

**Grant Thornton**

Schedule of Expenditures of Federal  
Awards and Reports of Independent  
Certified Public Accountants

**Metro**

Year ended June 30, 2002

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Report of Independent Certified Public Accountants  
on Metro's Compliance and Internal Control Over  
Financial Reporting Based on an Audit of Basic Financial Statements  
Performed in Accordance with *Government Auditing Standards*

The Council President, Council and Auditor  
Portland, Oregon

We have audited the basic financial statements of Metro as of and for the year ended June 30, 2002, and have issued our report thereon dated November 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Metro's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Metro's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.



This report is intended solely for the information and use of the Council President, Council and Auditor, management and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Portland, Oregon  
November 1, 2002

*Glenn Thornton SJP*

Report of Independent Certified Public Accountants  
on Metro's Compliance with Requirements Applicable to Each Major  
Program and Internal Control Over Compliance in Accordance with  
OMB Circular A-133

The Council President, Council and Auditor  
Portland, Oregon

Compliance

We have audited the compliance of Metro with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2002. Metro's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Metro's management. Our responsibility is to express an opinion on Metro's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metro's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Metro's compliance with those requirements.

In our opinion, Metro complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

### Internal Control Over Compliance

Metro is responsible for establishing and maintaining effective internal control over the compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Metro's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the basic financial statements of Metro as of and for the year ended June 30, 2002, and have issued our report thereon dated November 1, 2002. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

This report is intended solely for the information and use of the Council President, Council, Auditor, management and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Portland, Oregon  
November 1, 2002

Grant Thornton LLP

METRO  
Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Transportation</u>			
Federal Transit Administration:			
Direct programs -			
Federal Highway Administration			
Transportation Equity Act (TEA-21)			
Advanced Travel Forecasting Procedures Program:			
TRANSIMS II	20.205	DTFH61-02-X-00006	\$209,214
Passed through Oregon Department of Transportation -			
Highway, Research, Planning and Construction:			
2002 Planning	20.205	SPR-PL-STP-001(39)	785,639
2002 Federal Surface Transportation Program			
METRO Surface Transportation Program	20.205	SPR-PL-STP-001(39)	668,720
Oregon Public Broadcasting Pilot Program	20.205	SPR-PL-STP-001 (37)	299
Federal Transportation Technical Studies Grant:			
2001 Technical Studies (Sec 5303)	20.205	OR-80-X010-00	45,705
2002 Technical Studies (Sec 5303)	20.205	OR-80-X011-00	255,027
Federal Highway Administration			
Transportation Equity Act (TEA-21)			
Transportation & Community & System Preservation			
Pilot Program (TCSP)	20.205	TCSP-005-Q68	161,767
National Corridor Planning and Development			
I-5 Trade Corridor Study	20.205	SPR-PL-STP-001(39)	386,554
Passed through Tri-County Metropolitan Transportation District			
of Oregon (TRI-MET)-			
Congestion Mitigation & Air Quality Improvement Program			
North Interstate MAX Light Rail Project	20.205	OR-90-X088	3,535
Direct program -			
Federal Transit Administration:			
Transit Oriented Development	20.500	OR-90-X073-00	17,599
Wilsonville/Beaverton Transit Corridor PE	20.500	OR-03-0080-00	558,016
Direct program -			
Federal Transit Administration:			
Wilsonville/Beaverton Transit Corridor Study (Sec 5307)	20.507	OR-90-X084-01	9,486
South Corridor Transit Alternatives	*20.507	OR-90-X083-00	1,980,895
Transit Oriented Development	20.507	OR-90-X070-02	215,806
Passed through Tri-County Metropolitan Transportation District			
of Oregon (TRI-MET)-			
Congestion Mitigation & Air Quality Improvement Program			
Transportation Demand Management(TDM)	20.507	OR-90-X087	75,000
Direct program -			
Travel Model Improvement Program			
TRANSIMS	*20.514	OR-03-8001-01	113,094
Total U. S. Department of Transportation	5		<u>\$5,486,356</u>

METRO  
Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Agriculture</u>			
Natural Resources Conservation Service- Wildlife Habitat Incentive Program	10.914	72-0436-9-193	\$9,900
Total U. S. Department of Agriculture			<u>\$9,900</u>
<u>U. S. Department of the Interior</u>			
Bureau of Land Management- Federal Land Policy and Management Act (FLPMA)		1422H952-A97-3005	\$43,259
U. S. Fish and Wildlife - Wildlife Conservation and Appreciation	*15.617	14-48-13420-97-J002	213,584
Wildlife Conservation and Appreciation	15.617	14-48-13420-02-J207	5,895
Passed through Oregon Fish and Wildlife - 2001 Field Study	15.617	1448-13420-01-J141	33,215
Passed through Oregon State Marine Board - Clean Vessel Act Program	15.616	N/A	300
Total U. S. Department of the Interior			<u>\$296,253</u>
<u>U.S. Department of Education</u>			
Institute of Museum and Library Services - General Operating Support	45.301	IG-10764-01	\$42,188
Total U.S. Department of Education			<u>\$42,188</u>
<u>U.S. Environmental Protection Agency</u>			
Wetlands Protection State Development	66.461	CD-97000901-0	\$29,678
Total U.S. Environmental Protection Agency			<u>\$29,678</u>
Total Federal Expenditures			<u>\$ 5,864,375</u>

\*Major program

# Metro

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### NOTE A – GENERAL

The accompanying Schedule of Expenditures of Federal Awards includes all federal monies received by Metro. Metro's reporting entity is defined in Note 1 to Metro's basic financial statements. Financial assistance received directly from federal agencies, as well as financial assistance passed through other government agencies, is included on the schedule.

### NOTE B – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 3 to Metro's basic financial statements.

### NOTE C – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards reported in Metro's basic financial statements are included with intergovernmental and federal grants revenues.

### NOTE D – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Metro provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Pilot Program (TCSP)	20.205	\$ 58,858
Wilsonville/Beaverton Transit Corridor PE	20.500	543,838
Wilsonville/Beaverton Transit Corridor Study (SE 5307)	20.507	9,277
South Corridor Transit Alternatives	20.507	232,993
Wildlife Conservation and Appreciation	15.617	165,785

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## SECTION I – SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

CFDA Number	<u>Name of Federal Program</u>
15.617	Department of the Interior, U.S. Fish & Wildlife, Wildlife Conservation and Appreciation
20.507	Department of Transportation, Federal Transit Administration, South Corridor Transit Alternatives
20.514	Department of Transportation, Travel Model Improvement Program, TRANSIMS

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.



## Grant Thornton

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MetroCAFR

# Comprehensive Annual Financial Report

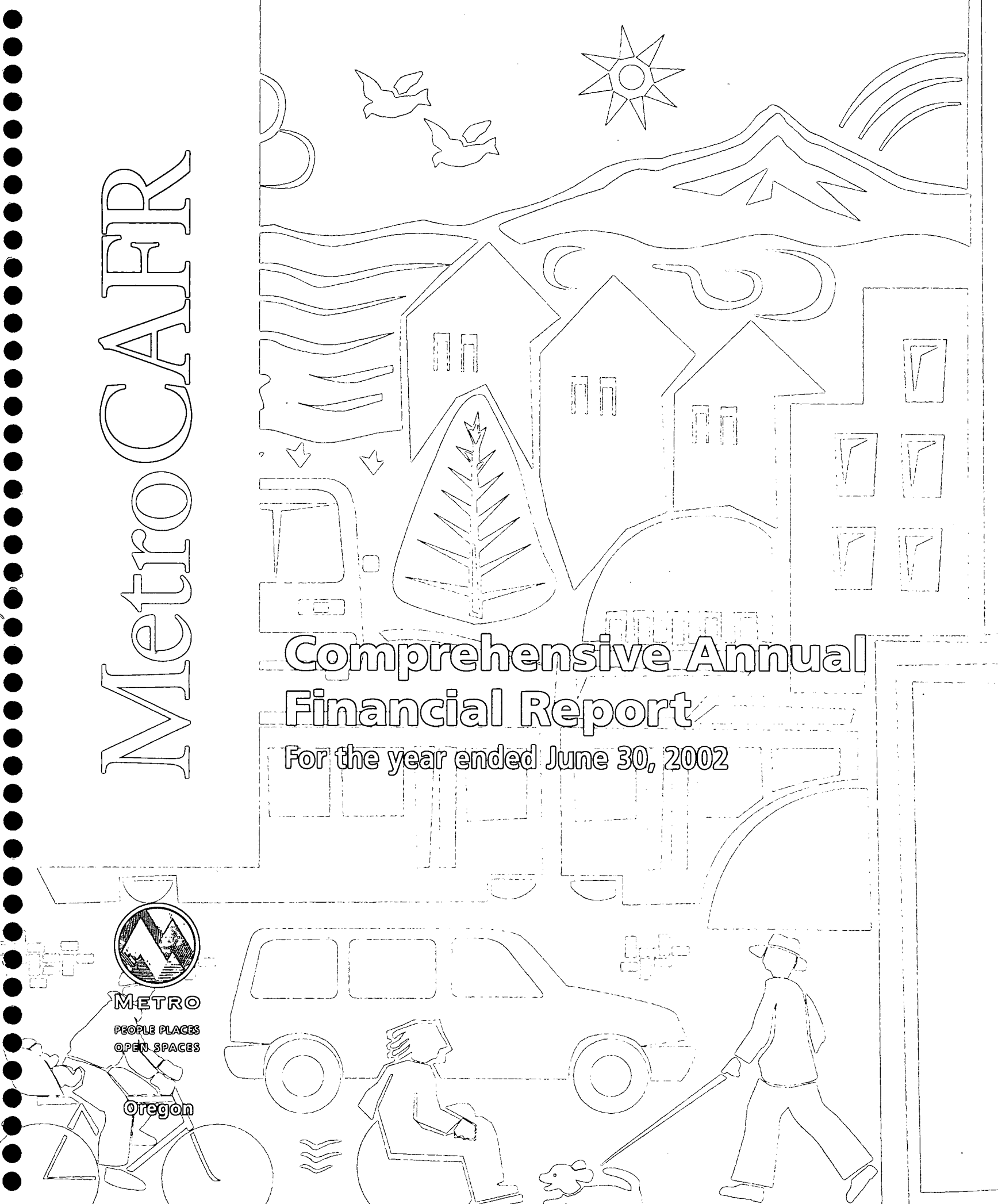
For the year ended June 30, 2002



METRO

PEOPLE PLACES  
OPEN SPACES

Oregon



**Metro**  
**People places • open spaces**

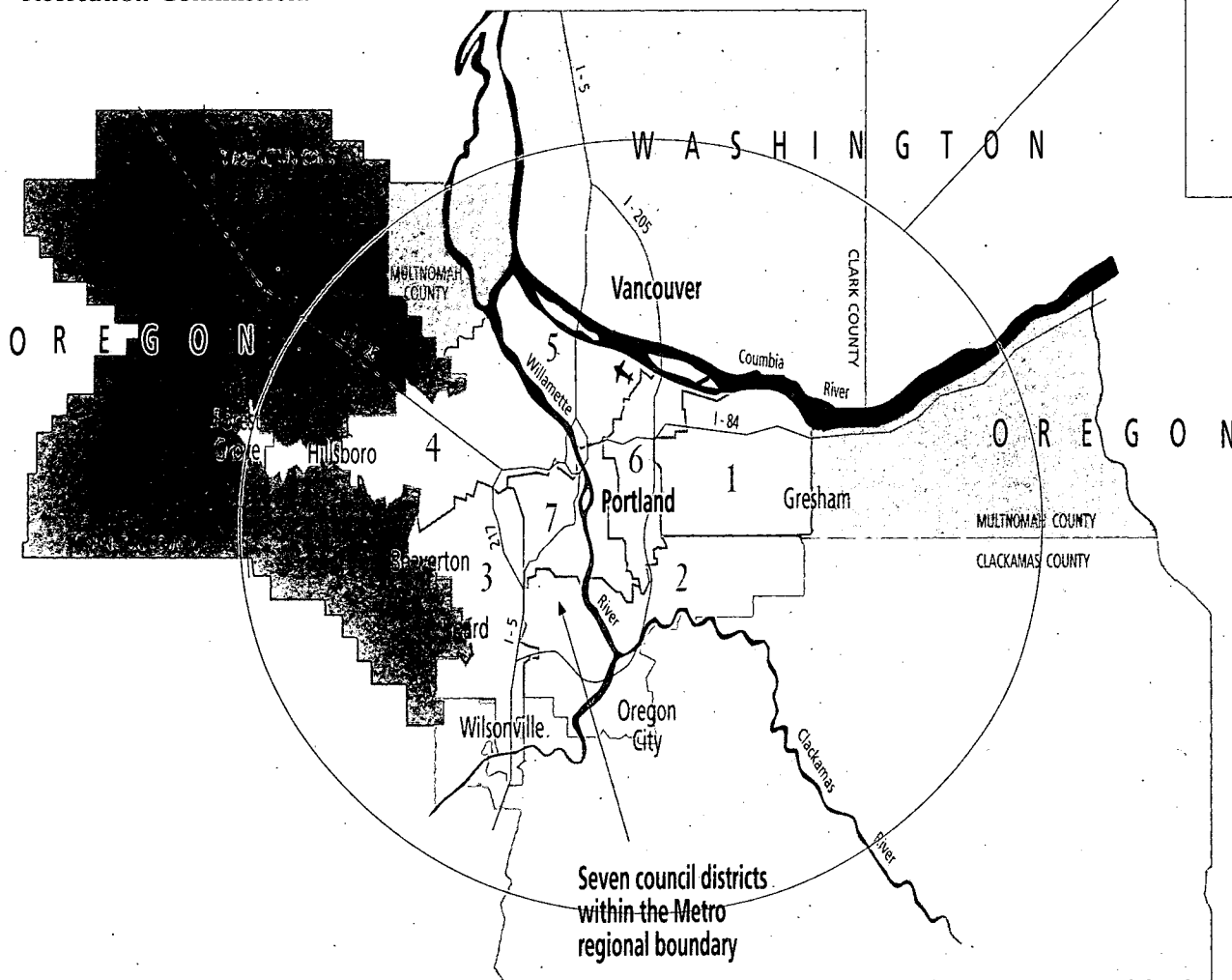
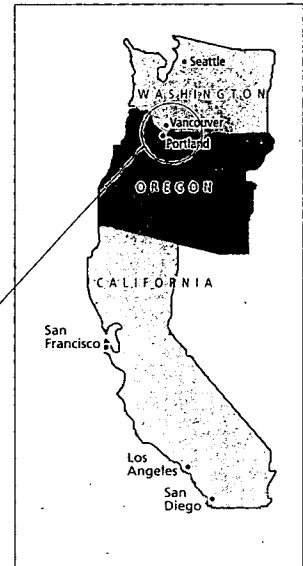
Metro serves 1.3 million people who live in Clackamas, Multnomah and Washington counties and the 24 cities in the Portland metropolitan area. The regional government provides transportation and land-use planning services and oversees regional garbage disposal and recycling and waste reduction programs.

Metro manages regional parks and greenspaces and owns the Oregon Zoo. It also oversees operation of the Oregon Convention Center, the Portland Center for the Performing Arts and the Portland Metropolitan Exposition (Expo) Center, all managed by the Metropolitan Exposition Recreation Commission.

**Your Metro representatives**

Executive Officer – Mike Burton;  
Auditor – Alexis Dow, CPA; Metro  
Council – Presiding Officer Carl  
Hostickā, District 3; Deputy Presiding  
Officer Susan McLain, District 4; Rod  
Park, District 1; Bill Atherton, District  
2; Rex Burkholder, District 5; Rod  
Monroe, District 6; David Bragdon,  
District 7.

**Metro's web site:**  
**[www.metro-region.org](http://www.metro-region.org)**



# MetroCARE

## **Comprehensive Annual Financial Report**

**For the year ended June 30, 2002**

Administrative Services Department

Director/Chief Financial Officer  
Jennifer Sims, MPA

Prepared by  
Accounting Services Division

Accounting Manager  
Donald R. Cox Jr., CPA

Financial Reporting Supervisor  
Karla J. Lenox, CPA



**METRO**

PEOPLE PLACES  
OPEN SPACES

Oregon

# METRO

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## METRO

November 1, 2002

To the Council and Citizens of the Metro Region:

In accordance with ORS 297.425, Metro's Administrative Services Department, Accounting Services Division is pleased to submit the Comprehensive Annual Financial Report of Metro, for the fiscal year ended June 30, 2002, together with the report thereon of Metro's independent auditors.

The Comprehensive Annual Financial Report (CAFR) presents the financial position of Metro as of June 30, 2002, and the results of its operations and cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards as prescribed by the Secretary of State, State of Oregon.

The CAFR is prepared to provide meaningful financial information to legislative bodies, creditors, investors and the public. This is the first report issued by Metro under the new reporting standards of *Governmental Accounting Standards Board Statement No. 34*. There are three main sections in this report:

The **Introductory Section** includes the table of contents, this transmittal letter and Metro's organizational chart.

The **Financial Section** includes the independent auditor's report, Management Discussion and Analysis, basic financial statements for the entity as a whole, other required supplemental information, notes to the financial statements as well as combining and individual statements and schedules for Metro's funds.

The **Statistical Section** includes ten years of summary financial data, debt computations and a variety of other data that may be useful in assessing Metro's financial performance.

Following the Statistical Section you will find additional reports of our independent certified public accountants required by Oregon Administrative Rules. These rules are incorporated in the Minimum Standards for Audits of Municipal Corporations, as prescribed by the Secretary of State.

**Internal Controls.** The CAFR consists of management's representations concerning the finances of Metro. Metro management is responsible for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, Metro's management has established a comprehensive internal control framework. This framework is designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that accounting transactions are executed in accordance with management's authorization and properly recorded, so that the

financial statements can be prepared in conformity with GAAP. The design and operation of internal controls also ensures that federal and state financial assistance funds are expended in compliance with applicable laws and regulations related to those programs. Because the cost of internal controls should not outweigh their benefits, Metro's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

**Independent Audit.** In accordance with Oregon law, Metro's basic financial statements have been audited by Grant Thornton LLP. The objective of the audit was to provide reasonable assurance that the financial statements of Metro, for the fiscal year ended June 30, 2002, are free of material misstatement. Such audit is conducted in accordance with auditing standards generally accepted in the United States of America and Minimum Standards for Audits of Oregon Municipal Corporations as prescribed by government auditing standards. The auditor's report on these financial statements is located in the Financial Section of the report on pages 15 - 16. The independent audit of the financial statements was part of a broader, federally mandated "Single Audit." The "Single Audit" standards require the independent auditor to report not only on the fair presentation of the financial statements, but also on Metro's internal controls and compliance with legal requirements, with special emphasis on the internal controls and legal requirements involving the administration of federal grant awards. These reports are available in Metro's separately issued *Audit of Federal Awards Performed in Accordance with U.S. Office of Management and Budget Circular A-133*.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Metro's MD&A begins on page 17, immediately following the report of the independent auditors.

## **Profile of Metro**

Metro covers approximately 460 square miles of the urban portions of Clackamas, Multnomah and Washington counties in northwestern Oregon. There are 24 cities in the Metro region, including Portland, Gresham, Beaverton, Hillsboro, Milwaukie, Lake Oswego and Oregon City.

Metro, the nation's only directly elected regional government, is responsible for a broad range of public services. According to a home-rule charter first approved by voters in 1992, Metro has primary responsibility for regional land-use and transportation planning, and is further empowered to address any other issue of "metropolitan concern." This grant of authority underscores the Portland metropolitan region's commitment to maintain and enhance the livability of the region.

**History.** Metro was formed in 1979, when voters approved the merger of a council of governments (Columbia Region Association of Governments – CRAG) that had land-use and transportation planning responsibilities with the Metropolitan Service District, which had been created to provide regional services that included the solid waste management plan and operation of a metropolitan zoo (now named the Oregon Zoo). The District was governed by an elected council and an elected Executive Officer and had the combined authority of the two predecessor agencies and other potential additional powers. Metro was organized under a grant of authority

by the Oregon Legislature and the Oregon Revised Statutes. Metro's powers were limited to those expressly granted by the Legislature, and any extension of those powers had to first be approved by the Legislature.

In the early 1980's, Metro was assigned the responsibility for regional solid waste disposal, taking over operation of the one existing publicly owned regional landfill (since closed) and began construction of a transfer station. In November 1986, voters approved general obligation bond funding for the Oregon Convention Center, which was financed, built and is now operated by Metro. In January 1990, under terms of an intergovernmental agreement with the City of Portland, Metro assumed management responsibility for the Portland Center for the Performing Arts, Portland Civic Stadium and the Memorial Coliseum (though management of both the Stadium and Coliseum were returned to the city in subsequent years). Finally, in 1994, Metro assumed management responsibility for the Multnomah County parks system and Expo Center. Ownership of these facilities was transferred to Metro on July 1, 1996.

Metro has long had an important coordination role in regional transportation planning. Metro is the designated metropolitan planning organization, responsible for allocation of federal transportation funds to projects in the region. The region's success in attracting federal funding for highway and transit projects is due, in large part, to Metro's role in building and maintaining regional consensus on projects to be funded and ensuring that funding is allocated to high-priority projects. In connection with this effort, Metro has developed a regional Data Resource Center to forecast transportation and land-use needs and to maintain geographic based data for decision-making.

State land-use planning laws require local governments to prepare comprehensive land-use plans. Metro is the agency responsible for establishing and maintaining an urban growth boundary (UGB) for the Portland region. Through the maintenance of the UGB pursuant to Oregon's land-use laws, the region has maintained its unique character and is now a national model for urban growth management planning.

In 1990, the Legislature referred a constitutional amendment to the voters to allow the creation of a home-rule regional government in the Portland metropolitan area. Voters approved the amendment and subsequently approved the Charter in 1992. Metro thereby achieved the distinction of not only being the nation's only elected regional government, but also the only one organized under a home-rule charter approved by voters. An elected Auditor position was also created under this charter, with the first elected auditor taking office in 1995.

In November 2000, the citizens of the region overwhelmingly approved Ballot Measure 26-10, authorizing a change in the structure of the Metro elected leadership. The new structure will replace the current Executive Officer, elected region-wide, and seven-member Council, elected by district, with a regionally elected Council President and six Councilors elected by district. The new structure goes into effect in January 2003.

**Budget.** The annual adopted budget serves as the foundation for Metro's financial planning and control. Metro prepares a budget for each fund, except the Deferred Compensation Fund, in accordance with the legal requirements set forth in the Oregon Local Budget Law. The Council adopts the original budget for all funds by ordinance prior to the beginning of Metro's fiscal year (July 1). The ordinance authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations that have not been expended at year-end lapse and subsequent actual expenditures are charged against ensuing year appropriations. Unexpected additional resources and budget revisions may be added to the

budget by use of a supplemental budget or by an ordinance passed by the Council amending the budget. The original and any supplemental budget requires hearings before the public, publication in newspapers and approval by the Council. Management may amend the budget *within* the appropriated levels of control without the approval of Council.

### Reporting Entity

For financial reporting purposes, Metro is a primary government under the provisions of *Governmental Accounting Standards Board Statement No. 14*. This report includes all organizations and activities for which the elected officials exercise financial control. Metro has one component unit, the Metropolitan Exposition-Recreation Commission (MERC). MERC is responsible for the operation of the Oregon Convention Center, Portland Center for the Performing Arts and Expo Center. The financial statements of MERC are included in this report.

### Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which Metro operates.

**Local economy.** Metro serves more than 1.3 million residents in the Portland metropolitan area. The area is the financial, trade, transportation and service center for Oregon, southwest Washington state and the Columbia River basin.

