined (Memorandum Only)</u>	<u>General Fund</u>	<u>Solid Waste Debt Service Fund</u>	<u>Solid Waste Phase I Capital Improvement Fund</u>
Fund balances (deficit), budgetary basis, June 30, 1976	\$ (42,800)	\$ (42,800)		
Revenues	2,196,607	19,688		\$2,176,919
Expenditures	(409,550)	(197,439)		(212,111)
Transfers in (out)	<u> </u>	<u> </u>	\$26,919	<u>(26,919)</u>
Fund balances (deficit), budgetary basis, June 30, 1977	1,744,257	\$(<u>220,551</u>)	<u>\$26,919</u>	<u>\$1,937,889</u>
Reconciled to Solid Waste Fund retained earnings (deficit), enterprise basis, in the basic financial statements:				
Add:				
User fees receivable accrued as revenue on the enterprise basis	84,379			
Capital outlay expenditures on a budgetary basis capitalized on the enterprise basis:				
Solid Waste Phase I Capital Improvement Fund	212,111			
General Fund	12,408			
Reclassification of general fixed assets to enterprise fund	4,604			
Deduct:				
Loan proceeds recorded as revenue on the budgetary basis in Solid Waste Phase I Capital Improvements Fund	(2,150,000)			
Accrued interest payable recorded as an expense on the enterprise basis	(25,861)			
Depreciation expense recorded as an expense on the enterprise basis	<u>(1,108)</u>			
Solid Waste Fund retained earnings (deficit), enterprise basis, in the basic finan- cial statements, June 30, 1977	\$ (<u>119,210</u>)			

METROPOLITAN SERVICE DISTRICT
 SCHEDULE OF PROPERTY TAX TRANSACTIONS
 AND OUTSTANDING BALANCE
 for the year ended June 30, 1977

<u>Fiscal Year</u>	Current Levy as Extended by Assessors	<u>Add</u>		<u>Deduct</u>		Property Taxes Receivable June 30, 1977
		<u>Adjustments</u>	<u>Interest</u>	<u>Discounts</u>	<u>Collections</u>	
1976-77	<u>\$2,118,381</u>	<u>\$5,601</u>	<u>\$967</u>	<u>\$45,450</u>	<u>\$1,885,730</u>	<u>\$193,769</u>

METROPOLITAN SERVICE DISTRICT
 SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
 (LOAN FROM DEPARTMENT OF ENVIRONMENTAL QUALITY)
 for the year ended June 30, 1977

	<u>Original Issue</u>		<u>Matured</u>	<u>Paid</u>	<u>Outstanding at June 30, 1977</u>	
	<u>Date</u>	<u>Amount</u>			<u>Unmatured</u>	<u>Matured</u>
Principal	4/21/77	\$ <u>2,150,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,150,000</u>	\$ <u>-</u>
Interest	4/21/77	\$ <u>906,645</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>906,645</u>	\$ <u>-</u>

METROPOLITAN SERVICE DISTRICT
 SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
 OF LOAN FROM DEPARTMENT OF ENVIRONMENTAL QUALITY
 as of June 30, 1977

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest*</u>	<u>Total</u>
1977-78	\$ 40,000	\$103,430	\$ 143,430
1978-79	65,000	99,080	164,080
1979-80	85,000	94,580	179,580
1980-81	105,000	88,880	193,880
1981-82	130,000	81,895	211,895
1982-83	135,000	74,955	209,955
1983-84	150,000	68,475	218,475
1984-85	150,000	61,725	211,725
1985-86	150,000	54,900	204,900
1986-87	150,000	47,925	197,925
1987-88	160,000	40,600	200,600
1988-89	160,000	33,000	193,000
1989-90	160,000	25,400	185,400
1990-91	160,000	17,800	177,800
1991-92	175,000	10,500	185,500
1992-93	<u>175,000</u>	<u>3,500</u>	<u>178,500</u>
	<u>\$2,150,000</u>	<u>\$906,645</u>	<u>\$3,056,645</u>

*Interest rate ranges from 4 to 6%.

SECTION II

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

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

AUDIT COMMENTS AND DISCLOSURES

I. Internal Accounting Control:

We have examined the financial statements of the Metropolitan Service District for the year ended June 30, 1977 and our report thereon is included in the preceding section of this report. As part of our examination, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements.