Approximately 38% of Oregon's population lives within the Metro boundary. Population growth within this area from 1990 to 2000 increased 24%, exceeding the growth for both the State of Oregon (20%) and the nation (13%) for the same period. Oregon was the eleventh fastest growing state between the two censuses. Net migration to the region accounted for nearly two-thirds of that population growth in the decade of the 1990's. According to the Oregon Economic Analysis (OEA) department of the State of Oregon, future population growth will be higher than the U.S. average, but slower than the growth experienced in the mid-1990's.

Reflecting the continuing effects of the economic downturn that lasted throughout much of 2001, the number of Oregonians looking for work in July 2002 was 15,000 more than in July 2001 when 112,000 people were unemployed. Oregon's rate of unemployment rose to 7.3% in July 2002, following rates of 7.2% in both May and June. The U.S. unemployment rate, for comparison, was 5.9% in July.

The OEA predicts that the state's overall employment will fall 0.7% in 2002, which will match the job loss of 2001. Contributing to the overall loss of jobs is a projected 4.3% decline in manufacturing employment and a 7.2% decline in the sector of the economy that includes semiconductors and electrical machinery.

According to the OEA, the major risks facing the Oregon economy include:

- The War on Terrorism which would include disruptions on travel, oil supplies, and consumer confidence.
- Further stock market corrections, which would slow consumer spending.
- Rising regional energy prices, which would cause businesses to slow production and lay off workers.

- A slower than anticipated recovery for the semiconductor, software, and communications segments of the economy.

Some economic bright spots for Oregon include the strongest fourth-quarter hiring activity in the nation for chief information officers, according to a study by Robert Half Technology. This is caused by the region's health care and biotechnology industries which is creating a need for employees skilled in Enterprise Java and .NET development.

Another positive development for the Portland area is a growing organizational structure and signs of cooperation between public and private companies in the area of economic development. An increasing number of people from both the business community and local governments are working together in the form of new organizations and are targeting the issue of positive economic growth.

**Long-term financial planning.** In the past three years, Metro has completed or nearly completed four major capital project initiatives. These include acquisition of over 7,700 acres of open spaces, opening of the Oregon Zoo's Great Northwest exhibit, and within the MERC component unit, expansion of the Oregon Convention Center and construction of a new exhibit hall at the Expo Center. As a result of this active period of construction and acquisition, Metro has addressed its most pressing capital requirements, and there is little in the way of major capital projects in active planning. The exception is an effort to raise private funds for construction of a nature center at Oxbow Regional Park, a project with an estimated cost of some \$3 million. If fund-raising is successful, construction could take place in FY 2005-06.

Metro's Executive Officer has formed a Transportation Investment Task Force, charged with recommending transportation capital projects in the region and the means of funding them. The task force's report will be presented to the Metro Council in January 2003. It may contain recommendations for Metro to raise some of the revenue itself, through some combination of taxes and fees. If this comes to pass, Metro will serve as the collector and distributor of the revenue to other jurisdictions that actually provide direct transportation services; Metro will not be taking on a new role as a provider of these services.

**Cash management policies and practices.** Metro pools most funds for investment purposes to obtain maximum return on investments while minimizing the risk of loss of principal due to credit and market risk. The conduct of investment transactions by the investment manager is governed by an Investment Policy adopted by the Metro Council as part of Metro Code, which in turn must conform to requirements of Oregon Revised Statutes. The Investment Policy regulates Metro's investment objectives, diversification, limitations and reporting requirements. Metro uses an independent Investment Advisory Board to review and advise Metro on its investment plan and investment performance. Quarterly investment reports are presented to the Investment Advisory Board and forwarded to the Metro Council.

Cash not required for current operations was invested in the State of Oregon Local Government Investment Pool, U.S. Treasury securities, federal agency securities and commercial paper. The average yield earned on Metro's pooled cash investments declined with the market in fiscal year 2002, from a high of 4.534% in July 2001 to a low of 2.264% in June 2002. The average yield for the fiscal year was 3.095% compared to 5.902% in the prior year. The pooled cash portfolio does not include bond related investments, which are restricted in terms of maturity and yield. The investments for Metro's Deferred Compensation Fund, a 401(k) plan, are administered by The Vanguard Group, Inc.

The presentation of investment balances and investment income in Metro's financial statements is in conformance with *Governmental Accounting Standards Board Statement No. 31*. Under the provisions of this requirement, investments are reflected at fair value and investment income includes unrealized gains and losses on investments due to changes in fair market value of investments held at fiscal year-end. Such reported changes in value and unrealized gains and losses are temporary as Metro's investment policy is to hold investments to maturity.

**Risk management.** The *Business Services Division* of the Administrative Services Department takes an active role in identifying, evaluating and reducing risks to Metro. The division provides instruction to employees to encourage safe behavior and helps make Metro facilities safe places to visit and work. As part of the safety program, the employees of Metro are recognized for their achievement of reducing cost of claims.

Metro self-insures bodily injury, personal injury, or property damage of third parties resulting from negligence of Metro or its employees. Property damage to Metro-owned facilities, subject to a \$100,000 deductible, is covered through a commercial primary all risk, property insurance policy. Metro is fully insured through SAIF Corporation for workers' compensation coverage. Health and welfare benefits are provided by third party benefit providers under contracts managed by Risk Management. Additional information can be found in the notes to the financial statements.

**Pension and other postemployment benefits.** Substantially all full-time employees are participants in the Oregon Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for political subdivisions in the State of Oregon. PERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Oregon Public Employees Retirement System, P.O. Box 73, Portland, Oregon 97207-0073.

The rate of employer contributions to PERS is determined periodically by PERS based upon actuarial valuations performed at least every two years. Metro management monitors pension costs and contribution rates to take advantage of opportunities to minimize costs as much as possible, while meeting its obligations to its employees through PERS. To that end, Metro joined a consortium of other local governments to be part of a larger pool for rate-setting purposes. The primary advantage to Metro in joining the pool was to provide more rate stability. Additional financial information on Metro's pension arrangements can be found in the notes to the financial statements.

The PERS board has also decided to implement updated actuarial equivalency factors and tables (such as life expectancy tables) that will properly match contributions to projected need. This change should assist governments by reducing increasing contribution rate pressures. These new factors and tables are scheduled to be implemented on January 1, 2004.

Metro currently provides no other employer paid post-employment benefits to its employees.

**Awards**

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro for its comprehensive annual financial report for the fiscal year ended June 30, 2001. This was the tenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

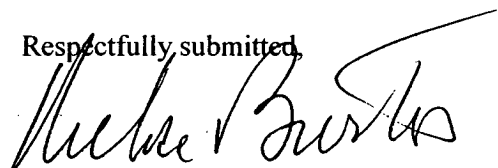
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2001. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, and operations guide, and a communications device. This was the sixth consecutive year that Metro received this award.

**Acknowledgements**

The preparation of this report would not have been possible without the dedicated efforts of the employees in the Accounting Services Division of the Administrative Services Department. We especially acknowledge the efforts of Karla Lenox, CPA, Financial Reporting and Control Supervisor, and Donald R. Cox, Jr., CPA, CGFM, Accounting Manager for their efforts in the preparation of this report. We wish to acknowledge the professional and technical assistance of the audit staff of Grant Thornton LLP. Finally, we acknowledge the cooperation received from other Metro staff in providing information required to fairly present Metro's financial information. Appreciation is also extended to the Metro Auditor and Metro Council for their support.

Respectfully submitted,

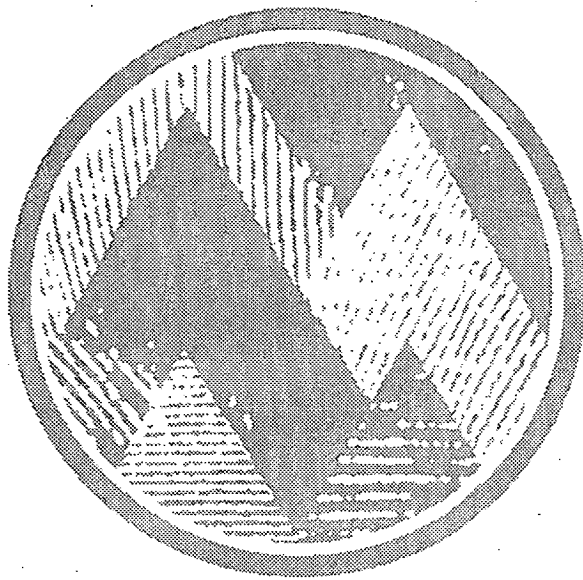


Mike Burton  
Executive Officer



Jennifer Sims  
Chief Financial Officer





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metro,  
Oregon

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Imelda Stuart*  
President

*Jeffrey L. Esser*  
Executive Director

## GFOA award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. This was the tenth consecutive year that the government has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

June 30, 2002

## Elected Officials

### Executive Officer

Mike Burton  
Term expires Dec. 31, 2002

### Auditor

Alexis Dow, CPA  
Term expires Dec. 31, 2002

### Councilors

Presiding Officer  
Carl Hosticka  
Council District 3  
Term expires Dec. 31, 2004

Deputy Presiding Officer  
Susan McLain  
Council District 4  
Term expires Dec. 31, 2002

Rod Park  
Council District 1  
Term expires Dec. 31, 2002

Bill Atherton  
Council District 2  
Term expires Dec. 31, 2002

Rex Burkholder  
Council District 5  
Term expires Dec. 31, 2004

Rod Monroe  
Council District 6  
Term expires Dec. 31, 2004

David Bragdon  
Council District 7  
Term expires Dec. 31, 2002

## Appointed Officials

Pete Sandrock  
Chief Operating Officer

Jennifer Sims  
Director of Administrative Services/  
Chief Financial Officer

Daniel B. Cooper  
General Counsel

Andrew Cotugno  
Planning Director

Tony Vecchio  
Director of the Oregon Zoo

Terry Petersen  
Director of Regional  
Environmental Management

Charles S. Ciecko  
Director of Regional Parks and  
Greenspaces

Mark Williams  
General Manager, Metropolitan  
Exposition-Recreation Commission

Lilly Aguilar  
Director of Human Resources

David Biedermann  
Director of Information Technology

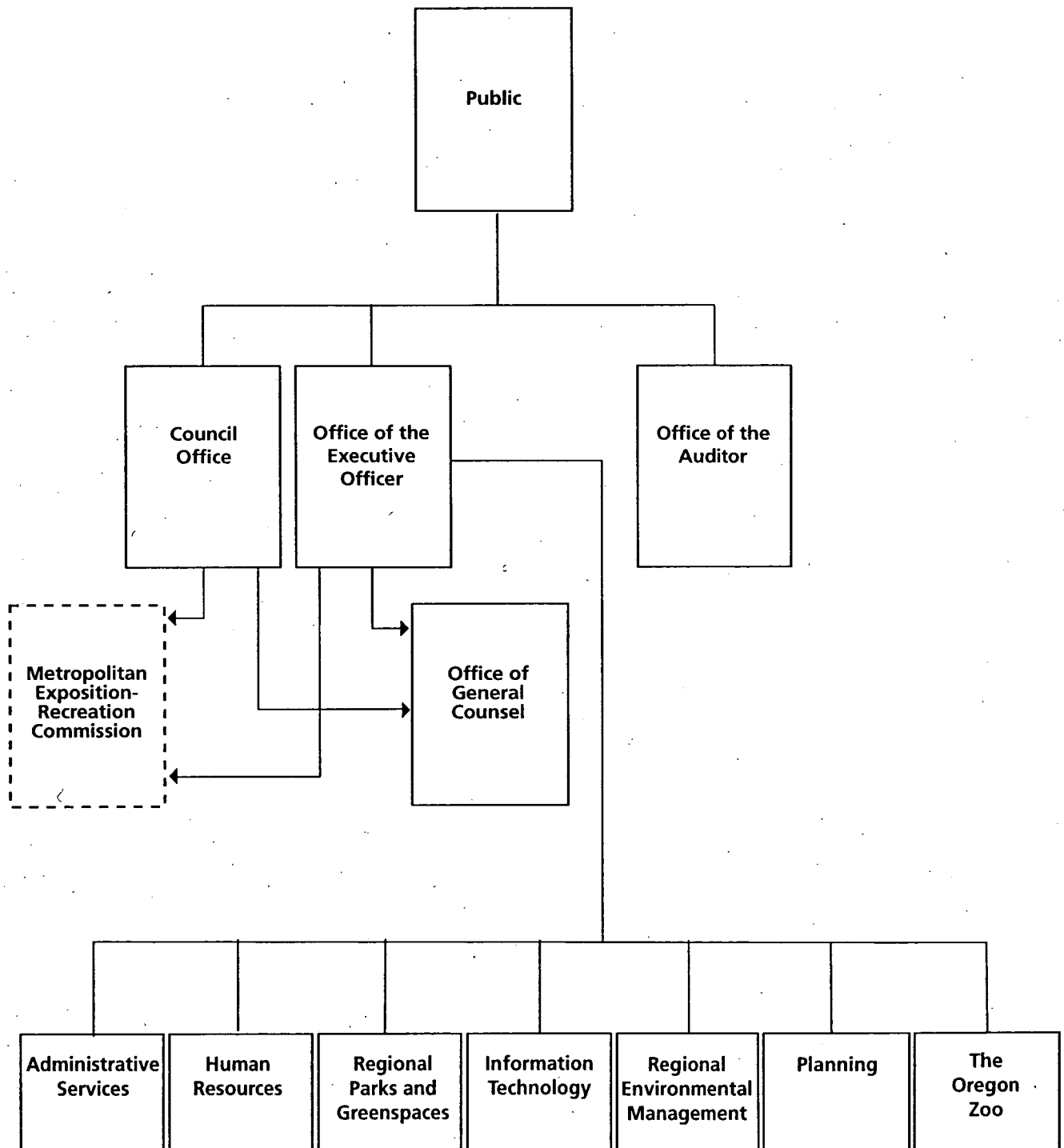
### Registered Agent

Jeff Stone

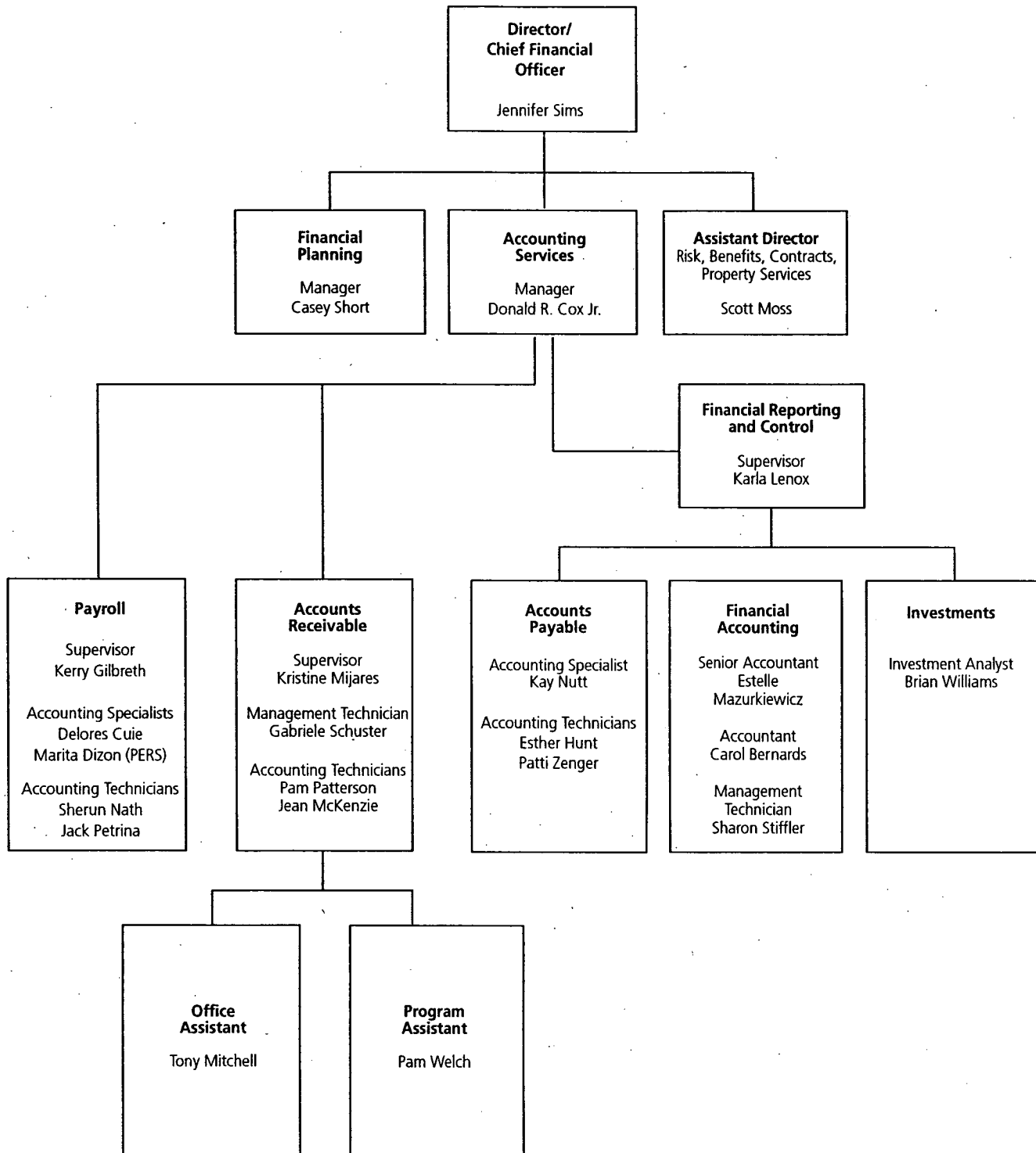
### Address of Registered and Administrative Office

600 NE Grand Avenue  
Portland, OR 97232-2736

# Metro Organization Structure



# Administrative Services Department and Accounting Services Division



7





**METRO**  
**OFFICE OF THE AUDITOR**

November 1, 2002

To the Metro Council and Citizens of the Metro Region:

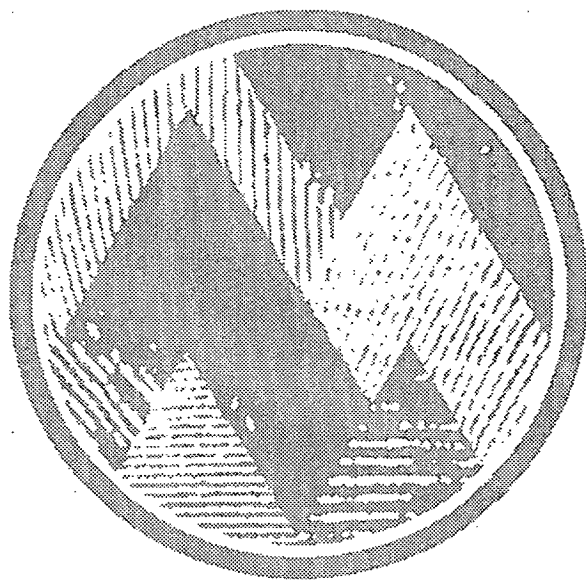
Oregon State law requires an annual audit of Metro's financial records and transactions by independent certified public accountants. In accordance with Metro Charter Section 18(3) and Metro Code Section 2.15.080, I have appointed Grant Thornton LLP, Certified Public Accountants, to conduct an independent audit of Metro's basic financial statements. My office coordinated and monitored this audit.

Presented at page 15 is the unqualified report of Grant Thornton LLP on Metro's basic financial statements as of and for the year ended June 30, 2002.

In addition to the above report, Metro is required to have an audit of its expenditures of federal awards in accordance with the U.S. Office of Management and Budget Circular A-133, and the provisions of *Government Auditing Standards* issued by the Comptroller General of the United States. The necessary reports pertaining to Metro's internal control, compliance with applicable laws, regulations, grants and contracts, and the Schedule of Expenditures of Federal Awards for the year ended June 30, 2002, have been issued under separate cover.

Respectfully submitted,

Alexis Dow, CPA  
Metro Auditor





Report of Independent Certified Public Accountants

The Council, Executive Officer and Auditor of Metro  
Portland, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Metro, as of and for the year ended June 30, 2002, which collectively comprise Metro's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Metro's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

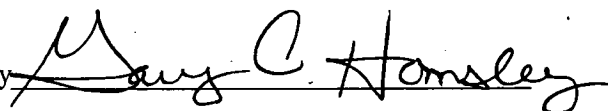
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Metro, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 17 through 34 and budgetary comparison information on pages 92 through 96 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Metro's basic financial statements. The introductory section and supplementary information section as listed in the table of contents, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

GRANT THORNTON LLP

Portland, Oregon  
November 1, 2002

By  Mary C. Homsley



**METRO**

## **Management's Discussion and Analysis**

The management of Metro provides readers of Metro's financial statements this narrative overview and analysis of the financial activities of Metro for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 7 of this report. This information is based upon currently known facts, decisions or conditions.

### **FINANCIAL HIGHLIGHTS**

- The assets of Metro exceed its liabilities at the close of the most recent fiscal year by \$124,822,534 (net assets). Of this amount, \$48,263,400 is unrestricted with \$38,783,590 attributable to Metro's business-type activities and \$9,479,810 to governmental activities.
- The total net assets for Metro increased \$7,313,222 for the fiscal year. Governmental activities provided \$9,784,349 towards this increase, primarily from paying down principal on bonded debt outstanding. This increase was offset by a reduction in net assets of business-type activities of \$2,471,127 due to lower revenues in the Solid Waste operations and flat revenues in Oregon Zoo operations.
- During the most recent fiscal year, 60.2% (\$61,370,103) of Metro's revenues came from, or were based upon, its charges for services program revenues. Property taxes accounted for 25.0% of revenues and were dedicated to repayment of general obligation bond debt (\$20,215,467) and support of operations of the Oregon Zoo (\$8,498,916). Most of the remaining revenue, 10.6% (\$12,205,680), resulted from federal, state and local grants or other contributions funding various programs.
- Solid waste tonnage delivered to Metro transfer stations declined 5.7% from the prior year, resulting in a decrease of 3.4% (\$1,631,160) in program revenues for this activity. This contributed to Metro not meeting the required debt service coverage on solid waste revenue bonds, and under the rate covenant for those bonds, Metro is taking actions as prescribed by bond covenants to address this matter in the coming year.
- Combined fund balances of Metro's governmental funds totaled \$39,453,487, down 22.7% from the prior year, primarily due to the expenditure of bond proceeds (which were received in a prior fiscal year) to purchase open spaces property. (Metro added 885.15 acres at a cost of \$11,974,663, bringing the total acreage to 7,767.32 under this program.)
- Unreserved fund balances in Metro's governmental funds were \$26,358,641 at June 30, 2002. Of this amount \$15,737,419 is available for the open spaces program and \$1,288,482 is the unreserved fund balance in the General Fund.

# METRO

## Management Discussion and Analysis, Continued

- The MERC component unit added an additional \$54,796,600 in construction in progress attributable to work on the Oregon Convention Center expansion, scheduled for completion in April 2003.
- Metro's total debt decreased 5.1% (\$12,186,900) during the current fiscal year as a result of principal payments and a reduction in outstanding principal due to the refunding and redemption of all outstanding Convention Center 1992 Series A General Obligation Refunding Bonds to take advantage of favorable interest rates.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Metro's annual report, which consists of the following parts: *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of Metro. *Government-wide financial statements* provide both long-term and short-term information about Metro's overall financial status. The remaining statements are *fund financial statements* that focus on individual parts of Metro and report Metro's operations in more detail than the government-wide statements.

The financial statements also include *notes to the financial statements* that provide more detailed information and explain the nature of many of the amounts contained in the financial statements. The notes are considered integral to the understanding of the financial statements. Following these notes is a section of *required supplementary information* that further supports the information contained in the financial statements.

In addition, we have included a section with combining statements that provide additional information about our internal service funds and component unit, each of which is added together and presented in single columns in the basic financial statements.