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

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

AUDIT COMMENTS AND DISCLOSURES, Continued

I. Internal Accounting Control, Continued:

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

Our examination of the financial statements made in accordance with generally accepted auditing standards, including the study and evaluation of the District's system of internal accounting control for the year ended June 30, 1977, that was made for the purposes set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. However, such study and evaluation disclosed the following conditions that we believe to be material weaknesses for which corrective action by management may be practicable in the circumstances.

We have reviewed these weaknesses and our recommendations for corrective action, described below, with Mr. Charles Kemper, Director of Administrative and Solid Waste Divisions.

AUDIT COMMENTS AND DISCLOSURES, Continued

I. Internal Accounting Control, Continued:

A. Strengthen Internal Accounting Control over Purchasing and Payroll Functions:

During our review of purchasing and payroll procedures we noted a lack of proper authorizations for several purchasing and payroll transactions. We also noted lack of solicitation of vendor bids in a few instances. The following corrective actions should be considered:

- . Responsibility should be designated for approval of each type of purchasing transactions and clearly communicated to all employees. Strict adherence should be required. The prescribed procedures should be periodically monitored by management.
- . Approval of payroll changes should be documented in writing by a responsible person.
- . Management should periodically review standing payroll data and note propriety.
- . Bids should be required in accordance with applicable legal and administrative provisions.

We understand that during and subsequent to fiscal 1977 corrective action concerning purchasing procedures has been implemented by management.

AUDIT COMMENTS AND DISCLOSURES, Continued

I. Internal Accounting Control, Continued:

The foregoing conditions were considered in determining the nature, timing and extent of audit tests to be applied in our examination of the financial statements, and this report of such conditions does not modify our report included in the preceding financial section of this report.

II. Accounting Records:

We found the records of the District to be adequate for audit purposes. The following is our recommendation for improvement of accounting and related fiscal matters:

General Ledger:

The District does not maintain its accounting records on a current basis. We recommend the District's financial information be maintained on a current basis to strengthen internal control over operations, to improve reporting of grant expenditures and to provide management and the Board of Directors with information for other decision-making purposes.

III. Budgeting and Compliance:

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

AUDIT COMMENTS AND DISCLOSURES, Continued

III. Budgeting and Compliance, Continued:

A. New Appropriations Created by Transfer:

During fiscal 1977 the District passed Ordinance No. 43 which amended the original budget by creating an Administrative Division within the General (Solid Waste) Fund and a Grants Division in the Zoo Fund, adopting appropriations for these new divisions, and creating a new appropriation entitled "Service Payment to General Fund" in the Zoo Fund.

Actual expenditures charged to the new appropriation accounts are as follows:

General (Solid Waste) Fund:	
Administrative Division	\$ <u>1,574</u>
Zoo Fund:	
Grants Division	\$ 62,197
Service payment to General Fund	<u>54,440</u>
	<u>\$116,637</u>

Except for the portion of above expenditures which were appropriated as a result of unanticipated grant monies (\$63,800) received in the Zoo Fund after adoption of the original budget, which are not subject to local budget law, the above amounts appear to be contrary to an Attorney General's opinion which states in part, "It appears that the application of ORS 294.450 must be limited to transfers within or between existing appropriations. To create new appropriations by transfer would be contrary to ORS 294.435(3)."

AUDIT COMMENTS AND DISCLOSURES, Continued

III. Budgeting and Compliance, Continued:

B. Expenditures Exceeded Legal Appropriation:

The District's expenditure for capital outlay in two Divisions of the Zoo Fund exceeded the local appropriations - \$1,921 in the Maintenance Division and \$54 in the Animal Health Division. These expenditures appear to be at variance with ORS 294.435 which states, "...no greater expenditure of public money shall be made for a specific purpose than the amount appropriated therefor...."

IV. Indebtedness:

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

V. Collateral Securing Depository Balances:

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

AUDIT COMMENTS AND DISCLOSURES, Continued

V. Collateral Securing Depository Balances, Continued:

Collateral securing the District's demand deposits held by the United States National Bank of Oregon was inadequate at June 30, 1977 and at various times during the year.

VI. Insurance and Fidelity Bond Coverage:

We have examined the District's insurance and fidelity bond coverage at June 30, 1977. We ascertained that such policies appeared to be in force and comply with legal requirements relating to fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering District-owned property at June 30, 1977.

VII. Programs Funded from Outside Sources:

We reviewed and tested, to the extent deemed appropriate the transactions and reports filed for federal grants. Our tests of the accounting records and review of reports did not disclose any material exceptions. We did note that reports were not always filed on a timely basis. We did not consider, however, that the terms of our audit contract with the District required us to make complete audits relating to the grants and our audit opinion does not cover the individual grants.