The table provided below summarizes the major features of Metro's financial statements and what they contain. This summary is intended to be a useful tool for the reader in the analysis of the financial statements that follow this management discussion and analysis.

**Government-wide financial statements.** Metro's government-wide financial statements report information about Metro as a whole using accounting methods similar to those used by private-sector companies. The *statement of net assets* includes all of Metro's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in Metro's net assets may serve as a useful indicator of whether the financial position of Metro is improving or deteriorating. This is only one measure, however, and the reader should consider other indicators such as general economic conditions in the district, changes in property tax base, and the age and condition of capital assets used by Metro.

# METRO

## Management Discussion and Analysis, Continued

All of the current fiscal year's revenue and expenses are accounted for in the *statement of activities*. The statement presents information showing how Metro's net assets changed during the fiscal year. Such changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding.

Type of Statements	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Metro government (except fiduciary activities)	The activities of Metro that are not proprietary or fiduciary, such as regional planning, parks and policy development	Activities Metro operates similar to businesses: <ul style="list-style-type: none"> <li>▪ Solid Waste</li> <li>▪ Oregon Zoo</li> </ul>	Cases in which Metro administers resources on behalf of other parties, such as: <ul style="list-style-type: none"> <li>▪ Employee deferred compensation plan</li> <li>▪ Various rehabilitation and enhancement committee funds</li> </ul>
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>▪ Statement of net assets</li> <li>▪ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance sheet</li> <li>▪ Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of net assets</li> <li>▪ Statement of revenues, expenses, changes in fund net assets</li> <li>▪ Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of fiduciary net assets</li> <li>▪ Statement of changes in fiduciary net assets</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; Metro's funds do not contain capital assets
<i>Type of inflow/outflow information</i>	All revenues and expenses during the fiscal year, regardless of when cash is received or paid	Revenues for which cash is received during, or generally within 60 days of year end; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the fiscal year, regardless of when cash is received or paid	All additions and deductions during the fiscal year, regardless of when cash is received or paid

Both of the government-wide financial statements are divided into three categories:

*Governmental activities* - Activities supported principally by general revenue sources such as taxes and intergovernmental revenues that provide Metro's basic governmental services. These services include

# METRO

## Management Discussion and Analysis, Continued

the general government functions of the Executive Officer and Council offices, regional transportation and growth management planning, regional parks and open spaces and administrative functions.

*Business-type activities* – Metro charges fees to customers to help cover the costs of certain services. These activities include the operation of the solid waste system and the Oregon Zoo.

*Component unit* – Metro includes the Metropolitan Exposition-Recreation Commission (MERC) as a discretely presented component unit. Although legally separate, Metro is financially accountable for this unit. MERC operates the Oregon Convention Center, Portland Center for the Performing Arts, and the Expo Center.

**Fund financial statements.** The fund financial statements provide more detailed information about Metro's funds, not Metro as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Metro, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements – including bond covenants and Oregon budget law requirements. All of the funds of Metro can be classified into three categories:

- **Governmental funds** are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, these statements focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at year-end that are available for spending. Thus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance Metro's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of Metro's near-term financing decisions. We provide additional information in a reconciliation that follows the governmental funds statements that explains the relationship (differences) between them.

Metro maintains five individual governmental funds (the General Fund, Planning Fund, Parks Fund, Debt Service Fund and Open Spaces Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each of these major funds, as defined by GASB Statement No. 34.

Metro maintains budgetary controls over its funds. The objective of budgetary controls is to ensure compliance with legal provisions contained in the annually appropriated budget. Budgetary comparison schedules for all appropriated funds are provided following the notes to the financial statements. Of special note, three budgetary funds (the Regional Parks Fund, Smith and Bybee Lakes Fund, and Regional Parks Special Accounts Fund) are combined into a single Parks Fund for reporting in conformance with generally accepted accounting principles in the governmental fund financial statements.

# METRO

## Management Discussion and Analysis, Continued

The governmental fund financial statements can be found on pages 41 - 44 of this report.

- **Proprietary funds** for Metro include two different types.

*Enterprise funds* are used to report the same functions as *business-type activities* in the government-wide financial statements. Metro uses enterprise funds to account for its Solid Waste and Oregon Zoo operations.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among Metro's various functions. Metro uses internal service funds to account for its support services (legal, human resources, information technology, contracts and accounting and audit services), risk management, and Metro Regional Center building operations. The revenues and expenses of the internal service funds that are duplicated in other funds through cost allocations are eliminated in the government-wide statements, with the remaining balances included in the government-activities column.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail (such as cash flows). The proprietary fund financial statements provide separate information for the Solid Waste and Oregon Zoo operations, both of which are considered major funds of Metro. Conversely, the three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of the funds is provided in the form of combining statements elsewhere in the report.

The proprietary fund financial statements can be found on pages 45 - 50 of this report.

- **Fiduciary funds** statements provide information to the reader about the financial relationships in which Metro acts solely as a *trustee or agent* for the benefit of others outside of Metro. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Metro's own programs. Metro's fiduciary funds include the Deferred Compensation Fund and the Rehabilitation and Enhancement Fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 51 - 53 of this report.

**Notes to the financial statements.** The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 55 - 89 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning actual results compared to budget on Metro's basis of budgeting for the General Fund and all major special revenue funds. This information can be found on pages 91 - 96.

# METRO

## Management Discussion and Analysis, Continued

Combining statements for Metro's internal service funds and individual fund statements and schedules for Metro and the MERC component unit are presented following the required supplementary information. These statements and schedules can be found on pages 97 - 147.

### FINANCIAL ANALYSIS OF METRO AS A WHOLE

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Metro's net assets total \$124,822,534 at June 30, 2002. The following table reflects the condensed Government-Wide Statement of Net Assets. Since this is the initial fiscal year of Metro reporting on a government-wide basis, as required by the implementation of GASB Statement No. 34 reporting standards, there is no audited previous year comparable data available. Comparable data will be provided in future year's reports.

Metro's business-type activities account for a significant portion of total net assets – totaling \$121,831,832 (97.6%), whereas governmental activities account for \$2,990,702 (2.4%). The negative amount reflected for the amount invested in capital assets (net of related debt) for governmental activities (\$43,843,323) is the result of Metro financing capital assets for the business-type activities (Oregon Zoo) and component unit (Oregon Convention Center) through the issuance of general obligation bonds. The amount of long-term debt outstanding on these bonds is reflected as a liability of the governmental activities in which repayment of the bonds occurs, whereas the associated capital assets financed by this debt are reflected with the business-type activities and component unit as they use these assets to provide their services to citizens.

#### Metro's Net Assets

	Governmental Activities	Business-Type Activities	Total - Primary Government
Current and other assets	\$ 58,449,548	\$ 68,968,844	\$ 127,418,392
Capital assets	154,798,098	91,811,537	246,609,635
<b>Total assets</b>	<b>213,247,646</b>	<b>160,780,381</b>	<b>374,028,027</b>
Long-term debt outstanding	198,641,421	27,261,503	225,902,924
Other liabilities	11,615,523	11,687,046	23,302,569
<b>Total liabilities</b>	<b>210,256,944</b>	<b>38,948,549</b>	<b>249,205,493</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	(43,843,323)	64,550,034	20,706,711
Restricted	37,354,215	18,498,208	55,852,423
Unrestricted	9,479,810	38,783,590	48,263,400
<b>Total net assets</b>	<b>\$ 2,990,702</b>	<b>\$ 121,831,832</b>	<b>\$ 124,822,534</b>



# METRO

## Management Discussion and Analysis, Continued

Of Metro's total net assets, 16.6% of the total reflects its investment in capital assets, net of related debt. Metro uses these capital assets to provide services to its citizens and therefore this amount is not available for future spending. Although Metro's investment in its capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt must come from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, 44.7% of net assets are externally restricted for specific purposes, including capital projects, capital asset renewal and replacement, landfill closure, debt service and other purposes. The remaining \$48,263,400 is unrestricted, with 80.4% of this amount attributable to Metro's business-type activities. Unrestricted net assets may be used to meet Metro's ongoing obligations to citizens and creditors.

**Changes in net assets.** As noted earlier, this is Metro's first year to report governmental activities on the new reporting standard, which also resulted in Metro reporting the activities of the Oregon Zoo as a business-type activity. For these reasons, a comparison to the prior year is not possible. In subsequent years, this section will discuss and analyze significant differences. Condensed information from Metro's Statement of Activities follows:

### Changes in Metro's Net Assets

	Governmental Activities	Business-Type Activities	Total - Primary Government
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 3,430,418	\$ 57,939,685	\$ 61,370,103
Operating grants and contributions	10,547,223	1,658,457	12,205,680
General revenues			
Property taxes	20,215,467	8,498,916	28,714,383
Excise taxes	7,922,160	-	7,922,160
Local government shared revenues	435,786	-	435,786
Other	2,708,019	1,696,440	4,404,459
<b>Total revenues</b>	<b>45,259,073</b>	<b>69,793,498</b>	<b>115,052,571</b>
<b>Expenses:</b>			
General government operations	3,540,021	-	3,540,021
Regional planning and development	14,571,106	-	14,571,106
Recreation and development	5,943,716	-	5,943,716
Interest on long-term debt	10,591,190	-	10,591,190
Premium/interest on bond refunding	828,691	-	828,691
Solid Waste	-	48,087,521	48,087,521
Zoo	-	23,817,594	23,817,594
<b>Total expenses</b>	<b>35,474,724</b>	<b>71,905,115</b>	<b>107,379,839</b>
Excess (deficiency) before transfers	9,784,349	(2,111,617)	7,672,732
Transfers	-	(359,510)	(359,510)
<b>Increase (decrease) in net assets</b>	<b>\$ 9,784,349</b>	<b>\$ (2,471,127)</b>	<b>\$ 7,313,222</b>

## METRO

### Management Discussion and Analysis, Continued

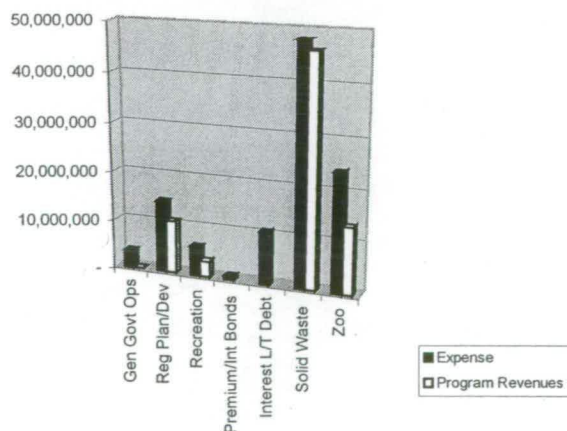
A significant portion (60.2%) of Metro's revenues come from, or are based upon, its charges for services. This amount includes charges to customers for use of Metro facilities and services (such as solid waste fees, admission fees, etc.), and also the excise tax – a tax Metro assesses on users of its own goods and services to fund primarily general government and planning functions.

Another significant revenue, property taxes, accounts for 25.0% of all revenues and is dedicated to repayment of general obligation bond debt or support for operations of the Oregon Zoo (\$20,215,467 and \$8,498,916, respectively). The bonds were originally issued to finance construction of the Oregon Convention Center, construction of the Great Northwest project at the Oregon Zoo, and for acquisition of open spaces in the region.

Most of the remaining revenue for Metro (\$12,205,680 or 10.6%) comes from federal, state and local grants or other contributions that fund various programs such as regional transportation and growth management planning activities.

The total cost of all programs and services was \$107,379,839, with business-type activities of the Solid Waste and Oregon Zoo accounting for 67.0% of this total. General government operations reflected only 3.3% of total costs. Regional planning and development, and recreation and development, accounted for 13.6% and 5.5% of total costs, respectively. The remainder was primarily interest on long-term debt, which totaled \$10,591,190 or 9.9% of total costs.

**Metro**  
**Government-Wide Revenues and Expenses**  
**Fiscal Year 2002**



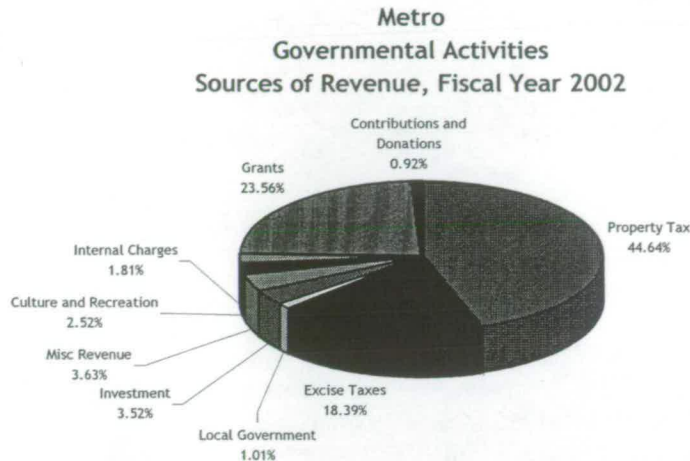
The total net assets of Metro increased \$7,313,222 for the year. Governmental activities provided \$9,784,349, primarily from reducing the amount of debt outstanding as a result of principal payments made on bonds. This increase was offset by a deficiency in business-type activities of \$2,471,127.

# METRO

## Management Discussion and Analysis, Continued

Revenues in each of the business-type activities did not cover costs during the fiscal year. Each of these areas is described separately in the narrative that follows.

**Governmental activities.** Revenues for Metro's governmental activities totaled \$45,259,073 with 44.6% of this revenue (\$20,215,467) coming from property taxes dedicated to repayment of general obligation bond principal and interest. Property taxes funded interest expense totaling \$10,591,190 and



the remainder was used to reduce outstanding bond liabilities by \$8,978,625, with the net effect accounting for 98.4% of the increase in net assets for the governmental activities.

Metro's regional planning and development activities had total costs of \$14,571,106 for the fiscal year. Revenues that fund these activities come primarily from operating grants and contributions (\$9,735,097) and charges for services on data and professional planning services provided to customers (\$940,949). The remaining net expense of \$3,895,060 is funded from general revenue sources, including excise taxes and interest.

Recreation and development activities, which includes operation of Metro's regional parks and management of open spaces, accounted for total expenses of \$5,943,716. Program revenues from charges for services (e.g., admission fees, rentals, etc.) totaled \$2,469,031, with additional support provided from operating grants and contributions in the amount of \$756,743. The remaining net expense of this function, \$2,717,942, was funded from general revenues, including local government shared revenues (e.g., marine fuel taxes from the State of Oregon), excise taxes and interest.

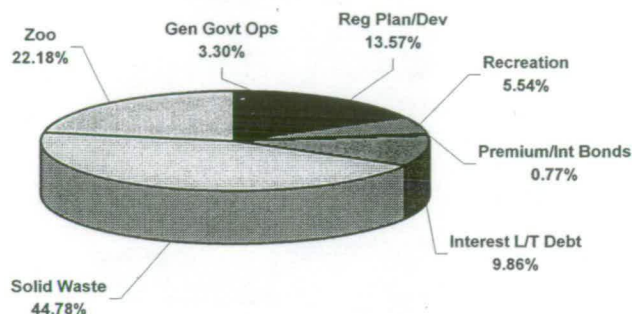
Metro's general government operations accounted for 10.0% (\$3,540,021) of Metro's total expenses for governmental activities. This activity relies significantly on general revenues, primarily excise taxes, to offset its net expense of \$3,464,200.



# METRO

## Management Discussion and Analysis, Continued

### Metro Function/Program Expenses Fiscal Year 2002



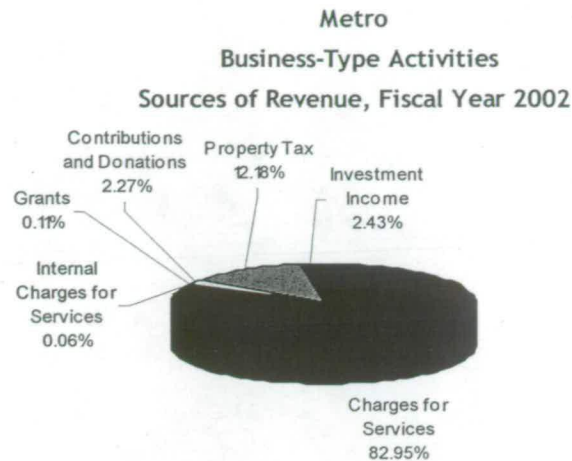
**Business-type activities.** Revenues of Metro's business-type activities totaled \$69,793,498 and total expenses were \$71,905,115. With the additional transfer made from the Solid Waste activity to make required contributions to the Rehabilitation and Enhancement fiduciary trust fund, this resulted in a decrease in net assets of business-type activities of \$2,471,127.

Solid Waste operations reflected program revenues of \$46,133,905, which is a decrease of \$1,631,160 from the prior year, or down 3.4%. Total expenses of \$48,087,521 were up 0.5% or \$238,922 over the prior year. Solid waste tonnage brought to Metro facilities was less than forecast and, combined with the shift in the local industry of more tonnage being delivered to Metro-franchised facilities rather than Metro-owned facilities, resulted in a decline in revenues from disposal fees was experienced. Metro's policy choice to franchise additional private sector solid waste transfer capacity contributed to a decline of 5.7% in tonnage delivered to Metro transfer stations from the levels of the prior year. Regional disposal tonnage increased 1.5% from the prior year. This moderate increase was primarily due to the lower level of economic activity in the region during the fiscal year. Net expenses for the Solid Waste activity was \$1,953,616 for the fiscal year.

Operations of the Oregon Zoo reflected program revenues of \$13,464,237, with 87.8% of this generated from charges for services (e.g., admission fees, food and retail sales). Program revenues were relatively flat compared to the prior year as attendance was down slightly from the prior fiscal year's record. An admission fee increase implemented in January 2002 helped offset this decrease. Total expenses for Zoo operations totaled \$23,817,594, resulting in a net expense of \$10,353,357 to be financed from general revenues, such as property taxes and investment earnings. Property taxes are the most significant of the general revenues and totaled \$8,498,916 for the year.

## METRO

### Management Discussion and Analysis, Continued



**Component unit.** MERC operates the Metro-owned Oregon Convention Center and Expo Center. In addition, under terms of an intergovernmental agreement with the City of Portland, MERC operates the city-owned Portland Center for the Performing Arts (PCPA). Net assets for the component unit totaled \$218,914,869, with 71.5% of this amount invested in capital assets, net of related debt. In addition, net assets of \$45,769,532 are restricted for completion for capital projects, primarily the Oregon Convention Center expansion project scheduled for completion in April 2003. Additional restrictions on net assets for renewal and replacement of capital assets equal \$4,663,986, leaving \$11,957,671 unrestricted and available for use.

Net assets decreased \$1,515,117 during the fiscal year. Program revenue includes charges for services of \$17,638,401 and operating grants and contributions of \$1,297,287. Charges for services revenue was down \$876,738 or 4.7%. This decline, primarily experienced in food service revenues, was attributable to the soft economy and the continued impacts on travel experienced since the events of September 11, both impacting the convention business.

Total expenses for MERC were \$30,930,801. Facility operating expenses were down \$398,510 or 8.0%. Concessions expenses also declined \$909,904 or 14.2% reflecting the business downturn in food and beverage sales. MERC postponed hiring and utilized less overtime and reimbursed labor in holding payroll and fringe benefit costs to a slight increase of \$19,142 or 0.2%.

The resulting net expense of MERC operations was \$11,995,113 for the fiscal year. General revenues used to support this net expense include local government shared revenues (transient lodging taxes) and investment income of \$6,820,346 and \$3,659,650, respectively.

# METRO

## Management Discussion and Analysis, Continued

### FINANCIAL ANALYSIS OF METRO'S FUNDS

As noted earlier, Metro uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Metro's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Metro's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As Metro completed the fiscal year, its governmental funds reported *combined* fund balances of \$39,453,487, down 22.7% from the prior year. The most significant decline (\$11,600,604) occurred as expected in the Open Spaces Fund as additional properties were acquired and local share projects were funded from bond proceeds received in a prior year. \$15,737,419 remains reserved for additional open spaces acquisitions. In addition these other changes in fund balances should be noted:

The Planning Fund's fund balance declined \$521,981 to \$1,799,360 as charges for services revenue declined 47.4% (\$624,583) due to less participation by local jurisdictions in the South Corridor project. Personal service expenditures increased approximately \$407,000 due to scheduled wage increases, higher fringe costs and the use of interns and temporary staff. Payments to other agencies decreased approximately \$449,000, while contracted professional services increased approximately \$869,000 as work on the South Corridor Alternatives Analysis phase requiring local jurisdiction involvement shifted to required consultant efforts.

The Parks Fund's fund balance declined \$200,390 or 2.6%. Of the total fund balance of \$7,533,380 at June 30, 2002, \$3,614,913 is available for Smith and Bybee Lakes and \$496,038 is available for special activities, such as cemetery care and other specified uses. The remaining \$3,422,429 is available for regional park operations. Of this amount, \$1,320,660 is designated for renewal, replacement and capital improvements.

The General Fund reflected an increase in fund balance of \$191,449 from the prior year, to a total of \$1,288,482 as a result of planned efforts to contain spending in order to build General Fund reserves to a minimum of \$1,000,000 in undedicated funds. Revenues increased primarily from excise taxes, up \$302,936 over the prior year. This increase comes primarily from Solid Waste activities. General Fund expenditures were up 4.7% (\$166,866). The General Fund increased its operating transfers in support of Planning Fund and Regional Parks Fund activities by \$261,771.

**Proprietary funds.** Metro's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets in the Solid Waste Fund totaled \$54,029,032 at year-end. Of this amount, \$29,255,800 is unrestricted. In addition to the information already provided in the narrative above on business-type activities, the following additional detailed analysis of solid waste expenses is provided:

## METRO

### Management Discussion and Analysis, Continued

Total operating expenses increased \$1,319,153 or 2.8% over the prior year. Payroll and fringe benefits increased 5.8% (\$411,708) due to higher fringe benefit costs and scheduled wage increases. Facility operating expenses for Metro's two solid waste transfer stations decreased \$53,526 or 0.8%. Waste transport costs decreased 5.1% (\$398,554) and disposal fees paid for waste disposal at the Gilliam County landfill decreased 8.1% (\$1,054,790) due to lower tonnages handled by Metro. Waste reduction grants totaled \$1,516,573 in the current fiscal year, up \$456,269 or 43.0%. This was the second year of Metro's "New Initiatives in Waste Reduction" programs. Various other operating costs accounted for the remaining increase of \$1,668,673, primarily special waste disposal fees which increased \$321,047 to a total of \$1,076,563.

Net assets in the Zoo Fund totaled \$67,135,619, of which \$8,860,609 is unrestricted. The majority of net assets are invested in capital assets, net of related debt - which totals \$53,827,094. In addition to the analysis provided earlier regarding business-type activities, the following additional details are provided:

Facility operating expenses for the Oregon Zoo totaled \$7,468,211 in the current fiscal year. Various materials and services expenses were up 10%, with the greatest increases in utilities, up 36% or approximately \$449,000 due to rate increases by the utilities and in part from the new Great Northwest Exhibit. Maintenance and repair services were up 87% (\$276,500), while contracted professional services rose 21% (\$213,500), in part reflecting additional concerts added to the Zoo's concert series.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

As noted earlier, Metro's General Fund is used to account for general government operations. These functions include the Council Office, Office of the Executive Officer and a Special Appropriations category for infrequent required costs, such as election expenditures. Unlike many governments, Metro does not account for its primary governmental services within the General Fund. Rather, it has established other special revenue funds for that purpose (e.g., the Planning and Parks funds discussed elsewhere.)

Only one budget amendment was made in the General Fund during the fiscal year. This amendment authorized a \$350,000 interfund transfer of resources from the General Fund to the Zoo Operating Fund to provide additional appropriation authority to ensure the Zoo did not overspend its appropriation. The additional appropriation made for the Zoo was not needed, however, and no funds were actually transferred.

General Fund revenues, primarily excise taxes, were within 1.6% of budget. Contributions and donations revenues were lower than budgeted due to a shortfall in fund raising for a conference, and the conference was scaled back to match revenues.

General Fund expenditures came in at 73.5% of budget. Actual results came in below budget due to a reduction in the size of and expenditures for the aforementioned conference, staff vacancies in the Office of the Executive Officer, and underspending in Special Appropriations. Metro budgets election

# METRO

## Management Discussion and Analysis, Continued

expenditures in the Special Appropriations category and these costs may fluctuate significantly based upon the nature of and number of Metro items on the ballot. Metro chooses to budget quite conservatively to ensure adequate funds are available to pay the three counties for these election costs. In addition, there is a Special Appropriation for providing notice to property owners if Metro is considering an action that could result in a change in their property values. This is a state of Oregon requirement following voter approval of Ballot Measure 56 passed in 2000. No such notice provisions were required during the fiscal year, therefore no expenditures were incurred.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** Metro's investment in capital assets for its governmental and business type activities as of June 30, 2002, amounts to \$246,609,635 (net of accumulated depreciation). This investment in capital assets includes land, buildings and exhibits, improvements, and various equipment. The total increase (including additions and deductions) in Metro's investment in capital assets for the current fiscal year was \$9,819,391 or 4.9%, with an increase of \$11,573,047 or 8.1% in capital assets attributable to governmental activities and a decrease of \$1,753,656 or 1.9% in business type activity capital assets.

#### Metro's Capital Assets

(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2002	2001	2002	2001	2002	2001
Land	\$ 129,843,281	\$ 118,461,530	\$ 6,623,293	\$ 6,623,293	\$ 136,466,574	\$ 125,084,823
Buildings and Exhibits	17,638,014	18,294,757	78,032,006	79,743,327	95,670,020	98,038,084
Improvements	5,031,051	4,394,871	4,262,626	4,510,647	9,293,677	8,905,518
Equipment	568,389	460,362	2,295,559	2,060,106	2,863,948	2,520,468
Office furniture/equip	1,717,363	1,613,531	116,067	155,152	1,833,430	1,768,683
Railroad equip/facilities	-	-	481,986	472,668	481,986	472,668
Total	\$ 154,798,098	\$ 143,225,051	\$ 91,811,537	\$ 93,565,193	\$ 246,609,635	\$ 236,790,244

Major capital asset events during the current fiscal year included the following:

- Acquisition of 885.15 acres of open spaces property during the fiscal year, which brought the total acquired acreage to 7767.32 (including 62 miles of stream and river frontage) under the open spaces program funded by the Open Spaces Program 1995 Series A, B and C General Obligation Bonds. The total capitalized cost for the property acquired in the current fiscal year was \$11,974,663 and is reflected in governmental activities capital assets.
- Continued development of the Transims (Phase II) computer project (Transportation Analysis Simulation System) in the Planning Department on which Metro has been working in partnership with Los Alamos National Laboratories. Total capital costs during the fiscal year were \$216,764.



# METRO

## Management Discussion and Analysis, Continued

- Computer systems development costs in the Solid Waste activity related to the transfer stations' computer networks and Metro South Station's inbound scale – total capital costs for these assets totaled \$213,179 for the fiscal year.
- Phase 1A renovation of the Oregon Zoo's primate exhibit, with costs of \$473,574.

**Component unit capital assets.** The total investment in capital assets, net of accumulated depreciation, for MERC totaled \$172,101,804 at June 30, 2002, which represented a 42.8% (\$51,536,814) increase in total capital assets, net.

### MERC Component Unit Capital Assets

(net of accumulated depreciation)

	2002	2001
Land	\$ 15,279,942	\$ 15,279,942
Buildings	86,008,083	89,105,075
Improvements	685,429	736,625
Equipment	753,069	825,289
Office furniture/equip.	121,495	160,873
Construction in Progress	69,253,786	14,457,186
Total	<u>\$ 172,101,804</u>	<u>\$ 120,564,990</u>

Major capital asset events during the current year for the component unit, MERC included the following:

- Continued construction on the expansion of the Oregon Convention Center, scheduled for completion in April 2003, accounting for an additional \$54,796,600 in construction in progress capital assets for the fiscal year.
- Additional work on the replacement of Hall D at the Metro owned Expo Center, adding \$358,366 in capital assets.

Additional information on Metro's capital assets can be found in note 2 to the financial statements.

**Long-term debt.** At the end of the current fiscal year, Metro had total bonded debt outstanding of \$221,392,836 (net of unamortized costs, discounts, deferred amounts on refunding and unamortized accretion). Of this amount, \$177,847,373 comprises debt backed by the full faith and credit of the government and the remainder (\$43,545,463) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

# METRO

## Management Discussion and Analysis, Continued

In addition, Metro had other long-term debt outstanding in the form of loans and capital leases. The following table provides a summary of Metro's debt activity for the primary government (revenue bonds are reflected net of issuance costs, discounts, deferred amounts on refunding, and accretion as disclosed in the notes to the financial statements):

### Metro's Outstanding Debt

	Governmental Activities		Business-type activities		Total - Primary Government	
	2002	2001	2002	2001	2002	2001
Gen. obligation bonds	\$ 177,847,373	\$ 186,845,998	\$ -	\$ -	\$ 177,847,373	\$ 186,845,998
Revenue bonds	20,496,116	21,000,421	23,049,347	25,431,894	\$ 43,545,463	\$ 46,432,315
Loans	151,185	171,399	4,212,156	4,406,576	\$ 4,363,341	\$ 4,577,975
Capital leases	146,747	233,536	-	-	\$ 146,747	\$ 233,536
Total	<u>\$ 198,641,421</u>	<u>\$ 208,251,354</u>	<u>\$ 27,261,503</u>	<u>\$ 29,838,470</u>	<u>\$ 225,902,924</u>	<u>\$ 238,089,824</u>

Metro's total debt decreased \$12,186,900 (5.1%) during the current fiscal year. The key factor in this decrease was principal payments on bonds, and an additional reduction in principal from the sale of \$45,095,000 of general obligation refunding bonds to refund and redeem all outstanding Convention Center 1992 Series A General Obligation Refunding Bonds. The outstanding 1992 bonds were called and paid at 101% on August 15, 2001.

Subsequent to year end (November 12, 2002), Metro sold \$92,045,000 of general obligation refunding bonds to refund all callable outstanding maturities of open spaces program general obligation refunding bonds to take advantage of favorable interest rates.

Metro maintains an "AA+" rating from Standard & Poor's and an "Aa1" rating from Moody's for general obligation debt. The Metro Central Transfer Station Project, Waste Disposal System Revenue and Refunding Revenue Bonds have been rated "A" and "A2" by Standard & Poor's and Moody's, respectively. The Metro Regional Center Project 1993 Series A General Revenue Refunding Bonds have been rated "A", "A1" and "A+" by Standard & Poor's, Moody's and Fitch, respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for Metro is \$12,305,094,864 which is significantly in excess of Metro's outstanding general obligation debt.

**Component unit long-term debt.** MERC had long-term debt outstanding at June 30, 2002 in the form of a loan from the Oregon Economic and Community Development Department in the amount of \$15,372,536. During the fiscal year, the City of Portland imposed a Local Improvement District (LID) assessment on MERC facilities for the construction of a pedestrian walkway across the Willamette River, increasing MERC's long-term debt for this LID at fiscal year end equal to \$205,588.

# METRO

## Management Discussion and Analysis, Continued

Additional information on Metro's long-term debt can be found in notes 7 through 10 in the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Recent indicators reflect that the Metro region will slowly, but steadily, pull out of the recent recession that hit the area harder than the national average. Oregon continues to have one of the highest unemployment rates in the country, although small improvements are being seen recently. Despite the economic slump, regional population continues to grow, with its effects on Metro's programs and planning responsibilities. The Oregon Employment Department, in its November 2002 report, noted:

- The unemployment rate for the Portland Primary Metropolitan Statistical Area (PMSA) dropped from 7.1% in August 2002 to 6.9% in September 2002, with 74,300 unemployed – the lowest since September 2001.
- Non-farm payroll growth remained relatively weak, growing by 4,100 jobs or 1.3% below one year earlier and 3% below the growth in September 2000. Manufacturers cut 1,600 jobs in August and September 2002.
- Oregon ranks third in the nation in unemployment after leading the nation for 13 consecutive months (Alaska and Washington ranked first and second, respectively.)
- Oregon ranks 28<sup>th</sup> of 50 states in the 12-month change in employment (-0.5%), an improvement from being in the top five states between September-2000 and March 2002.
- For 2001, Oregon ranks close to the middle of all states – 22<sup>nd</sup> highest – in average wage (\$33,203), down from 19<sup>th</sup> in 2000.

The coming year will see changes in Metro's structure as a result of a Charter amendment approved by voters in November 2000. The positions of Executive Officer and Council Presiding Officer will be replaced in January 2003 with a Council President, who will preside over Council meetings and appoint the chief operating officer and members of boards and commissions. The Charter amendment also provides for a Chief Operating Officer who will be responsible for daily administration of Metro, under the guidance of the Council President and full Council. This change will serve to streamline the agency and bring further efficiency to various processes.

Metro's business-type activities anticipate a good, but not record-breaking year in fiscal year 2003.

The Oregon Zoo is projecting attendance for the coming year to be 1,250,000 – slightly below the 1.3 million served in the record-setting 2001 fiscal year. The Zoo's budget includes a modest increase in admission fees, to take effect in January 2003.

## METRO

### Management Discussion and Analysis, Continued

The Regional Environmental Management Department, responsible for operations of the solid waste system, will continue to implement its strategic plan, with its focus on fiscal stability and waste reduction activities. Overall solid waste tonnage in the region is expected to increase slightly, reflecting the growth in population and improvement in the region's economy. The department will also engage a consulting engineer to make written recommendations to Metro regarding the actions that should be taken in order to ensure compliance with solid waste revenue bond rate covenants in succeeding fiscal years. Metro will proceed to implement such recommendations, to the extent Metro determines such recommendations are reasonable and can be implemented under the circumstances it faces at that time.

In addition to the above, the budget for fiscal year 2003 includes these significant considerations:

***Parks funding.*** The Council adopted a \$1 per ton increase in the excise tax on solid waste activities to support the operations of the Regional Parks and Greenspaces Department. This new funding is expected to generate approximately \$1.2 million in fiscal year 2003, which will permit the department to address its backlog of capital maintenance needs, add to its renewal and replacement reserves, and continue programs that would have had to be cut or reduced without additional funds. This is a temporary increase, to be in effect for two years, while the Council considers longer term funding needs.

***Financial challenges.*** Escalating health care costs and the statewide issue of funding Oregon's Public Employees Retirement System both affect Metro, and will receive considerable attention in the coming fiscal year. Significant increases can be expected in both areas, which would affect Metro's financial capacity to fund its programs.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Metro's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metro, 600 NE Grand Avenue, Portland, Oregon, 97232-2736.



# **Basic Financial Statements**

# METRO

## Statement of Net Assets

June 30, 2002

	Primary Government			Component Unit
	Governmental	Business-type		
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>MERC</u>
<u>Assets</u>				
Equity in internal cash and investment pool	\$ 26,374,080	28,215,801	54,589,881	14,112,402
Investments	26,721,571	-	26,721,571	-
Receivables (net of allowance for uncollectibles):				
Property taxes	1,126,127	463,692	1,589,819	-
Trade	173,291	4,196,674	4,369,965	619,774
Other	472,527	1,096,128	1,568,655	2,364,848
Interest	374,592	394,192	768,784	647,450
Grants	2,191,798	-	2,191,798	-
Due from primary government	-	-	-	116,907
Internal balances	(867,181)	867,181	-	-
Inventories	-	529,491	529,491	192,962
Prepaid items	-	4,156,854	4,156,854	28,022
Other assets	75,334	205,067	280,401	24,924
Restricted assets:				
Equity in internal cash and investment pool	-	15,323,085	15,323,085	3,663,354
Investments	1,807,409	8,520,679	10,328,088	50,307,639
Loans receivable	-	5,000,000	5,000,000	-
Capital assets:				
Land, improvements, and construction in progress	129,843,281	6,623,293	136,466,574	84,533,728
Other capital assets (net of accumulated depreciation)	24,954,817	85,188,244	110,143,061	87,568,076
<b>Total assets</b>	<b>\$ 213,247,646</b>	<b>160,780,381</b>	<b>374,028,027</b>	<b>244,180,086</b>
<u>Liabilities</u>				
Accounts payable	\$ 2,963,780	3,864,548	6,828,328	7,161,730
Salaries, withholdings and payroll taxes payable	985,315	1,059,215	2,044,530	557,209
Contracts payable	25,914	9,907	35,821	-
Accrued interest payable	3,510,315	364,544	3,874,859	494,624
Accrued self-insurance claims	791,795	-	791,795	-

(Continued)

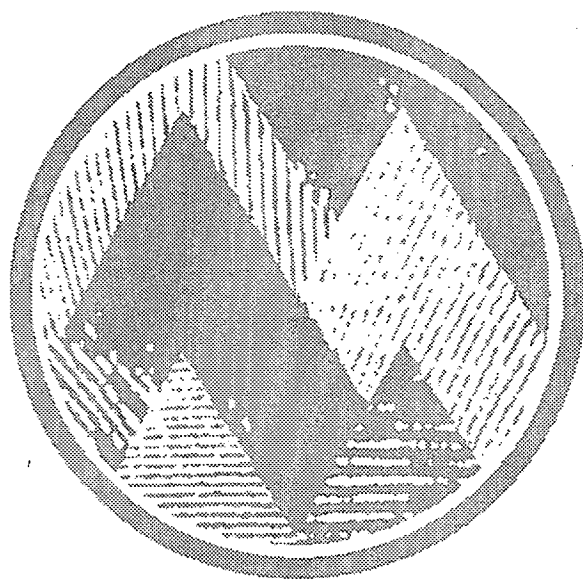
METRO

Statement of Net Assets, Continued

June 30, 2002

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	MERC
<u>Liabilities, Continued</u>				
Due to component unit	116,907	-	116,907	-
Unearned grant/contract revenue	2,125,752	-	2,125,752	392,407
Deposits payable	23,888	-	23,888	645,189
Other liabilities	5,890	76,770	82,660	1,695
Payable from restricted assets:				
Contracts payable	-	100,000	100,000	-
Post-closure costs payable	-	5,245,556	5,245,556	-
Arbitrage payable	-	17,724	17,724	-
Non-current liabilities:				
Due within one year:				
Bonds payable	10,438,060	2,215,000	12,653,060	-
Loans payable	21,491	200,337	221,828	246,007
Capital leases payable	71,612	-	71,612	-
Compensated absences	806,691	714,265	1,520,956	301,117
Due in more than one year:				
Bonds payable (net of unamortized discount and deferred amount on refunding)	187,905,429	20,834,347	208,739,776	-
Loans payable	129,694	4,011,819	4,141,513	15,332,117
Capital leases payable	75,135	-	75,135	-
Compensated absences	259,276	234,517	493,793	133,122
Total liabilities	210,256,944	38,948,549	249,205,493	25,265,217
<u>Net Assets</u>				
Invested in capital assets, net of related debt	(43,843,323)	64,550,034	20,706,711	156,523,680
Restricted for:				
Capital projects	15,737,419	4,447,916	20,185,335	45,769,532
Renewal and replacement	-	7,196,799	7,196,799	4,663,986
Landfill closure	-	2,526,085	2,526,085	-
Debt service	12,855,627	4,327,408	17,183,035	-
Other purposes	8,761,169	-	8,761,169	-
Unrestricted	9,479,810	38,783,590	48,263,400	11,957,671
Total net assets	\$ 2,990,702	121,831,832	124,822,534	218,914,869

The notes to the financial statements are an integral part of this statement.





# METRO

## Statement of Activities

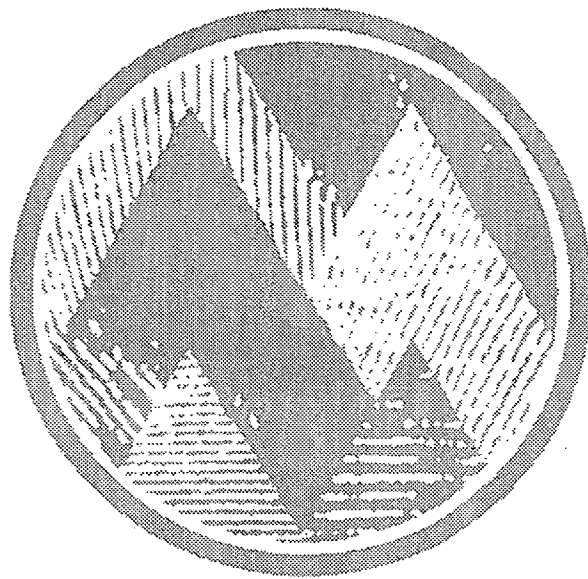
For the year ended June 30, 2002

		Program Revenues	
		Charges for Services	Operating Grants and Contributions
	Expenses		
<b><u>Functions/Programs</u></b>			
<b>Primary Government:</b>			
Governmental activities:			
General government operations	\$ 3,540,021	20,438	55,383
Regional planning and development	14,571,106	940,949	9,735,097
Recreation and development	5,943,716	2,469,031	756,743
Premium/interest on bond refunding	828,691	-	-
Interest on long-term debt	10,591,190	-	-
Total governmental activities	35,474,724	3,430,418	10,547,223
Business-type activities:			
Solid Waste	48,087,521	46,122,748	11,157
Zoo	23,817,594	11,816,937	1,647,300
Total business-type activities	71,905,115	57,939,685	1,658,457
Total primary government	\$ 107,379,839	61,370,103	12,205,680
<b>Component unit:</b>			
MERC	\$ 30,930,801	17,638,401	1,297,287
Total component unit	\$ 30,930,801	17,638,401	1,297,287
General revenues:			
Property taxes			
Excise taxes			
Local government shared revenues			
Premium/interest on bond issuance			
Unrestricted investment earnings			
Transfers			
Total general revenues and transfers			
Change in net assets			
Net assets-July 1, 2001			
Net assets-June 30, 2002			

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Assets

<u>Primary Government</u>			<u>Component Unit</u>
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>MERC</u>
\$ (3,464,200)	-	(3,464,200)	-
(3,895,060)	-	(3,895,060)	-
(2,717,942)	-	(2,717,942)	-
(828,691)	-	(828,691)	-
(10,591,190)	-	(10,591,190)	-
<u>(21,497,083)</u>	<u>-</u>	<u>(21,497,083)</u>	<u>-</u>
-	(1,953,616)	(1,953,616)	-
<u>-</u>	<u>(10,353,357)</u>	<u>(10,353,357)</u>	<u>-</u>
-	(12,306,973)	(12,306,973)	-
<u>(21,497,083)</u>	<u>(12,306,973)</u>	<u>(33,804,056)</u>	<u>-</u>
-	-	-	(11,995,113)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,995,113)</u>
20,215,467	8,498,916	28,714,383	-
7,922,160	-	7,922,160	-
435,786	-	435,786	6,820,346
760,350	-	760,350	-
1,947,669	1,696,440	3,644,109	3,659,650
-	(359,510)	(359,510)	-
<u>31,281,432</u>	<u>9,835,846</u>	<u>41,117,278</u>	<u>10,479,996</u>
9,784,349	(2,471,127)	7,313,222	(1,515,117)
(6,793,647)	124,302,959	117,509,312	220,429,986
<u>\$ 2,990,702</u>	<u>121,831,832</u>	<u>124,822,534</u>	<u>218,914,869</u>



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# Fund Financial Statements

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## Major Governmental Funds

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### General Fund

The *General Fund* accounts for all activities not required to be accounted for in another fund. This fund accounts primarily for Metro's general government activities, including Council and Office of the Executive Officer functions. The principal resources of the fund are investment income and excise taxes on Metro's facilities and services levied in accordance with the Metro Code.

### Special Revenue Funds

#### *Planning Fund*

This fund accounts for funding and operation of Metro's regional planning functions, including land use, urban growth management, and environmental and transportation planning. Principal sources of revenues are federal, state and local grants, charges for services, and a share of the excise tax transferred from the General Fund.

#### *Parks Fund*

This fund accounts for funding and operation of Metro's greenspaces program and recreation activities, including parks, marine facilities, pioneer cemeteries, and a golf course. Principal sources of revenue are grants, shared revenue, and charges for services. This fund consists of three budgetary funds (Regional Parks Fund, Smith and Bybee Lakes Fund, and Regional Parks Special Accounts Fund) that are combined as one Special Revenue Fund to be in accordance with accounting principles generally accepted in the United States of America.

### Debt Service Fund

The *General Obligation Bond Debt Service Fund* accounts for payments of general obligation bond principal and interest to bond holders. The principal source of revenue is property taxes.

### Capital Projects Fund

The *Open Spaces Fund* accounts for the activities to acquire and protect regional open spaces, parks, trails, and streams. The principal resource is investment income.

# METRO

## Balance Sheet Governmental Funds

June 30, 2002

	<u>General</u>	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects Open Spaces</u>	<u>Total Governmental Funds</u>
		<u>Planning</u>	<u>Parks</u>			
<u>Assets</u>						
Equity in internal cash and investment pool	\$ 1,261,851	3,707,653	7,633,633	1,237,170	1,097,484	14,937,791
Investments	-	-	-	11,703,380	15,018,191	26,721,571
Receivables:						
Property taxes	-	-	-	1,126,127	-	1,126,127
Trade	16,940	42,767	94,625	-	18,959	173,291
Other	346,659	1,405	-	-	-	348,064
Interest	8,021	26,161	55,936	8,562	133,201	231,881
Grants	-	2,007,933	173,965	-	9,900	2,191,798
Other assets	897	8,564	9,497	-	-	18,958
Total assets	<u>\$ 1,634,368</u>	<u>5,794,483</u>	<u>7,967,656</u>	<u>14,075,239</u>	<u>16,277,735</u>	<u>45,749,481</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 227,929	1,375,343	210,747	-	474,863	2,288,882
Salaries, withholdings and payroll taxes payable	117,957	320,245	147,510	-	65,453	651,165
Contracts payable	-	25,914	-	-	-	25,914
Due to other funds	-	200,000	-	-	-	200,000
Deferred revenue	-	-	-	980,393	-	980,393
Unearned grant/contract revenue	-	2,068,381	57,371	-	-	2,125,752
Deposits payable	-	5,240	18,648	-	-	23,888
Total liabilities	<u>345,886</u>	<u>3,995,123</u>	<u>434,276</u>	<u>980,393</u>	<u>540,316</u>	<u>6,295,994</u>
Fund balances:						
Reserved for:						
Debt service	-	-	-	13,094,846	-	13,094,846
Unreserved, reported in:						
General fund	1,288,482	-	-	-	-	1,288,482
Special revenue funds	-	1,799,360	7,533,380	-	-	9,332,740
Capital projects funds	-	-	-	-	15,737,419	15,737,419
Total fund balances	<u>1,288,482</u>	<u>1,799,360</u>	<u>7,533,380</u>	<u>13,094,846</u>	<u>15,737,419</u>	<u>39,453,487</u>
Total liabilities and fund balances	<u>\$ 1,634,368</u>	<u>5,794,483</u>	<u>7,967,656</u>	<u>14,075,239</u>	<u>16,277,735</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	136,848,380
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	980,393
Internal service funds are used by management to charge the costs of certain activities, such as insurance and central administration and support to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	7,354,209
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(181,645,767)
Net assets of governmental activities	<u>\$ 2,990,702</u>

The notes to the financial statements are an integral part of this statement.

# METRO

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the year ended June 30, 2002

	General	Special Revenue		Debt Service	Capital Projects Open Spaces	Total Governmental Funds
		Planning	Parks			
Revenues:						
Property taxes	\$ -	-	-	19,235,074	-	19,235,074
Excise taxes	7,922,160	-	-	-	-	7,922,160
Local government shared revenues	-	21,320	414,466	-	-	435,786
Investment income	31,057	105,627	244,631	334,351	799,963	1,515,629
Government fees	16,302	248,015	1,241	-	-	265,558
Culture and recreation fees	-	-	1,085,371	-	-	1,085,371
Other fees	-	104,290	1,137,601	-	17,637	1,259,528
Internal charges for services	-	577,356	202,449	-	-	779,805
Miscellaneous revenue	4,136	11,288	24,635	-	97	40,156
Grants	-	9,735,097	401,524	-	14,900	10,151,521
Government contributions	-	-	65,600	-	7,485	73,085
Contributions and donations	55,383	-	98,477	-	168,757	322,617
Total revenues	8,029,038	10,802,993	3,675,995	19,569,425	1,008,839	43,086,290
Expenditures:						
Current:						
General government operations	3,754,182	-	-	70,299	-	3,824,481
Regional planning and development	-	15,016,781	-	-	-	15,016,781
Recreation and development	-	-	5,025,260	-	2,812,347	7,837,607
Debt service:						
Principal	-	41,270	-	8,978,625	-	9,019,895
Interest	-	9,872	-	9,869,646	-	9,879,518
Capital outlay	-	223,161	406,200	-	9,797,096	10,426,457
Total expenditures	3,754,182	15,291,084	5,431,460	18,918,570	12,609,443	56,004,739
Revenues over (under) expenditures	4,274,856	(4,488,091)	(1,755,465)	650,855	(11,600,604)	(12,918,449)
Other financing sources (uses):						
Bond proceeds	-	-	-	47,855,350	-	47,855,350
Operating transfers in	1,444,778	3,966,110	1,555,075	-	-	6,965,963
Bond refunding	-	-	-	(47,943,691)	-	(47,943,691)
Operating transfers out	(5,528,185)	-	-	-	-	(5,528,185)
Total other financing sources (uses)	(4,083,407)	3,966,110	1,555,075	(88,341)	-	1,349,437
Net change in fund balances	191,449	(521,981)	(200,390)	562,514	(11,600,604)	(11,569,012)
Fund balances - July 1, 2001	1,097,033	2,321,341	7,733,770	12,532,332	27,338,023	51,022,499
Fund balances - June 30, 2002	\$ 1,288,482	1,799,360	7,533,380	13,094,846	15,737,419	39,453,487

The notes to the financial statements are an integral part of this statement.

# METRO

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities

For the year ended June 30, 2002

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds		\$ (11,569,012)
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for capital assets	12,604,024	
Less current year depreciation	<u>(683,701)</u>	11,920,323
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		980,393
Internal service funds are used by management to charge the costs of certain activities, such as insurance and central administration and support to individual funds. The net revenue of certain activities of the internal service funds are included in governmental activities in the statement of activities.		
		(1,106,901)
The issuance of long-term debt provides current financial resources to governmental funds, but issuance of debt increases long-term liabilities in the statement of net assets. The repayment of principal on long-term debt uses current financial resources of governmental funds, but repayment of debt reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.		
Bond proceeds	(47,095,000)	
Principal payments	<u>56,134,895</u>	9,039,895
Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.		
Compensated absences	(45,856)	
Accrued interest on long-term debt	<u>565,507</u>	519,651
Change in net assets of governmental activities		<u>\$ 9,784,349</u>

The notes to the financial statements are an integral part of this statement.

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# Fund Financial Statements

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## Proprietary Funds

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### *Solid Waste Fund*

This fund accounts for revenues, primarily from charges for services 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 Metro South Station and Metro Central Station solid waste transfer and recycling facilities, and the closed St. Johns Landfill.

### *Zoo Fund*

This fund accounts for funding and operation of the Oregon Zoo. Principal sources of revenues are charges for services and property taxes derived from a property tax base. This fund consists of three budgetary funds (Zoo Operating Fund, Zoo Capital Projects Fund and General Revenue Bond Fund - Zoo) that are combined as one Enterprise Fund to be in accordance with accounting principles generally accepted in the United States of America.



# METRO

## Statement of Net Assets Proprietary Funds

June 30, 2002

<u>Assets</u>	<u>Business-type Activities- Enterprise Funds</u>		<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Solid Waste</u>	<u>Zoo</u>		
Current assets:				
Equity in internal cash and investment pool	\$ 18,304,276	9,911,525	28,215,801	11,436,289
Receivables:				
Property taxes	-	463,692	463,692	-
Trade	4,063,669	133,005	4,196,674	-
Other	1,093,018	3,110	1,096,128	124,463
Interest	321,932	72,260	394,192	142,711
Due from other funds	200,000	-	200,000	-
Inventories	260,139	269,352	529,491	-
Prepaid items	4,156,854	-	4,156,854	-
Other assets	41,033	164,034	205,067	56,376
Total current assets	28,440,921	11,016,978	39,457,899	11,759,839
Noncurrent assets:				
Restricted equity in internal cash and investment pool	15,323,085	-	15,323,085	-
Restricted investments	4,072,763	4,447,916	8,520,679	1,807,409
Loans receivable	5,000,000	-	5,000,000	-
Capital assets, net	33,772,287	58,039,250	91,811,537	17,949,718
Total noncurrent assets	58,168,135	62,487,166	120,655,301	19,757,127
Total assets	86,609,056	73,504,144	160,113,200	31,516,966
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	3,165,071	699,477	3,864,548	674,898
Salaries, withholdings and payroll taxes payable	385,190	674,025	1,059,215	334,150
Contracts payable	-	9,907	9,907	-
Accrued interest payable	231,181	133,363	364,544	483,294
Accrued self-insurance claims	-	-	-	791,795
Bonds payable-current	2,215,000	-	2,215,000	640,000
Loans payable-current	-	200,337	200,337	21,491
Capital leases payable-current	-	-	-	34,440
Compensated absences-current	334,009	380,256	714,265	271,892
Other liabilities	-	76,770	76,770	5,890
Total current liabilities	6,330,451	2,174,135	8,504,586	3,257,850

(Continued)

# METRO

## Statement of Net Assets, Continued Proprietary Funds

June 30, 2002

<u>Liabilities, continued</u>	<u>Business-type Activities- Enterprise Funds</u>		<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Solid Waste</u>	<u>Zoo</u>		
Noncurrent liabilities:				
Payable from restricted assets:				
Contracts payable	\$ 100,000	-	100,000	-
Post-closure costs payable	5,245,556	-	5,245,556	-
Arbitrage payable	-	17,724	17,724	-
Bonds payable (net of unamortized discount and deferred amount on refunding)	20,834,347	-	20,834,347	19,856,116
Loans payable	-	4,011,819	4,011,819	129,694
Capital leases payable	-	-	-	32,997
Compensated absences	69,670	164,847	234,517	102,012
	<u>26,249,573</u>	<u>4,194,390</u>	<u>30,443,963</u>	<u>20,120,819</u>
Total non-current liabilities				
	<u>26,249,573</u>	<u>4,194,390</u>	<u>30,443,963</u>	<u>20,120,819</u>
Total liabilities	<u>32,580,024</u>	<u>6,368,525</u>	<u>38,948,549</u>	<u>23,378,669</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	10,722,940	53,827,094	64,550,034	(2,743,529)
Restricted for:				
Capital projects	-	4,447,916	4,447,916	-
Renewal and replacement	7,196,799	-	7,196,799	-
Landfill closure	2,526,085	-	2,526,085	-
Debt service	4,327,408	-	4,327,408	1,807,409
Unrestricted	<u>29,255,800</u>	<u>8,860,609</u>	<u>38,116,409</u>	<u>9,074,417</u>
	<u>54,029,032</u>	<u>67,135,619</u>	<u>121,164,651</u>	<u>8,138,297</u>
Total net assets				
	<u>\$ 54,029,032</u>	<u>67,135,619</u>	<u>121,164,651</u>	<u>8,138,297</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>667,181</u>	
Net assets of business-type activities			<u>\$ 121,831,832</u>	

The notes to the financial statements are an integral part of this statement.

# METRO

## Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For the year ended June 30, 2002

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	<u>Solid Waste</u>	<u>Zoo</u>	<u>Total</u>	
Operating revenues:				
Charges for services	\$ 46,079,698	11,816,937	57,896,635	1,024,030
Internal charges for services	43,050	-	43,050	16,445,304
Grants	11,157	63,438	74,595	114,500
Contributions and donations	-	1,583,862	1,583,862	-
Total operating revenues	<u>46,133,905</u>	<u>13,464,237</u>	<u>59,598,142</u>	<u>17,583,834</u>
Operating expenses:				
Payroll and fringe benefits	7,526,824	12,120,549	19,647,373	6,471,159
Depreciation and amortization	1,506,908	2,051,090	3,557,998	867,479
Administrative expenses	2,864,708	2,043,348	4,908,056	558,678
Facility operating expenses	6,843,419	7,468,211	14,311,630	-
Disposal fees	11,932,061	-	11,932,061	-
Waste transport costs	7,493,403	-	7,493,403	-
Special waste disposal fees	1,076,563	-	1,076,563	-
Recycling credits	951,904	-	951,904	-
Consulting services	1,805,946	-	1,805,946	-
Waste reduction grants	1,516,573	-	1,516,573	-
Charges for services	574,769	-	574,769	-
Payments to other governments	585,271	-	585,271	284,182
Insurance expense	-	-	-	5,078,684
Claims expense	-	-	-	500,842
Other materials and services	2,719,048	-	2,719,048	1,862,706
Total operating expenses	<u>47,397,397</u>	<u>23,683,198</u>	<u>71,080,595</u>	<u>15,623,730</u>
Operating income (loss)	<u>(1,263,492)</u>	<u>(10,218,961)</u>	<u>(11,482,453)</u>	<u>1,960,104</u>
Non-operating revenues (expenses):				
Property taxes	-	8,498,916	8,498,916	-
Investment income	1,259,570	436,870	1,696,440	432,040
Interest expense	(1,259,249)	(232,452)	(1,491,701)	(1,277,179)
Total non-operating revenues (expenses)	<u>321</u>	<u>8,703,334</u>	<u>8,703,655</u>	<u>(845,139)</u>
Income (loss) before operating transfers	<u>(1,263,171)</u>	<u>(1,515,627)</u>	<u>(2,778,798)</u>	<u>1,114,965</u>
Operating transfers in	-	-	-	62,000
Operating transfers out	<u>(359,510)</u>	<u>-</u>	<u>(359,510)</u>	<u>(1,499,778)</u>
Change in net assets	<u>(1,622,681)</u>	<u>(1,515,627)</u>	<u>(3,138,308)</u>	<u>(322,813)</u>
Total net assets - July 1, 2001	<u>55,651,713</u>	<u>68,651,246</u>		<u>8,461,110</u>
Total net assets - June 30, 2002	<u>\$ 54,029,032</u>	<u>67,135,619</u>		<u>8,138,297</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>667,181</u>	
Change in net assets of business-type activities			<u>\$ (2,471,127)</u>	

The notes to the financial statements are an integral part of this statement.

# METRO

## Statement of Cash Flows Proprietary Funds

For the year ended June 30, 2002

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	<u>Solid Waste</u>	<u>Zoo</u>	<u>Total</u>	
Cash flows from operating activities:				
Receipts from customers	\$ 47,344,367	13,200,903	60,545,270	5,752,700
Receipts from interfund services provided	-	-	-	11,591,943
Other operating receipts	28,913	285,819	314,732	111,335
Payments to suppliers for goods and services	(34,006,461)	(7,740,492)	(41,746,953)	(7,150,750)
Payments for claims	-	-	-	(500,842)
Payments to other governments	(585,271)	-	(585,271)	(284,182)
Payments to employees for services	(7,440,263)	(12,018,754)	(19,459,017)	(6,375,084)
Payments for interfund services used	(2,864,708)	(2,043,348)	(4,908,056)	(558,678)
Net cash provided by (used in) operating activities	<u>2,476,577</u>	<u>(8,315,872)</u>	<u>(5,839,295)</u>	<u>2,586,442</u>
Cash flows from noncapital financing activities:				
Grants received	11,157	63,438	74,595	6,500
Property taxes	-	8,089,040	8,089,040	-
Transfers from other funds	-	-	-	62,000
Grants to others	(1,516,573)	-	(1,516,573)	-
Transfers to other funds	(359,510)	-	(359,510)	(1,499,778)
Net cash provided by (used in) noncapital financing activities	<u>(1,864,926)</u>	<u>8,152,478</u>	<u>6,287,552</u>	<u>(1,431,278)</u>
Cash flows from capital and related financing activities:				
Principal payment on revenue bonds	(3,191,120)	-	(3,191,120)	(615,000)
Interest payments	(519,753)	(237,813)	(757,566)	(1,177,760)
Acquisition and construction of capital assets	(1,117,527)	(686,815)	(1,804,342)	(520,203)
Principal payments on loans	-	(194,420)	(194,420)	(20,214)
Principal payments on capital leases	-	-	-	(45,519)
Net cash used in capital and related financing activities	<u>(4,828,400)</u>	<u>(1,119,048)</u>	<u>(5,947,448)</u>	<u>(2,378,696)</u>
Cash flows from investing activities:				
Investment income	1,249,692	434,050	1,683,742	433,617
Loan collections	100,000	-	100,000	-
Loans made to others	(300,000)	-	(300,000)	-
Proceeds from sale of investments	17,974,833	28,886,594	46,861,427	4,329,867
Purchase of investments	(16,823,163)	(29,070,844)	(45,894,007)	(3,840,530)
Net cash provided by investing activities	<u>2,201,362</u>	<u>249,800</u>	<u>2,451,162</u>	<u>922,954</u>
Net decrease in cash including restricted amounts	(2,015,387)	(1,032,642)	(3,048,029)	(300,578)
Cash at beginning of year including restricted amounts	<u>35,642,748</u>	<u>10,944,167</u>	<u>46,586,915</u>	<u>11,736,867</u>
Cash at end of year including restricted amounts	<u>\$ 33,627,361</u>	<u>9,911,525</u>	<u>43,538,886</u>	<u>11,436,289</u>

(Continued)

# METRO

## Statement of Cash Flows, Continued Proprietary Funds

For the year ended June 30, 2002

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	<u>Solid Waste</u>	<u>Zoo</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,263,492)	(10,218,961)	(11,482,453)	1,960,104
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,506,908	2,051,090	3,557,998	867,479
Grants received	(11,157)	(63,438)	(74,595)	(6,500)
Grants to others	1,516,573	-	1,516,573	-
Change in assets and liabilities:				
Trade/other accounts receivable	1,250,533	121,278	1,371,811	(121,622)
Inventory	(260,139)	63,392	(196,747)	-
Other assets	804,761	(53,110)	751,651	(45,301)
Accounts payable	(412,404)	(282,562)	(694,966)	(156,200)
Salaries, withholdings and payroll taxes payable/compensated absences	86,561	101,795	188,356	96,073
Contracts payable	(76,896)	-	(76,896)	-
Deposits payable	-	(35,356)	(35,356)	-
Other liabilities	-	-	-	(7,591)
Post-closure costs payable	(664,671)	-	(664,671)	-
Total adjustments	3,740,069	1,903,089	5,643,158	626,338
Net cash provided by (used in) operating activities	\$ 2,476,577	(8,315,872)	(5,839,295)	2,586,442
Noncash investing, capital, and financing activities:				
Interest income relating to the change in the fair value of investments	\$ (277,971)	(82,733)	(360,704)	(86,667)

The notes to the financial statements are an integral part of this statement.

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# Fund Financial Statements

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## Fiduciary Funds

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### *Deferred Compensation Pension Trust Fund*

This fund accounts for assets held for employees in accordance with the provisions of an Internal Revenue Code Section 401(k) deferred compensation plan. Additions are employee contributions, based upon a percentage of participants' wages, and investment income.

### *Rehabilitation and Enhancement Private Purpose Trust Fund*

This fund accounts for resources legally held in trust for use by community committees devoted to directing the rehabilitation and enhancement of the area in and around various solid waste disposal facilities. All resources of the fund, including investment income may be used to support the committees' activities. No portion of the resources is required to be preserved as capital.

# METRO

## Statement of Fiduciary Net Assets Fiduciary Funds

June 30, 2002

	<u>Assets</u>	<u>Deferred Compensation Pension Trust Fund</u>	<u>Rehabilitation and Enhancement Private Purpose Trust Fund</u>
Equity in internal cash and investment pool	\$ -	2,171,422	
Investments	21,857,395	-	
Other receivables	492,277	-	
Interest receivable	-	16,320	
Other assets	54,794	-	
Total assets	22,404,466	2,187,742	
	<u>Liabilities</u>		
Accounts payable	-	125,681	
Total liabilities	-	125,681	
	<u>Net Assets</u>		
Held in trust for deferred compensation benefits and other purposes	\$ 22,404,466	2,062,061	

The notes to the financial statements are an integral part of this statement.

# METRO

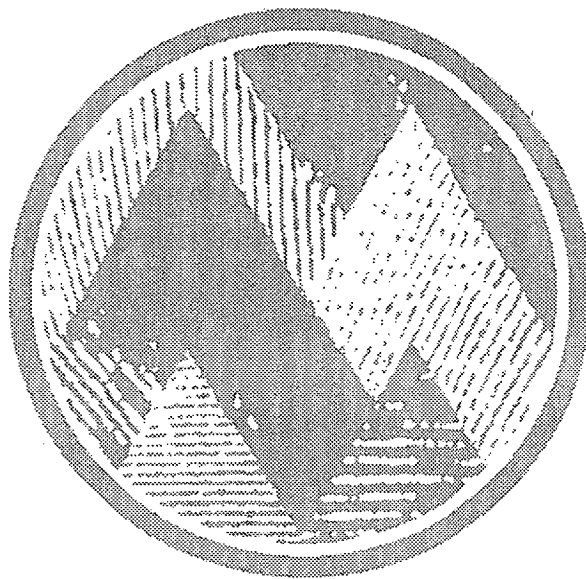
## Statement of Changes in Fiduciary Net Assets Fiduciary Funds

For the year ended June 30, 2002

	Deferred Compensation <u>Pension Trust Fund</u>	Rehabilitation and Enhancement Private Purpose <u>Trust Fund</u>
Additions:		
Employees' contributions	\$ 1,814,420	-
Transfers from other funds	-	359,510
Investment income (loss)	(3,548,324)	69,315
Total additions	(1,733,904)	428,825
Deductions:		
Benefit payments	1,629,090	-
Charges for services	-	43,050
Rehabilitation and enhancement expenses	-	521,420
Total deductions	1,629,090	564,470
Change in net assets	(3,362,994)	(135,645)
Net Assets - July 1, 2001	25,767,460	2,197,706
Net Assets - June 30, 2002	\$ 22,404,466	2,062,061

The notes to the financial statements are an integral part of this statement.





# METRO

## Notes to the Financial Statements

For the Year Ended June 30, 2002

### HISTORICAL INTRODUCTION

Metro, the nation's only directly elected regional government, was organized under the provisions of Oregon Revised Statutes (ORS) Chapter 268 to make available, in the Portland, Oregon metropolitan area, public services not adequately available through previously authorized governmental agencies. Under the 1992 Metro Charter, Metro's primary function is regional planning services. Metro is also authorized to exercise the following functions and is permitted by Charter to assume additional functions if approved by ordinance:

- Acquisition, development, maintenance and operation of:
  - a metropolitan zoo,
  - public cultural, trade, convention, exhibition, sports, entertainment, and spectator facilities,
  - facilities for disposal of solid and liquid wastes, and
  - a system of parks, open spaces and recreational facilities of metropolitan concern
- Metropolitan aspects of natural disaster planning and response coordination
- Development and marketing of data
- Performance of any other function required by state law or assigned to Metro by the voters.

The Metro Council is the governing body and consists of seven part-time councilors, each elected on a nonpartisan basis from a single district within the Metro area. The office of Metro Executive Officer, whose primary duty is to enforce Metro ordinances and otherwise execute the policies of the Council, is elected from the Metro area at large. The office of Metro Auditor is elected at large to perform financial and performance audit functions and make reports to the Council and Executive Officer.

The Metropolitan Exposition-Recreation Commission (MERC) was established by Metro ordinance to operate, maintain and renovate metropolitan convention, trade and spectator facilities pursuant to appropriate state statutes. The Commission consists of seven members appointed by the Executive Officer and confirmed by the Council.

# METRO

## Notes to the Financial Statements, Continued

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Metro have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following summary of Metro's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

#### 1. THE REPORTING ENTITY

Metro is a municipal corporation governed as described in the previous section. As required by GAAP, these financial statements present Metro (the primary government) and its sole component unit – MERC, an entity for which Metro is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see description below) to emphasize that it is legally separate from Metro.

**Discretely Presented Component Unit-MERC** - Unless noted otherwise in this report, the accounting policies of the component unit are consistent with those described for the primary government. Metro is responsible for the operation and management of MERC and appoints each of the seven members of the MERC Commission. Metro is financially accountable for the operations of MERC and is able to impose its will in MERC's operations through review of resolutions, budget approval and fiscal management. MERC is presented as an enterprise fund type. MERC does not prepare a separate comprehensive annual financial report.

MERC operates the Metro-owned Oregon Convention Center (OCC) and Expo Center. In addition, under the provisions of an intergovernmental agreement with the City of Portland (the City), MERC is responsible for operation and management of the City-owned Portland Center for the Performing Arts (PCPA). Because the City retains title to this facility and all capital assets purchased, and because the City remains obligated to pay certain bonded debt remaining on this facility, the capital assets, bonded debt and related interest and depreciation expenses are not included in the accompanying financial statements.

# METRO

## Notes to the Financial Statements, Continued

### 2. BASIC FINANCIAL STATEMENTS

**Government-wide financial statements** (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as *general revenues*, as are internally dedicated resources.

**Fund financial statements** are presented for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

### 3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using *an economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. All transactions affecting increases (revenues) and decreases (expenses) in total net assets during the period are reported. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using *a current financial resources measurement focus* and the *modified accrual basis of accounting*. Only current assets and current liabilities are generally reported on the balance sheet. Governmental funds' operating statements

# METRO

## Notes to the Financial Statements, Continued

present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) of net current assets during a period. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are both "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Metro considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on long-term debt that is recorded when due and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, excise taxes, grants, local government shared revenues, government contributions, charges for services, and investment income are susceptible to accrual. Contributions and donations and other receipts become measurable and available when cash is received by Metro and are recognized as revenue at that time.

The accounts of Metro are organized on the basis of funds, each of which is a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The segregation by fund is for the purpose of carrying on specific activities or attaining certain objectives in accordance with ordinances, special regulations, restrictions or limitations. The various funds are grouped by fund type and classified into three broad fund categories: governmental, proprietary and fiduciary.

Metro reports the following major governmental funds:

**General Fund** – This fund accounts for all activities not required to be accounted for in another fund, primarily Metro's general government activities, including Council and Office of the Executive Officer functions.

**Special Revenue Funds** – Special revenue funds account for revenues (other than fiduciary resources or major capital projects) that are legally restricted to expenditures for specific purposes. Metro's special revenue funds include:

*Planning Fund* - This fund accounts for funding and operation of Metro's regional planning functions, including land use, urban growth management, and environmental and transportation planning.

*Parks Fund* - This fund accounts for funding and operation of Metro's greenspaces program and recreation activities, including parks, marine facilities, pioneer cemeteries, and a golf course. This fund consists of three budgetary funds

## METRO

### Notes to the Financial Statements, Continued

(Regional Parks Fund, Smith and Bybee Lakes Fund, and Regional Parks Special Accounts Fund) that are combined as one Special Revenue Fund to be in accordance with accounting principles generally accepted in the United States of America.

**Debt Service Fund** - The *General Obligation Bond Debt Service Fund* accounts for payments of general obligation bond principal and interest to bond holders.

**Capital Projects Fund** - This fund type is used to account for resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds. Metro's capital projects fund is:

*Open Spaces Fund* - This fund accounts for the activities to acquire and protect regional open spaces, parks, trails, and streams.

Metro reports the following major proprietary funds:

**Enterprise Funds** - These funds account for the financing of predominantly self-supporting activities that are funded through service charges and user fees to customers. Metro's enterprise funds are:

*Solid Waste Fund* - This fund accounts for revenues, primarily from charges for services 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 Metro South Station and Metro Central Station solid waste transfer and recycling facilities, and the closed St. Johns Landfill.

*Zoo Fund* - This fund accounts for funding and operation of the Oregon Zoo. This fund consists of three budgetary funds (Zoo Operating Fund, Zoo Capital Fund, and General Revenue Bond Fund - Zoo) that are combined as one Enterprise Fund to be in accordance with accounting principles generally accepted in the United States of America.

Metro also reports the following fund types:

**Internal Service Funds** - Internal service funds are used to account for activities or services furnished by designated departments to other organizational units within Metro. Charges are made to the various user departments to support these activities. Metro's internal service funds are:

# METRO

## Notes to the Financial Statements, Continued

*Building Management Fund* - This fund accounts for revenues and expenses related to the management of Metro's headquarters facility and parking structure. This fund consists of two budgetary funds (Building Management Fund and General Revenue Bond Fund - Building Management) that are combined as one Internal Service Fund to be in accordance with accounting principles generally accepted in the United States of America.

*Support Services Fund* - This fund accounts for central services provided to other Metro operating units. These central services consist of Administrative Services/Human Resources, Information Technology, Office of General Counsel, Office of Citizen Involvement, and Office of the Auditor.

*Risk Management Fund* - This fund accounts for risk management and self-insurance programs performed for other organizational units within Metro.

**Fiduciary Funds** - Metro's fiduciary funds account for resources received and held in a trustee capacity. Disbursements from these funds are made in accordance with the trust agreement or applicable legislative enactment for each particular fund. Metro's fiduciary funds are:

*Deferred Compensation Pension Trust Fund* - This fund accounts for assets held for employees in accordance with the provisions of an Internal Revenue Code Section 401(k) deferred compensation plan. No budget is adopted for this fund.

*Rehabilitation and Enhancement Private Purpose Trust Fund* - This fund accounts for resources legally held in trust for use by community committees devoted to directing the rehabilitation and enhancement of the area in and around various solid waste disposal facilities. All resources of the fund, including investment income may be used to support the committees' activities. No portion of the resources is required to be preserved as capital.

The financial statements have incorporated all applicable GASB pronouncements. All applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989 have been applied to the government-wide financial statements and proprietary fund financial statements, unless those pronouncements conflict with or contradict GASB pronouncements.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are direct charges for services between various funds that represent

# METRO

## Notes to the Financial Statements, Continued

services provided and used. Elimination of these charges would distort the measurement of the cost of individual functional activities. Certain indirect costs for central administration and support have been included as part of program expenses reported for the various functions in the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Solid Waste Fund, Zoo Fund, and of the internal service funds are charges to customers for sales and services. Grants and contributions and donations are also recognized as operating revenues. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

It is Metro's policy to use restricted resources first, then unrestricted resources as needed when both restricted and unrestricted resources are available for use.

### **4. ASSETS, LIABILITIES, AND NET ASSETS AND FUND BALANCES**

#### **Cash and Investments**

Cash and investments consist of each fund's portion of pooled cash balances, time certificates of deposit, money market investments, U.S. Government securities, banker's acceptances, commercial paper and investments in the State Treasurer's investment pool. Cash is considered to be cash on hand, demand deposits, cash in restricted accounts and equity in the internal cash and investment pool. Interest earned on pooled investments is allocated monthly based upon each fund's average monthly cash balance. Investments are carried at fair value. The fair value of investments is determined annually and is based on current market prices. The fair value of Metro's position in the State Treasurer's investment pool is materially the same as the value of the pool shares. The fair value of Deferred Compensation Pension Trust Fund investments, which consist of mutual funds that are self-directed by participants, is based on the fund's current share (market) price.

#### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at fiscal year end are referred to as "due to/from other funds." The residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."



## METRO

### Notes to the Financial Statements, Continued

Uncollected property taxes receivable 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 are assessed and become a lien against the property as of July 1 each year. Accordingly, no allowance for doubtful accounts is deemed necessary. Property taxes are levied on November 15 and are payable in three installments that are due on November 15, February 15 and May 15. Taxes unpaid and outstanding after May 16 are considered delinquent.

Receivables are stated net of an allowance for uncollectibles.

Metro allocates indirect costs, primarily of an administrative nature, to grants in compliance with cost allocation plans that are subject to the approval of Metro's oversight agency. The plan in effect for fiscal year 2002 allocated indirect costs to grants at a rate of approximately 29% of the related direct personnel costs.

#### **Inventories and Prepaid Items**

Inventories, consisting of consumable food and gift shop items held for resale, are valued at cost (first-in, first-out method), and are charged as expenses upon sale. Payments to vendors for services that will benefit future periods are recorded as prepaid items.

#### **Animal Collections**

In accordance with industry practice, animal collections of the Zoo are recorded at the nominal amount of \$1, as there is no objective basis for establishing value. Differences in attributes such as species, age, sex, endangered status, and breeding potential make it impracticable to assign value. Acquisitions are recorded as expenses of the operating activity.

#### **Restricted Assets and Liabilities**

Resources for future payment of certain long-term liabilities, revenue bonds and for operating contracts requiring segregated customer deposits have been classified as restricted assets (a portion of the equity in the internal cash and investment pool and a portion of investments) on the statement of net assets because they are maintained in separate bank accounts and/or their use is limited by applicable bond covenants. Such restrictions include amounts for renewal and replacement, debt service, and the payment of the post-closure liability in the Solid Waste Enterprise Fund; for construction at the Zoo; and amounts for customer deposits, renewal and replacement, and construction of the OCC expansion in the Component Unit Enterprise Fund.

## METRO

### Notes to the Financial Statements, Continued

#### Capital Assets

Capital assets, which include land, buildings and exhibits, improvements, equipment, and office furniture and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by Metro as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at cost, and donated capital assets are stated at estimated fair market value when received. Normal maintenance and repairs are charged to operations as incurred. Replacements exceeding \$5,000 that improve or extend the lives of property are capitalized.

Capital assets are recorded as capital outlay expenditures in the governmental funds statements when purchased. Capital assets in the enterprise and internal service funds are capitalized when purchased. Interest expense (net of interest earned on the invested proceeds over the period of construction) incurred during construction of capital assets of business-type activities is capitalized as part of the cost of the constructed asset.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	15-40
Equipment	5-10
Office furniture	5-7

Pursuant to an intergovernmental agreement with the City, Metro (through MERC) operates and manages activities for the PCPA, but capital assets purchased from funds derived from these operations become property of the City. As such, these expenses are reflected as contributions to other governments and are not capitalized.

#### Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets in the government-wide financial statements or proprietary fund types fund financial statements. Bond premiums, discounts, issuance costs and deferred amounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported on the statement of net assets net of the unamortized portion of those costs.

For governmental fund types in the fund financial statements, bond premiums, discounts and issuance costs are recognized in the period incurred. The face amount of debt issued plus any

# METRO

## Notes to the Financial Statements, Continued

premium received on issuance is reported as other financing sources. Discounts on issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

### Liability for Compensated Absences

Accumulated unpaid vacation benefits are accrued as earned in government-wide, proprietary, and fiduciary fund financial statements. 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. Calculated amounts of vacation leave payable include salary-related payments associated with the leave, such as Metro's share of Social Security and Medicare taxes. Accumulated sick leave does not vest and is, therefore, recorded in all funds when leave is taken.

### Fund Equity

In the fund financial statement, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

## RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$181,645,767 difference are as follows:

Bonds payable	\$177,847,373
Accrued interest payable	3,027,021
Capital leases payable	79,310
Compensated absences	<u>692,063</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	<u><u>\$181,645,767</u></u>

# METRO

## Notes to the Financial Statements, Continued

### STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### 1. BUDGETS

A budget is prepared for each fund, except the Deferred Compensation Pension Trust Fund, in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. This basis differs from GAAP. The Council adopts the original budget for all funds, except the Deferred Compensation Pension Trust Fund, by ordinance prior to the beginning of Metro's fiscal year. The ordinance authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The functional categories of operating expenses (personal services and materials and services expenses combined), capital outlay, debt service, interfund transfers and contingency are the established legal level of control in these funds:

- Planning Fund
- Regional Parks Fund
- Smith and Bybee Lakes Fund
- Regional Parks Special Accounts Fund
- General Obligation Bond Debt Service Fund
- Open Spaces Fund
- Zoo Operating Fund
- Zoo Capital Fund
- Rehabilitation and Enhancement Fund
- Building Management Fund
- Risk Management Fund
- MERC Operating Fund
- Convention Center Project Capital Fund
- MERC Pooled Capital Fund

The legal level of control is set by department in the functional categories named above for these funds:

- General Fund
- Solid Waste Revenue Fund
- General Revenue Bond Fund
- Support Services Fund

The General Revenue Bond Fund is a budgetary fund comprised of three components that are separated and combined with other budgetary funds for reporting under GAAP.

## Notes to the Financial Statements, Continued

The detail budget document is required to contain more specific, detailed information about the aforementioned expenditure categories. Appropriations that have not been expended at year end lapse and subsequent actual expenditures are charged against ensuing year appropriations. Encumbrances are recorded in Metro's internal accounting records for management reporting and control. Encumbrances are closed at June 30 and re-established in the ensuing fiscal year against appropriations for that year.

Unexpected additional resources and budget revisions may be added to the budget through the use of a supplemental budget or by an ordinance 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 appropriation transfers between the levels of control. Such transfers require the approval of the Council. Management may amend the budget within the appropriated levels of control without the approval of the Council.

Metro adopted ten budget amendments during the year ended June 30, 2002. The amount of such amendments was not significant, except for three Zoo Operating Fund amendments totaling \$1.4 million in increased expenditures due to zoo attendance that exceeded expectations.

## **2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2002, expenditures exceeded appropriations in the General Obligation Bond Debt Service Fund due to the refunding of the OCC general obligation bonds. Oregon Budget Law (ORS 294.483) provides an exemption for overexpenditures in this situation.

## **3. DEFICIT FUND EQUITY**

The Building Management Fund had a deficit in total net assets of \$848,173 as of June 30, 2002. Metro plans to cover the deficit through normal operations in future years.

## **4. RECONCILIATION OF BASIS OF BUDGETING TO GAAP BASIS**

Oregon Budget Law, as adopted by Metro, requires accounting for certain transactions to be on a basis other than GAAP. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis of Budgeting) for each fund as presented in supplementary information is presented on the basis of budgeting and is adjusted to the GAAP basis in the presentation in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. The accounting for the reclassification of interfund transfers as quasi-external transactions cause no difference between the excess of revenues and other sources over expenditures and other uses on the basis of budgeting and such amounts on a GAAP basis.

# METRO

## Notes to the Financial Statements, Continued

### DETAILED NOTES ON ALL FUNDS

#### 1. CASH AND INVESTMENTS

##### Deposits

At June 30, 2002, the carrying amounts of the primary government and component unit cash deposits with the county treasurers and various financial institutions presented in the accompanying financial statements were \$4,284,912 and \$(627,420), respectively. The corresponding bank balances associated with the carrying amounts disclosed above total \$3,764,881 and \$813,860, respectively. The entire amount of the bank balances is covered by federal depository insurance or is collateralized with securities held by financial institutions acting as agents for Metro in Metro's name. Cash on hand totals \$88,805 for the primary government and \$20,556 for the component unit. Oregon statutes require each depository throughout the period of its possession of public funds to maintain on deposit securities having a value of not less than 25% of the certificates of participation issued by its pool manager.

##### Investments

Policies officially adopted by Metro's Investment Advisory Board and the Metro Council authorize Metro to invest in obligations of the U.S. Treasury and agencies, time certificates of deposit, repurchase agreements, money market investments, banker's acceptances, commercial paper, State of Oregon and local government securities, and the State Treasurer's investment pool. The State Treasurer's investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council. The Deferred Compensation Pension Trust Fund is also authorized to invest in, but is not limited to, stocks, mortgages, insurance contracts, bonds and other evidence of indebtedness or ownership through mutual funds that are self-directed by participants.

There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Metro's investments at year end are categorized below to give an indication of the level of risk assumed. 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 counterparty's trust department or agent in Metro's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in Metro's name. The risk level indicated below is generally reflective of the risk assumed by Metro during the year ended June 30, 2002.

# METRO

## Notes to the Financial Statements, Continued

	Category			Fair value
	<u>1</u>	<u>2</u>	<u>3</u>	
<b>Primary Government:</b>				
U.S. Govt. securities - instrumentality	\$93,617,832	-	-	93,617,832
U.S. Govt. securities - treasury	<u>4,359,000</u>	<u>-</u>	<u>-</u>	<u>4,359,000</u>
Total	<u>\$97,976,832</u>	<u>-</u>	<u>-</u>	97,976,832
Investments not subject to categorization:				
Pension trust investments in mutual funds				21,857,395
State Treasurer's investment pool				<u>6,783,498</u>
<b>Total investments- Primary Government</b>				<u>\$126,617,725</u>
<b>Component Unit - MERC:</b>				
U.S. Govt. securities - instrumentality	\$46,244,564	-	-	46,244,564
Repurchase agreements	<u>-</u>	<u>-</u>	<u>4,644,380</u>	<u>4,644,380</u>
Total	<u>\$46,244,564</u>	<u>-</u>	<u>4,644,380</u>	50,888,944
Investments not subject to categorization:				
State Treasurer's investment pool				<u>17,801,315</u>
<b>Total investments- Component Unit</b>				<u>\$68,690,259</u>

Metro's cash and investments are reflected on the statement of net assets as follows:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Unrestricted	\$ 81,311,452	14,112,402	-	95,423,854
Restricted	<u>25,651,173</u>	<u>53,970,993</u>	<u>24,028,817</u>	<u>103,650,983</u>
	<u>\$106,962,625</u>	<u>68,083,395</u>	<u>24,028,817</u>	<u>199,074,837</u>

Equity in internal cash and investment pool in the General Fund includes pooled investments reported above of \$86,093,291.

# METRO

## Notes to the Financial Statements, Continued

### 2. CAPITAL ASSETS

#### Primary Government

Capital asset activity for fiscal year 2002 was as follows:

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
<b>Governmental activities:</b>				
Capital assets, non-depreciable:				
Land	\$ 118,461,530	11,381,751	-	129,843,281
Total non-depreciable	<u>118,461,530</u>	<u>11,381,751</u>	<u>-</u>	<u>129,843,281</u>
Capital assets, depreciable:				
Buildings	23,516,532	79,003	-	23,595,535
Improvements	4,892,760	952,332	-	5,845,092
Equipment	998,388	249,496	-	1,247,884
Office furniture/equipment	<u>3,172,375</u>	<u>461,645</u>	<u>-</u>	<u>3,634,020</u>
Total depreciable	<u>32,580,055</u>	<u>1,742,476</u>	<u>-</u>	<u>34,322,531</u>
Accumulated depreciation:				
Buildings	(5,221,775)	(735,746)	-	(5,957,521)
Improvements	(497,889)	(316,152)	-	(814,041)
Equipment	(538,026)	(141,469)	-	(679,495)
Office furniture/equipment	<u>(1,558,844)</u>	<u>(357,813)</u>	<u>-</u>	<u>(1,916,657)</u>
Total accumulated depreciation	<u>(7,816,534)</u>	<u>(1,551,180)</u>	<u>-</u>	<u>(9,367,714)</u>
Total capital assets, depreciable, net	<u>24,763,521</u>	<u>191,296</u>	<u>-</u>	<u>24,954,817</u>
Governmental activities capital assets, net	<u>\$ 143,225,051</u>	<u>11,573,047</u>	<u>-</u>	<u>154,798,098</u>



# METRO

## Notes to the Financial Statements, Continued

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
<b>Business-type activities:</b>				
Capital assets, non-depreciable:				
Land	\$ 6,623,293	-	-	6,623,293
Total non-depreciable	<u>6,623,293</u>	<u>-</u>	<u>-</u>	<u>6,623,293</u>
Capital assets, depreciable:				
Buildings and exhibits	102,042,125	1,184,061	(176,776)	103,049,410
Improvements	7,483,910	5,023	(870,671)	6,618,262
Equipment	3,787,020	588,290	(7,000)	4,368,310
Office furniture/equipment	328,469	-	-	328,469
Railroad equipment/facilities	11,378,021	26,968	-	11,404,989
Total depreciable	<u>125,019,545</u>	<u>1,804,342</u>	<u>(1,054,447)</u>	<u>125,769,440</u>
Accumulated depreciation:				
Buildings and exhibits	(22,298,798)	(2,895,382)	176,776	(25,017,404)
Improvements	(2,973,263)	(253,044)	870,671	(2,355,636)
Equipment	(1,726,914)	(352,837)	7,000	(2,072,751)
Office furniture/equipment	(173,317)	(39,085)	-	(212,402)
Railroad equipment/facilities	(10,905,353)	(17,650)	-	(10,923,003)
Total accumulated depreciation	<u>(38,077,645)</u>	<u>(3,557,998)</u>	<u>1,054,447</u>	<u>(40,581,196)</u>
Total capital assets, depreciable, net	<u>86,941,900</u>	<u>(1,753,656)</u>	<u>-</u>	<u>85,188,244</u>
Business-type activities capital assets, net	<u>\$ 93,565,193</u>	<u>(1,753,656)</u>	<u>-</u>	<u>91,811,537</u>

An agreement between the City and Metro regarding the real property at the Zoo provides that the 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. Metro was in compliance with this agreement for the year ended June 30, 2002.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Regional planning and development	\$ 162,032
Recreation and development	521,669
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>867,479</u>
Total depreciation expense - governmental activities	<u>\$ 1,551,180</u>
Business-type activities:	
Solid Waste	\$ 1,506,908
Zoo	<u>2,051,090</u>
Total depreciation expense - business-type activities	<u>\$ 3,557,998</u>

# METRO

## Notes to the Financial Statements, Continued

### Discretely Presented Component Unit

Capital asset activity for the component unit for fiscal year 2002 was as follows:

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, non-depreciable:				
Land	\$ 15,279,942	-	-	15,279,942
Construction in progress	14,457,186	54,796,600	-	69,253,786
Total non-depreciable	<u>29,737,128</u>	<u>54,796,600</u>	<u>-</u>	<u>84,533,728</u>
Capital assets, depreciable:				
Buildings	117,060,747	461,817	-	117,522,564
Improvements	994,568	-	-	994,568
Equipment	2,068,718	154,664	-	2,223,382
Office furniture/equipment	3,843,690	-	-	3,843,690
Total depreciable	<u>123,967,723</u>	<u>616,481</u>	<u>-</u>	<u>124,584,204</u>
Accumulated depreciation:				
Buildings	(27,955,672)	(3,558,809)	-	(31,514,481)
Improvements	(257,943)	(51,196)	-	(309,139)
Equipment	(1,243,429)	(226,884)	-	(1,470,313)
Office furniture/equipment	(3,682,817)	(39,378)	-	(3,722,195)
Total accumulated depreciation	<u>(33,139,861)</u>	<u>(3,876,267)</u>	<u>-</u>	<u>(37,016,128)</u>
Total capital assets, depreciable, net	<u>90,827,862</u>	<u>(3,259,786)</u>	<u>-</u>	<u>87,568,076</u>
MERC capital assets, net	<u>\$ 120,564,990</u>	<u>51,536,814</u>	<u>-</u>	<u>172,101,804</u>

Capital assets for the component unit (MERC) are those of Metro owned facilities. Capital assets used in operating the PCPA are not included in the statement of net assets of Metro or MERC as title to the assets remains with the City in accordance with an intergovernmental consolidation agreement. These capital assets will be included in the Comprehensive Annual Financial Report of the City.

# METRO

## Notes to the Financial Statements, Continued

### 3. DEFERRED AND UNEARNED REVENUE

Deferred revenue is reported in governmental funds for taxes receivable not collected within 60 days after year end and other receivables not susceptible to accrual under the modified accrual basis of accounting. Governmental funds also defer revenue recognition for resources that have been received, but not yet earned. The details of these amounts at June 30, 2002 were:

	<u>Deferred</u>	<u>Unearned</u>
Delinquent property taxes-Debt Service Fund	\$980,393	-
Grant and contract drawdowns prior to meeting all eligibility requirements-Planning Fund	-	2,068,381
Prepaid rent-Parks Fund	-	57,371
	<u>\$980,393</u>	<u>\$2,125,752</u>

### 4. DEFERRED COMPENSATION PLAN

Metro offers its employees a 401(k) deferred compensation plan in accordance with Internal Revenue Code provisions. The Metro Employee Salary Savings Plan is available to all Metro employees and permits employees to contribute a portion of their salary to the plan to obtain favorable tax treatment for amounts contributed. Moneys accumulated under the plan are deposited with a trustee for the exclusive benefit of the participants and are invested in mutual funds that are self-directed by participants. The deferred compensation is not available to participants until termination, retirement, death, or hardship conditions. Metro's Executive Officer is the plan administrator and has appointed a five-member Advisory Committee which has the authority to define, monitor, manage and interpret the provisions of the plan, contained in the Plan Document. The plan is accounted for as the Deferred Compensation Pension Trust Fund in Metro's financial statements.

In past years, Metro contributed amounts to this plan for a certain number of its full-time employees who had elected not to participate in the State of Oregon Public Employees Retirement System (PERS). Currently, all eligible employees are members of PERS and Metro makes no further contributions to the plan. Benefits depend solely on amounts contributed plus investment earnings. Employees' contributions to the plan amounted to \$1,814,420 during the fiscal year 2002.

# METRO

## Notes to the Financial Statements, Continued

### 5. PENSION PLAN

#### Defined Benefit Plan Description

Substantially all full-time employees, and other employees who meet certain eligibility requirements, are participants in PERS, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for political subdivisions in the State of Oregon.

PERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 73, Portland, Oregon 97207-0073 or by calling (503)229-5824.

Benefits vest after five years of continuous service. Retirement with unreduced benefits is allowed for employees at age 58, but retirement with reduced benefits is generally available after age 55. Retirement benefits are based on salary and length of service, are calculated using a formula and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

#### Funding Policy

The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. Metro's required employer contribution rate is 8.61% of covered employees' salaries. Under the provisions of state statutes, all covered employees, except elected officials, are required to contribute 6% of their gross earnings to PERS. The required employee contribution is paid by Metro for certain employees in conformance with its personnel policies. Some Metro and MERC employees are required to pay the 6% contribution. It is Metro's policy to recognize pension expenditures or expenses as currently funded.

#### Annual Pension Cost

For fiscal year 2002, Metro's annual pension cost of \$3,105,877 was equal to Metro's required and actual contribution. The required contribution was determined as part of an actuarial valuation at December 31, 1999 using the actuarial entry age cost method. Significant actuarial assumptions used in the valuation include:

# METRO

## Notes to the Financial Statements, Continued

- Consumer price inflation of 3.5% per year,
- A rate of return on the investment of present and future assets of 8.0% per year,
- Projected salary increases of 4.25% per year attributable to general wage adjustments, with additional increases for promotion and longevity that may vary by age and service, and
- Projected automatic cost-of-living benefit increases of 2.0% per year.

Metro does not maintain a separate PERS account for MERC employees. Accordingly, trend information for employees of MERC is not separable from Metro's statistics.

Three year historical trend information:

<u>Fiscal year ended June 30:</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2000	\$2,624,424	100%	0
2001	\$2,741,412	100%	0
2002	\$3,105,877	100%	0

Schedule of funding progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Percent</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/95	\$24,603,201	\$34,666,467	\$10,063,266	71%	\$24,469,431	41%
12/31/97	50,010,247	51,512,838	1,502,591	97	29,175,599	05
12/31/99	67,001,296	61,083,893	(5,917,403)	110	32,447,840	(18)

The actuarial value of assets was determined by allocating the fair market value of all PERS assets to participating employers in proportion to the funds in each employer's account. Amortization of the UAAL is over a closed group fixed term of 28 years as a level percentage of projected annual payroll. 1999 is the most recent valuation available from the PERS actuaries. The 2001 valuation is in progress.

The actuarial value of assets and actuarial accrued liability in the above trend information includes only the employer's portion in 1995 and 1997. It includes the employer's, employees' and retirees' information for 1999.

## METRO

### Notes to the Financial Statements, Continued

Based upon reports of substantial losses within the Oregon PERS system, Metro believes it is likely that its future contribution rate will increase above the current level of 8.61%. It is also likely that the unfunded actuarial surplus will decrease from the last reported balance in 1999.

#### **6. COMMITMENTS**

##### **Columbia Ridge Landfill**

Metro has a waste disposal services contract expiring December 31, 2014 with the owner and operator of the Columbia Ridge Landfill for disposal of solid waste from the Metro region. The contract requires a per ton unit price of \$22.31 for the first 550,000 tons and a declining incremental price scale for each ton of waste in excess of 550,000 tons. The per ton rate is adjusted annually on July 1 to reflect changes in the Consumer Price Index (CPI).

##### **Waste Transport**

Solid waste transport from Metro facilities to the Columbia Ridge Landfill and other disposal sites is privately contracted through December 31, 2009. The contract specifies a per load unit price that equates to an approximate per ton rate of \$13. The unit price is adjusted annually on January 1 in an amount equivalent to 75% of the CPI. In fiscal year 1999, Metro prepaid future fixed costs under the contract in the amount of approximately \$6.6 million. \$4,156,854 of this payment is unamortized at June 30, 2002 and is recorded on the Statement of Net Assets as a prepaid item.

##### **Metro South Station and Metro Central Station**

Operations of the Metro South Station, a solid waste transfer facility, and Metro Central Station, a solid waste materials recovery and transfer station that emphasizes recovery of waste materials, are contracted through September 30, 2004. The agreement sets a lump sum price for the first 21,000 tons of waste received each month: \$93,000 at Metro South and \$144,000 at Metro Central. Above 21,000 tons, payment is calculated by reference to sliding tonnage ranges that begin at \$4.20 per ton for Metro South and \$6.55 per ton for Metro Central. The contractor also receives incentives for materials recovered from the waste stream and not sent to the Columbia Ridge Landfill. The unit price is adjusted annually on July 1 in accordance with the CPI.

# METRO

## Notes to the Financial Statements, Continued

The following table presents the approximate annual commitment based on forecasted refuse tons and a 3.2% annual inflation factor for all of the previously described contracts:

Fiscal year ending June 30:	<u>Columbia Ridge Landfill</u> Variable payment based on tons	<u>Waste Transport</u> Variable payment based on loads	<u>Metro South</u> Variable payment based on tons	<u>Metro Central</u> Variable payment based on tons
2003	\$ 10,480,401	7,033,730	2,499,241	3,142,556
2004	11,006,184	7,419,265	2,821,738	3,340,474
2005	11,216,141	7,648,369	757,303	895,274
2006	11,468,799	7,935,953	-	-
2007	11,797,307	8,318,943	-	-
Thereafter	<u>116,699,711</u>	<u>22,504,303</u>	-	-
Total	<u>\$172,668,543</u>	<u>60,860,563</u>	<u>6,078,282</u>	<u>7,378,304</u>

### Construction Projects

Metro is committed under a number of contracts for construction services. The amount of uncompleted contracts totals \$1,021,959 in the primary government for various projects and \$44,606,139 in the component unit for the OCC expansion at June 30, 2002.

## 7. LEASE OBLIGATIONS

### Operating Lease

The Portland Center for the Performing Arts Theater Complex leases the grounds for the Complex under an operating lease expiring in 2083. The term of the original agreement may be extended in ten year increments for a total of 50 additional years. Rent adjustments may be negotiated every five years commencing on November 1, 1994. The scheduled lease payments are currently \$10,927 per month.

# METRO

## Notes to the Financial Statements, Continued

The future minimum lease payments are as follows:

<u>Fiscal year ending June 30:</u>		<u>Fiscal year ending June 30:</u>		<u>Fiscal year ending June 30:</u>	
2003	\$131,124	2018-22	\$655,620	2053-57	\$ 655,620
2004	131,124	2023-27	655,620	2058-62	655,620
2005	131,124	2028-32	655,620	2063-67	655,620
2006	131,124	2033-37	655,620	2068-72	655,620
2007	131,124	2038-42	655,620	2073-77	655,620
2008-12	655,620	2043-47	655,620	2078-82	655,620
2013-17	655,620	2048-52	655,620	2083-84	<u>174,832</u>
				Total	<u>\$10,664,752</u>

### Capital Lease

Metro has a capital lease agreement for computer network equipment that provides Metro the right to purchase the assets at a nominal price at the end of the lease term. The agreement is in force through fiscal year 2004 with an interest rate of 4.92%. Amortization charges applicable to capital lease assets are included in depreciation and amortization expense.

The future minimum lease payments are:

<u>Fiscal year ending June 30:</u>	Governmental Activities
2003	\$ 78,832
2004	<u>78,832</u>
Total minimum lease payments	157,664
Less amount representing interest	<u>(10,917)</u>
Net present value of future minimum lease payments	<u>\$ 146,747</u>



# METRO

## Notes to the Financial Statements, Continued

### 8. BONDS PAYABLE

#### *Governmental Activities*

#### **Open Spaces Program 1995 Series A, B, and C General Obligation Bonds**

In prior years, Metro issued the following Open Spaces Program General Obligation Bonds: \$74,170,000 of 1995 Series A, \$5,219,923 of 1995 Series B (Capital Appreciation), and \$56,210,000 of 1995 Series C. The Open Spaces Bonds were issued by Metro under authority granted by voters for \$135.6 million in general obligation bonds to finance land acquisition and capital improvements pursuant to Metro's Open Spaces Program. The program establishes a cooperative regional system of parks, natural areas, open spaces, trails and greenways for wildlife and people.

The bonds are to be repaid with proceeds of Metro's ad valorem property tax levied each year. Interest rates range from 4.6% to 6.0%. See Note 17 for discussion of the disposition of these bonds in fiscal year 2003.

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

Fiscal year ending June 30:	<u>1995 Series A</u>		<u>1995 Series B</u>		<u>1995 Series C</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 2,945,000	3,157,716	363,060	136,940	2,145,000	2,302,963
2004	3,105,000	2,998,704	343,920	156,080	2,275,000	2,170,362
2005	3,270,000	2,831,566	325,155	174,845	2,405,000	2,046,798
2006	3,435,000	2,663,941	308,037	193,963	2,515,000	1,932,380
2007	3,615,000	2,485,884	288,945	211,055	2,640,000	1,809,917
2008-12	21,260,000	9,244,414	988,256	1,012,744	15,880,000	6,870,197
2013-16	<u>21,850,000</u>	<u>2,557,127</u>	<u>-</u>	<u>-</u>	<u>17,860,000</u>	<u>1,936,987</u>
	<u>\$59,480,000</u>	<u>25,939,352</u>	<u>2,617,373</u>	<u>1,885,627</u>	<u>45,720,000</u>	<u>19,069,604</u>

#### **2001 Series A General Obligation Refunding Bonds**

On July 11, 2001, Metro sold \$47,095,000 of General Obligation Refunding Bonds, 2001 Series A to refund all outstanding Convention Center 1992 Series A General Obligation Refunding Bonds. The outstanding 1992 bonds were called and paid at 101% on August 15, 2001, resulting in future debt service savings of \$5,289,323 and an economic gain of \$4,370,955.

# METRO

## Notes to the Financial Statements, Continued

The 2001 bonds are to be repaid with proceeds of Metro's ad valorem property tax levied each year. The bonds have interest rates ranging from 3.5% to 5.0%.

Bond principal and interest outstanding at June 30 and the corresponding maturities on 2001 Series A are as follows:

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 3,250,000	2,027,664
2004	3,370,000	1,897,664
2005	3,530,000	1,762,863
2006	3,695,000	1,621,664
2007	3,870,000	1,473,863
2008-12	22,680,000	4,536,814
2013	<u>5,290,000</u>	<u>264,500</u>
	<u>\$45,685,000</u>	<u>13,585,032</u>

### **Metro Washington Park Zoo Oregon Project 1996 Series A General Obligation Bonds**

In prior years, Metro issued \$28,800,000 in general obligation bonds to finance capital improvements at the Oregon Zoo (formerly the Metro Washington Park Zoo) including new exhibits, a new entry, and other improvements. The bonds are to be repaid with proceeds of Metro's ad valorem property tax levied each year. Interest rates range from 5.0% to 6.0% on various maturities, with an average interest cost for the entire issue of 5.3119%.

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

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 1,095,000	1,336,260
2004	1,150,000	1,281,510
2005	1,215,000	1,212,510
2006	1,275,000	1,139,610
2007	1,345,000	1,063,110
2008-12	7,890,000	4,130,225
2013-17	<u>10,375,000</u>	<u>1,768,475</u>
	<u>\$24,345,000</u>	<u>11,931,700</u>

# METRO

## Notes to the Financial Statements, Continued

### **Metro Regional Center Project 1993 Series A General Revenue Refunding Bonds**

These bonds are subject to covenants which specify the order of application of total assessments to requirements and which require Metro to: establish and collect fees and charges sufficient to fund the total assessments necessary to pay all debt service due; budget and collect total assessments necessary to pay debt service plus 10%; make assessments against departments based on use or benefit; and comply with the Internal Revenue Code to maintain the tax exempt status of the bonds. Other covenants also apply. Metro is in compliance with all covenants as of and for the year ended June 30, 2002.

In prior years, Metro issued \$26,160,000 in General Revenue Refunding Bonds 1993 Series A to advance refund General Revenue Bonds 1991 Series A. All outstanding defeased bonds have since been called and paid and the escrow account for the defeasance has been closed.

Interest rates on the 1993 Series A issue range from 4.5% to 5.25%, with an initial average interest cost for the entire issue of 5.122%.

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

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 640,000	1,145,505
2004	670,000	1,115,695
2005	705,000	1,083,718
2006	735,000	1,049,510
2007	770,000	1,013,005
2008-12	4,460,000	4,434,210
2013-17	5,700,000	3,144,960
2018-22	7,330,000	1,447,687
2023	1,700,000	44,625
	<u>\$22,710,000</u>	<u>14,478,915</u>

The above principal amounts are reported on the statement of net assets net of \$456,778 in unamortized costs and discount, and \$1,757,106 in deferred amount on refunding.

# METRO

## Notes to the Financial Statements, Continued

### *Business-type Activities*

#### **Solid Waste Disposal System Revenue and Refunding Revenue Bonds**

These bonds are subject to covenants which specify the order of application of gross revenues to requirements and which require Metro to: maintain its existing solid waste disposal system; establish rates to produce net revenues each year which at least equal 110% of annual debt service; maintain and enforce regulations governing the disposal of solid waste in the service area; and comply with the Internal Revenue Code to maintain the tax exempt status of the bonds. Other covenants also apply. Metro is in compliance with all covenants as of and for the year ended June 30, 2002, except that net revenues did not equal 110% of annual debt service as required. The failure to meet this covenant does not give rise to default if, as required by the Ordinance authorizing the issuance of the bonds and their related covenants, Metro retains a consulting engineer to make recommendations regarding the actions to ensure compliance in the future and proceeds to implement such recommendations. This effort is underway.

#### ***Metro Central Transfer Station Project, Waste Disposal System Revenue and Refunding Revenue Bonds***

In prior years, Metro issued \$12,895,000 in Waste Disposal System Refunding Revenue Bonds 1993 Series A to advance refund certain maturities of outstanding Waste Disposal System Revenue Bonds 1990 Series A. All outstanding defeased bonds have since been called and paid and the escrow account for the defeasance has been closed.

Both the remaining maturities of the Waste Disposal System Revenue Bonds 1990 Series A (zero-coupon bonds) which were not defeased and the 1993 Series A Refunding Bonds mature serially each January 1 and July 1 (through 2008 and 2012 respectively). Interest is payable semiannually on July 1 and January 1. Interest rates range from 6.9% to 7.1% on the remaining 1990 Series A bonds and from 4.6% to 5.125% on the 1993 Series A Refunding bonds.

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

<u>Fiscal year ending June 30:</u>	<u>1990 Series A</u>		<u>1993 Series A Refunding</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 2,140,000	-	75,000	448,951
2004	2,140,000	-	80,000	445,347
2005	2,140,000	-	85,000	441,426
2006	2,140,000	-	90,000	437,181
2007	2,140,000	-	90,000	432,726
2008-12	1,070,000	-	8,400,000	1,204,619
	<u>\$11,770,000</u>	<u>-</u>	<u>8,820,000</u>	<u>3,410,250</u>

## METRO

### Notes to the Financial Statements, Continued

The above principal amounts are reported on the statement of net assets net of \$184,933 in unamortized costs and discount, \$780,660 in deferred amount on refunding, and \$1,575,060 in unamortized accretion.

#### ***Metro/Riedel Oregon Compost Co. Project, Waste Disposal System Project Revenue Bonds***

On June 20, 1990, Metro sold \$5,000,000 of Waste Disposal Project Revenue Bonds 1990 Series 1 that mature on July 1, 2011. US National Bank (USNB) secures the bonds through an irrevocable direct-pay letter of credit. Metro is not legally obligated to make payments for debt service on the bonds that were issued as they were issued as non-recourse to Metro; however, Metro acts as a conduit for payments. Accordingly, the statement of net assets reflects the bonds payable and a loan receivable of \$5,000,000 for amounts due from USNB. As interest rates are variable, interest payments over the life of the bonds are not determinable.

### **9. OTHER LONG-TERM DEBT**

#### **Energy Loan**

The Building Management Fund entered into an energy services agreement with Pacific Power and Light Company in fiscal year 1993 in which \$293,672 was provided to Metro to finance various conservation measures in the new headquarters building. The loan agreement calls for monthly payments of \$2,515 at 6.23% interest for 15 years.

#### **Oregon Economic and Community Development Department Loans**

In prior years, Metro borrowed funds through the Oregon Economic and Community Development Department's (OECDD) Special Public Works Fund loan program to pay for Metro's share of the construction of the Washington Park light rail station and to finance certain costs of the Washington Park parking lot project. The first phase of the loan totaled \$2,723,000. This loan is payable in yearly installments through December 1, 2015 and bears a true interest cost of 5.49%.

The second phase of the loan totaled \$2,217,000, bears a true interest cost of 5.44% and will be repaid in annual installments through December 1, 2016.

In prior years, Metro obtained a loan from the OECDD to pay for the construction of a new building to replace the existing Hall D at the Expo Center. The loan consists of \$13,618,000 at a true interest cost of 5.524% for construction of the building and \$2,013,000 at a true interest cost

# METRO

## Notes to the Financial Statements, Continued

of 5.245% for infrastructure improvements. Expo Center revenues will be used to repay the loan in annual installments through December 1, 2024.

### Local Improvement District Assessment Loan

During fiscal year 2002, the City made a Local Improvement District (LID) assessment on MERC facilities for the construction of a pedestrian walkway across the Willamette River. The installment loan bears an interest rate of 7.25% and will be repaid by MERC in semi-annual installments through January 12, 2022.

Debt service requirements to maturity for other long-term debt are as follows:

Fiscal year ending June 30:	Primary Government					
	Governmental Activities		Business-type Activities			
	Energy Loan Payable		OECD 1995		OECD 1996	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 21,491	8,811	114,052	127,249	86,285	101,373
2004	22,850	7,440	124,486	121,775	91,827	97,231
2005	24,294	5,982	124,951	115,676	97,407	92,731
2006	28,055	4,429	135,449	109,428	103,028	87,861
2007	27,603	2,778	140,992	102,384	103,680	82,709
2008-12	26,892	796	824,452	388,759	615,004	325,250
2013-17	-	-	846,208	124,778	804,335	137,730
	<u>\$151,185</u>	<u>30,236</u>	<u>2,310,590</u>	<u>1,090,049</u>	<u>1,901,566</u>	<u>924,885</u>

Fiscal year ending June 30:	Component Unit			
	OECD 2000		LID Payable	
	Principal	Interest	Principal	Interest
2003	235,728	843,137	10,279	14,719
2004	297,981	830,761	10,279	13,974
2005	393,391	815,117	10,279	13,228
2006	420,670	794,464	10,279	12,483
2007	438,068	772,378	10,279	11,738
2008-12	2,576,027	3,489,591	51,398	47,510
2013-17	3,356,008	2,711,071	51,398	28,878
2018-22	4,393,493	1,679,063	51,397	10,247
2023-25	<u>3,261,170</u>	<u>373,800</u>	-	-
	<u>15,372,536</u>	<u>12,309,382</u>	<u>205,588</u>	<u>152,777</u>

# METRO

## Notes to the Financial Statements, Continued

### 10. CHANGES IN LONG-TERM LIABILITIES

#### Primary Government

The following changes occurred during fiscal year 2002 in long-term liabilities:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 186,845,998	47,095,000	(56,093,625)	177,847,373	9,798,060
General revenue refunding bonds	23,325,000	-	(615,000)	22,710,000	640,000
Less deferred amounts:					
For issuance costs and discount	(479,617)	-	22,839	(456,778)	-
On refunding	(1,844,961)	-	87,855	(1,757,106)	-
Total bonds payable	207,846,420	47,095,000	(56,597,931)	198,343,489	10,438,060
Loans payable	171,399	-	(20,214)	151,185	21,491
Capital leases payable	233,536	-	(86,789)	146,747	71,612
Compensated absences	975,975	1,065,967	(975,975)	1,065,967	806,691
Governmental activity Long-term liabilities	\$ 209,227,330	48,160,967	(57,680,909)	199,707,388	11,337,854
<b>Business-type activities:</b>					
Bonds payable:					
Revenue bonds	\$ 28,781,120	-	(3,191,120)	25,590,000	2,215,000
Less deferred amounts:					
For accretion	(2,270,034)	-	694,974	(1,575,060)	-
For issuance costs and discount	(206,690)	-	21,757	(184,933)	-
On refunding	(872,502)	-	91,842	(780,660)	-
Total bonds payable	25,431,894	-	(2,382,547)	23,049,347	2,215,000
Loans payable	4,406,576	-	(194,420)	4,212,156	200,337
Compensated absences	848,028	948,782	(848,028)	948,782	714,265
Business-type activity Long-term liabilities	\$ 30,686,498	948,782	(3,424,995)	28,210,285	3,129,602

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities.

# METRO

## Notes to the Financial Statements, Continued

### Discretely Presented Component Unit

The following changes occurred during fiscal year 2002 in long-term liabilities:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Due Within One Year
Loans payable	\$ 15,225,749	509,608	(157,233)	15,578,124	246,007
Compensated absences	408,872	434,239	(408,872)	434,239	301,117
Component unit activity					
Long-term liabilities	\$ 15,634,621	943,847	(566,105)	16,012,363	547,124

### 11. ARBITRAGE PAYABLE

Under certain conditions, the Tax Reform Act of 1986 requires governmental units to remit excess arbitrage earnings arising from invested bond proceeds to the Internal Revenue Service. At June 30, 2002, Metro recorded a liability of \$17,724 in the financial statements for such estimated excess arbitrage earnings.

### 12. POST-CLOSURE COST PAYABLE

The St. Johns Landfill was closed for operations in a prior year. Closure and post-closure care costs were recognized while the St. Johns Landfill was still in operation based on the then current estimate of total costs to complete such efforts, regardless of when cash disbursements were to be made. Such costs include methane gas and leachate collection systems, final cover, seeding, roads, drainage, ground water monitoring wells, liner systems, storm water management and operations and maintenance costs.

The post-closure cost of the St. Johns Landfill is estimated to be \$41,393,901 under current Federal and state regulations. Actual cost may vary due to inflation or deflation, changes in technology, or changes in regulations. During the fiscal year, Metro paid \$664,671 in closure costs as the closure process continued (\$36,148,345 cumulative to date), reducing the remaining estimated liability to \$5,245,556 at June 30, 2002. Metro has accumulated \$7,771,641 in restricted cash for future payment of post-closure liabilities and will establish disposal charges at other Metro facilities to accumulate additional resources if necessary. This closure plan is in compliance with the plan filed with the Oregon Department of Environmental Quality.



# METRO

## Notes to the Financial Statements, Continued

### 13. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2002 consisted of:

*Due to/from other funds:*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Solid Waste Fund	Planning Fund	<u>\$200,000</u>

*Due to/from primary government and component unit:*

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component Unit-MERC	Primary Government-governmental activities	<u>\$116,907</u>

Interfund transfers for the fiscal year were:

<u>Transfers out</u>	<u>Transfers in</u>					<u>Total</u>
	<u>General Fund</u>	<u>Planning Fund</u>	<u>Parks Fund</u>	<u>Internal service funds</u>	<u>Fiduciary funds</u>	
General fund	\$ -	3,966,110	1,555,075	7,000	-	5,528,185
Solid Waste enterprise fund	-	-	-	-	359,510	359,510
Internal service funds	<u>1,444,778</u>	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>1,499,778</u>
Total	<u>\$1,444,778</u>	<u>3,966,110</u>	<u>1,555,075</u>	<u>62,000</u>	<u>359,510</u>	<u>7,387,473</u>

# METRO

## Notes to the Financial Statements, Continued

### 14. INSURED RISKS

Metro is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Metro has established a Risk Management Fund (an internal service fund) to account for risk management activities, including payment of insurance policy premiums, payment of claims, and to finance its uninsured risks of loss. Under this program, the Risk Management Fund provides risk of loss coverage for the primary government and the component unit as follows:

- General liability, bodily injury to or property damage of third parties resulting from the negligence of Metro or its employees and errors and omissions risks: these risks are fully covered by the Risk Management Fund. Metro is protected by ORS Chapter 30, the Oregon Tort Claims Act, which limits public entities' liability to \$100,000 per person and \$500,000 per occurrence for the acts of Metro, its employees and agents. Possible liability outside the Oregon Tort Claims Act is covered by an excess liability policy with a \$500,000 deductible.
- Property damage to Metro-owned facilities: this risk is covered with a commercial primary, all risk property insurance policy. The property coverage is in the amount of \$436,927,000 with a \$100,000 deductible.
- Workers' compensation, bodily injury or illness to an employee while in the course of employment: this risk is covered through a retrospectively rated program from SAIF Corporation, a commercial carrier, in amounts that meet statutory requirements.

Metro has not experienced settlements in excess of insurance coverage in any of the last three fiscal years. An independent actuary prepared an actuarial valuation and estimates of liabilities for unpaid claims in October 2000. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Metro also monitors risk activity to ensure that proper reserves are maintained. All operating funds of Metro participate in the program and make payments to the Risk Management Fund based upon actuarial estimates of the amounts needed to pay prior and current year claims and to establish sufficient reserves.

The estimated claims liability of \$791,795 reported as accrued self-insurance claims in the Risk Management Fund at June 30, 2002 was established in accordance with the requirements of GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for total estimated claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims

# METRO

## Notes to the Financial Statements, Continued

that have been incurred but not reported. A portion of the loss reserves have been discounted, with the actuary using a discount factor of .928 for liability and .973 for workers' compensation and an assumed investment rate of 5.0% in preparing the estimates. Metro does not purchase annuity contracts from commercial insurers to pay any aggregate amount of outstanding claims liabilities.

Changes in Risk Management Fund claims liability for the previous fiscal year and current fiscal year were:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2000-2001	\$669,181	410,241	287,627	791,795
2001-2002	\$791,795	500,842	500,842	791,795

### 15. CONTINGENT LIABILITIES

#### 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 may require the return of such amount to the grantor agency. However, should costs be disallowed on a grant for which Metro acts in a pass-through capacity, Metro should be able to require repayment of amounts disallowed from the subgrantees.

#### Legal Matters

Metro is involved as a defendant in several claims and disputes that 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.

### 16. RELATED PARTY TRANSACTION

The Oregon Zoo Foundation is an organization that exists exclusively for the support and benefit of the Oregon Zoo. It is a public benefit corporation organized and operated exclusively for charitable, scientific, and educational purposes under Section 501(c)(3) of the Internal Revenue Code of 1986. The Foundation conducts fundraising efforts on behalf of the Zoo, receiving donations from both individuals and corporations that are provided as financial support to the Zoo. During fiscal year 2002, the Foundation provided support to the Zoo totaling \$2,086,840.

# METRO

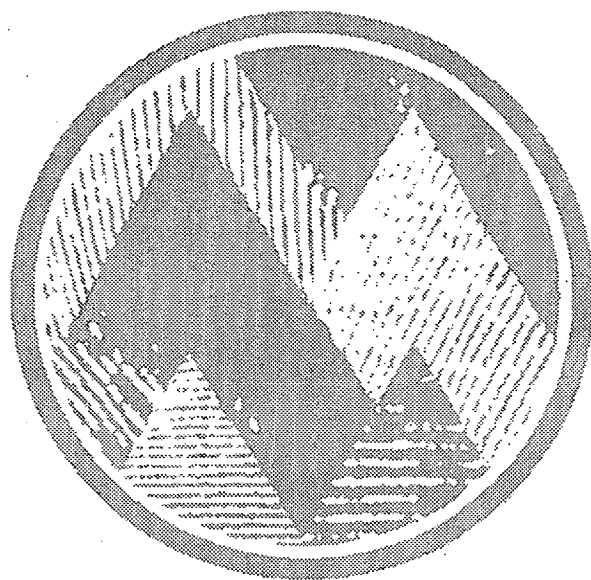
## Notes to the Financial Statements, Continued

### 17. SUBSEQUENT EVENTS

#### General Obligation Refunding Bonds

On November 12, 2002, Metro sold \$92,045,000 of General Obligation Refunding Bonds, 2002 Series to refund all callable outstanding maturities of Open Spaces Program General Obligation Refunding Bonds, 1995 Series A and 1995 Series C. Bond principal and interest to maturity for the new bonds are:

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ -	1,511,638
2004	1,300,000	4,515,413
2005	5,570,000	4,384,513
2006	5,795,000	4,157,213
2007	6,040,000	3,890,313
2008-15	<u>73,340,000</u>	<u>18,524,879</u>
	<u>\$92,045,000</u>	<u>36,983,969</u>





# **Supplementary Information**

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# Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual

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## Major Governmental Funds Required Supplementary Information

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**General Fund**

**Special Revenue Funds**

*Planning Fund*

*Regional Parks Fund*

*Smith and Bybee Lakes Fund*

*Regional Parks Special Accounts Fund*

# METRO

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Charges for services:				
Government fees	\$ 25,000	25,000	16,302	(8,698)
Miscellaneous revenue	-	-	4,136	4,136
Operating grants and contributions:				
Government contributions	9,000	9,000	-	(9,000)
Contributions and donations	150,000	150,000	55,383	(94,617)
General revenues:				
Taxes:				
Excise taxes	7,937,199	7,937,199	7,922,160	(15,039)
Investment income	35,000	35,000	31,057	(3,943)
Total revenues	<u>8,156,199</u>	<u>8,156,199</u>	<u>8,029,038</u>	<u>(127,161)</u>
Expenditures:				
Council:				
Operating expenses	1,446,355	1,446,355	1,323,255	123,100
Office of the executive officer:				
Operating expenses	1,664,028	1,664,028	1,268,690	395,338
Special appropriations:				
Operating expenses	542,500	542,500	204,270	338,230
Contingency	<u>500,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total expenditures	<u>4,152,883</u>	<u>3,802,883</u>	<u>2,796,215</u>	<u>1,006,668</u>
Revenues over expenditures	<u>4,003,316</u>	<u>4,353,316</u>	<u>5,232,823</u>	<u>879,507</u>
Other financing sources (uses):				
Operating transfers in	1,682,833	1,682,833	1,444,778	(238,055)
Operating transfers out	<u>(6,537,365)</u>	<u>(6,887,365)</u>	<u>(6,486,152)</u>	<u>401,213</u>
Total other financing sources (uses)	<u>(4,854,532)</u>	<u>(5,204,532)</u>	<u>(5,041,374)</u>	<u>163,158</u>
Revenues and other sources over (under)				
expenditures and other uses	(851,216)	(851,216)	191,449	1,042,665
Beginning fund balance available for				
appropriation - July 1, 2001	<u>1,015,280</u>	<u>1,015,280</u>	<u>1,097,033</u>	<u>81,753</u>
Unappropriated ending fund balance -				
June 30, 2002	<u>\$ 164,064</u>	<u>164,064</u>	<u>1,288,482</u>	<u>1,124,418</u>



# METRO

## Planning Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Charges for services:				
Government fees	\$ 29,600	29,600	248,015	218,415
Other fees	724,841	724,841	104,290	(620,551)
Internal charges for services	15,302	15,302	147,054	131,752
Miscellaneous revenue	551,756	551,756	11,288	(540,468)
Operating grants and contributions:				
Grants	15,150,077	15,225,077	9,735,097	(5,489,980)
General revenues:				
Local government shared revenue	-	-	21,320	21,320
Investment income	116,840	116,840	105,627	(11,213)
Total revenues	<u>16,588,416</u>	<u>16,663,416</u>	<u>10,372,691</u>	<u>(6,290,725)</u>
Expenditures:				
Operating expenses	18,476,941	18,560,388	12,871,066	5,689,322
Capital outlay	106,200	315,200	223,161	92,039
Debt service	47,453	47,453	47,452	1
Contingency	447,025	122,578	-	122,578
Total expenditures	<u>19,077,619</u>	<u>19,045,619</u>	<u>13,141,679</u>	<u>5,903,940</u>
Revenues under expenditures	<u>(2,489,203)</u>	<u>(2,382,203)</u>	<u>(2,768,988)</u>	<u>(386,785)</u>
Other financing sources (uses):				
Interfund loan	-	300,000	300,000	-
Operating transfers in	4,440,174	4,440,174	4,396,412	(43,762)
Interfund loan	-	(107,000)	(103,690)	3,310
Operating transfers out	<u>(2,308,337)</u>	<u>(2,308,337)</u>	<u>(2,145,715)</u>	<u>162,622</u>
Total other financing sources (uses)	<u>2,131,837</u>	<u>2,324,837</u>	<u>2,447,007</u>	<u>122,170</u>
Revenues and other sources under expenditures and other uses	<u>(357,366)</u>	<u>(57,366)</u>	<u>(321,981)</u>	<u>(264,615)</u>
Beginning fund balance available for appropriation - July 1, 2001	<u>357,366</u>	<u>357,366</u>	<u>2,321,341</u>	<u>1,963,975</u>
Unappropriated ending fund balance - June 30, 2002	<u>\$ -</u>	<u>300,000</u>	<u>1,999,360</u>	<u>1,699,360</u>
Reconciliation to GAAP:				
Interfund loan source is not revenue for financial reporting purposes			(300,000)	
Interfund loan use is not expenditure for financial reporting purposes			100,000	
Fund balance as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds			<u>1,799,360</u>	

# METRO

## Regional Parks Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Charges for services:				
Government fees	\$ -	-	1,241	1,241
Culture and recreation fees	901,800	901,800	1,075,150	173,350
Other fees	1,240,122	1,240,122	1,137,579	(102,543)
Miscellaneous revenue	-	-	24,129	24,129
Operating grants and contributions:				
Grants	1,225,909	1,225,909	389,024	(836,885)
Government contributions	30,300	30,300	63,100	32,800
Contributions and donations	417,000	417,000	95,792	(321,208)
General revenues:				
Local government shared revenue	385,500	385,500	414,466	28,966
Investment income	162,000	162,000	114,413	(47,587)
Total revenues	<u>4,362,631</u>	<u>4,362,631</u>	<u>3,314,894</u>	<u>(1,047,737)</u>
Expenditures:				
Operating expenses	4,389,533	4,389,533	3,920,526	469,007
Capital outlay	2,580,626	2,580,626	406,200	2,174,426
Contingency	175,885	175,885	-	175,885
Total expenditures	<u>7,146,044</u>	<u>7,146,044</u>	<u>4,326,726</u>	<u>2,819,318</u>
Revenues under expenditures	<u>(2,783,413)</u>	<u>(2,783,413)</u>	<u>(1,011,832)</u>	<u>1,771,581</u>
Other financing sources (uses):				
Operating transfers in	2,975,022	2,975,022	1,752,952	(1,222,070)
Operating transfers out	(998,475)	(998,475)	(930,642)	67,833
Total other financing sources (uses)	<u>1,976,547</u>	<u>1,976,547</u>	<u>822,310</u>	<u>(1,154,237)</u>
Revenues and other sources under expenditures and other uses	<u>(806,866)</u>	<u>(806,866)</u>	<u>(189,522)</u>	<u>617,344</u>
Beginning fund balance available for appropriation - July 1, 2001	<u>3,172,863</u>	<u>3,172,863</u>	<u>3,611,951</u>	<u>439,088</u>
Unappropriated ending fund balance - June 30, 2002	\$ <u>2,365,997</u>	<u>2,365,997</u>	<u>3,422,429</u>	<u>1,056,432</u>

# METRO

## Smith and Bybee Lakes Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 500	500	1,603	1,103
Miscellaneous revenue	261,500	261,500	-	(261,500)
Operating grants and contributions:				
Grants	421,500	421,500	12,500	(409,000)
Government contributions	80,000	80,000	2,500	(77,500)
Contributions and donations	-	-	200	200
General revenues:				
Investment income	194,160	194,160	115,064	(79,096)
Total revenues	<u>957,660</u>	<u>957,660</u>	<u>131,867</u>	<u>(825,793)</u>
Expenditures:				
Operating expenses	305,809	305,809	126,045	179,764
Capital outlay	615,000	615,000	-	615,000
Contingency	15,000	15,000	-	15,000
Total expenditures	<u>935,809</u>	<u>935,809</u>	<u>126,045</u>	<u>809,764</u>
Revenues over expenditures	<u>21,851</u>	<u>21,851</u>	<u>5,822</u>	<u>(16,029)</u>
Other financing sources (uses):				
Operating transfers in	15,460	15,460	4,572	(10,888)
Operating transfers out	(50,493)	(50,493)	(47,847)	2,646
Total other financing sources (uses)	<u>(35,033)</u>	<u>(35,033)</u>	<u>(43,275)</u>	<u>(8,242)</u>
Revenues and other sources under expenditures and other uses	(13,182)	(13,182)	(37,453)	(24,271)
Beginning fund balance available for appropriation - July 1, 2001	<u>3,530,188</u>	<u>3,530,188</u>	<u>3,652,366</u>	<u>122,178</u>
Unappropriated ending fund balance - June 30, 2002	\$ <u>3,517,006</u>	<u>3,517,006</u>	<u>3,614,913</u>	<u>97,907</u>

# METRO

## Regional Parks Special Accounts Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	final budget positive (negative)
Revenues:				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 5,300	5,300	8,618	3,318
Other fees	-	-	22	22
Miscellaneous revenue	8,000	8,000	506	(7,494)
Operating grants and contributions:				
Contributions and donations	307,000	307,000	2,485	(304,515)
General revenues:				
Investment income	22,240	22,240	15,154	(7,086)
Total revenues	<u>342,540</u>	<u>342,540</u>	<u>26,785</u>	<u>(315,755)</u>
Expenditures:				
Operating expenses	90,000	90,000	200	89,800
Capital outlay	277,000	277,000	-	277,000
Total expenditures	<u>367,000</u>	<u>367,000</u>	<u>200</u>	<u>366,800</u>
Revenues over (under) expenditures	(24,460)	(24,460)	26,585	51,045
Other financing uses:				
Operating transfers out	(4,300)	(4,300)	-	4,300
Revenues over (under) expenditures and other uses	(28,760)	(28,760)	26,585	55,345
Beginning fund balance available for appropriation - July 1, 2001	<u>404,356</u>	<u>404,356</u>	<u>469,453</u>	<u>65,097</u>
Unappropriated ending fund balance - June 30, 2002	\$ <u>375,596</u>	<u>375,596</u>	<u>496,038</u>	<u>120,442</u>

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# Internal Service Funds

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## *Building Management Fund*

This fund accounts for revenues and expenses related to the management of Metro's headquarters facility and parking structure. Principal sources of revenue are investment income and charges for services to user funds. Expenses primarily consist of maintenance, utilities and professional services costs. This fund consists of two budgetary funds (Building Management Fund and General Revenue Bond Fund - Building Management) that are combined as one Internal Service Fund to be in accordance with accounting principles generally accepted in the United States of America.

## *Support Services Fund*

This fund accounts for central services provided to other Metro operating units. These central services consist of Administrative Services/Human Resources, Information Technology, Office of General Counsel, Office of Citizen Involvement, and Office of the Auditor. Primary sources of revenue are investment income and charges for services to user funds, established through a cost allocation plan that distributes the central services costs based upon the benefit received.

## *Risk Management Fund*

This fund accounts for risk management and self-insurance programs performed for other organizational units within Metro. Primary revenues are charges for services to user funds and investment income. Primary expenses are insurance premiums, claims costs and studies related to insurance issues.

# METRO

## Combining Statement of Net Assets Internal Service Funds

June 30, 2002

<u>Assets</u>	<u>Building Management Fund</u>	<u>Support Services Fund</u>	<u>Risk Management Fund</u>	<u>Total</u>
Current assets:				
Equity in internal cash and investment pool	\$ 2,016,262	1,796,202	7,623,825	11,436,289
Other receivables	123,451	1,012	-	124,463
Interest receivable	70,074	16,065	56,572	142,711
Other assets	250	55,939	187	56,376
Total current assets	<u>2,210,037</u>	<u>1,869,218</u>	<u>7,680,584</u>	<u>11,759,839</u>
Noncurrent assets:				
Restricted investments	1,807,409	-	-	1,807,409
Capital assets, net	<u>16,380,757</u>	<u>1,568,961</u>	<u>-</u>	<u>17,949,718</u>
Total noncurrent assets	<u>18,188,166</u>	<u>1,568,961</u>	<u>-</u>	<u>19,757,127</u>
Total assets	<u>20,398,203</u>	<u>3,438,179</u>	<u>7,680,584</u>	<u>31,516,966</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	102,030	536,161	36,707	674,898
Salaries, withholdings and payroll taxes payable	13,751	304,122	16,277	334,150
Accrued interest payable	483,294	-	-	483,294
Accrued self-insurance claims	-	-	791,795	791,795
Bonds payable-current	640,000	-	-	640,000
Loans payable-current	21,491	-	-	21,491
Capital leases payable-current	-	34,440	-	34,440
Compensated absences-current	-	271,892	-	271,892
Other liabilities	-	5,890	-	5,890
Total current liabilities	<u>1,260,566</u>	<u>1,152,505</u>	<u>844,779</u>	<u>3,257,850</u>
Noncurrent liabilities:				
Bonds payable (net of unamortized discount and deferred amount on refunding)	19,856,116	-	-	19,856,116
Loans payable	129,694	-	-	129,694
Capital leases payable	-	32,997	-	32,997
Compensated absences	-	102,012	-	102,012
Total noncurrent liabilities	<u>19,985,810</u>	<u>135,009</u>	<u>-</u>	<u>20,120,819</u>
Total liabilities	<u>21,246,376</u>	<u>1,287,514</u>	<u>844,779</u>	<u>23,378,669</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	(4,266,544)	1,501,524	-	(2,765,020)
Restricted for debt service	1,807,409	-	-	1,807,409
Unrestricted	<u>1,610,962</u>	<u>649,141</u>	<u>6,835,805</u>	<u>9,095,908</u>
Total net assets	<u>\$ (848,173)</u>	<u>2,150,665</u>	<u>6,835,805</u>	<u>8,138,297</u>

The notes to the financial statements are an integral part of this statement.

# METRO

## Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Internal Service Funds

For the year ended June 30, 2002

	Building Management <u>Fund</u>	Support Services <u>Fund</u>	Risk Management <u>Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 565,077	386,244	72,709	1,024,030
Internal charges for services	1,880,408	9,287,208	5,277,688	16,445,304
Grants	108,000	6,500	-	114,500
Total operating revenues	<u>2,553,485</u>	<u>9,679,952</u>	<u>5,350,397</u>	<u>17,583,834</u>
Operating expenses:				
Payroll and fringe benefits	221,639	5,947,748	301,772	6,471,159
Depreciation and amortization	543,656	323,823	-	867,479
Administrative expenses	-	558,678	-	558,678
Payments to other governments	-	284,182	-	284,182
Insurance expense	-	-	5,078,684	5,078,684
Claims expense	-	-	500,842	500,842
Other materials and services	527,395	1,256,985	78,326	1,862,706
Total operating expenses	<u>1,292,690</u>	<u>8,371,416</u>	<u>5,959,624</u>	<u>15,623,730</u>
Operating income (loss)	<u>1,260,795</u>	<u>1,308,536</u>	<u>(609,227)</u>	<u>1,960,104</u>
Non-operating revenues (expenses):				
Investment income	133,357	44,589	254,094	432,040
Interest expense	(1,272,854)	(4,325)	-	(1,277,179)
Total non-operating revenues (expenses)	<u>(1,139,497)</u>	<u>40,264</u>	<u>254,094</u>	<u>(845,139)</u>
Income (loss) before operating transfers	121,298	1,348,800	(355,133)	1,114,965
Operating transfers in	62,000	-	-	62,000
Operating transfers out	-	(1,499,778)	-	(1,499,778)
Change in net assets	183,298	(150,978)	(355,133)	(322,813)
Total net assets - July 1, 2001	<u>(1,031,471)</u>	<u>2,301,643</u>	<u>7,190,938</u>	<u>8,461,110</u>
Total net assets - June 30, 2002	<u>\$ (848,173)</u>	<u>2,150,665</u>	<u>6,835,805</u>	<u>8,138,297</u>

The notes to the financial statements are an integral part of this statement.

# METRO

## Combining Statement of Cash Flows Internal Service Funds

For the year ended June 30, 2002

	Building Management Fund	Support Services Fund	Risk Management Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 523,051	600,251	4,629,398	5,752,700
Receipts from interfund services provided	1,880,408	9,063,245	648,290	11,591,943
Other operating receipts	29,272	9,354	72,709	111,335
Payments to suppliers for goods and services	(467,032)	(1,452,377)	(5,231,341)	(7,150,750)
Payments for claims	-	-	(500,842)	(500,842)
Payments to other governments	-	(284,182)	-	(284,182)
Payments to employees for services	(217,744)	(5,857,777)	(299,563)	(6,375,084)
Payments for interfund services used	-	(558,678)	-	(558,678)
Net cash provided by (used in) operating activities	<u>1,747,955</u>	<u>1,519,836</u>	<u>(681,349)</u>	<u>2,586,442</u>
Cash flows from noncapital financing activities:				
Grants received	-	6,500	-	6,500
Transfer from other funds	62,000	-	-	62,000
Transfer to other funds	-	(1,499,778)	-	(1,499,778)
Net cash provided by (used in) noncapital financing activities	<u>62,000</u>	<u>(1,493,278)</u>	<u>-</u>	<u>(1,431,278)</u>
Cash flows from capital and related financing activities:				
Principal payment on revenue bonds	(615,000)	-	-	(615,000)
Interest payments	(1,173,435)	(4,325)	-	(1,177,760)
Acquisition and construction of capital assets	(190,169)	(330,034)	-	(520,203)
Principal payments on loans	(20,214)	-	-	(20,214)
Principal payments on capital leases	-	(45,519)	-	(45,519)
Net cash used in capital and related financing activities	<u>(1,998,818)</u>	<u>(379,878)</u>	<u>-</u>	<u>(2,378,696)</u>
Cash flows from investing activities:				
Investment income	138,537	44,707	250,373	433,617
Proceeds from sale of investments	4,329,867	-	-	4,329,867
Purchase of investments	(3,840,530)	-	-	(3,840,530)
Net cash provided by investing activities	<u>627,874</u>	<u>44,707</u>	<u>250,373</u>	<u>922,954</u>
Net increase (decrease) in cash	439,011	(308,613)	(430,976)	(300,578)
Cash at beginning of year	<u>1,577,251</u>	<u>2,104,815</u>	<u>8,054,801</u>	<u>11,736,867</u>
Cash at end of year	<u>\$ 2,016,262</u>	<u>1,796,202</u>	<u>7,623,825</u>	<u>11,436,289</u>

(Continued)



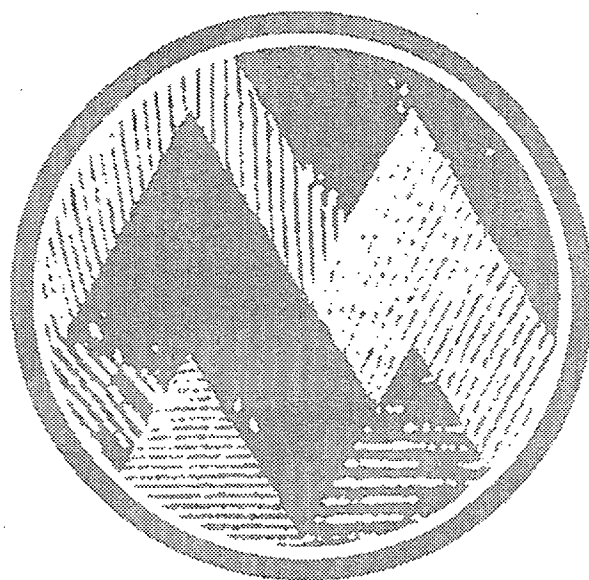
# METRO

## Combining Statement of Cash Flows, Continued Internal Service Funds

For the year ended June 30, 2002

	Building Management <u>Fund</u>	Support Services <u>Fund</u>	Risk Management <u>Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,260,795	1,308,536	(609,227)	1,960,104
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	543,656	323,823	-	867,479
Grants received	-	(6,500)	-	(6,500)
Change in assets and liabilities:				
Trade/other accounts receivable	(120,753)	(869)	-	(121,622)
Other assets	1,022	(48,662)	2,339	(45,301)
Accounts payable	59,341	(138,872)	(76,669)	(156,200)
Salaries, withholdings and payroll taxes payable/compensated absences	3,894	89,971	2,208	96,073
Other liabilities	-	(7,591)	-	(7,591)
Total adjustments	<u>487,160</u>	<u>211,300</u>	<u>(72,122)</u>	<u>626,338</u>
Net cash provided by (used in) operating activities	<u>\$ 1,747,955</u>	<u>1,519,836</u>	<u>(681,349)</u>	<u>2,586,442</u>
Noncash investing, capital, and financing activities:				
Interest income relating to the change in the fair value of investments	\$ (9,202)	(17,742)	(59,723)	(86,667)

The notes to the financial statements are an integral part of this statement.



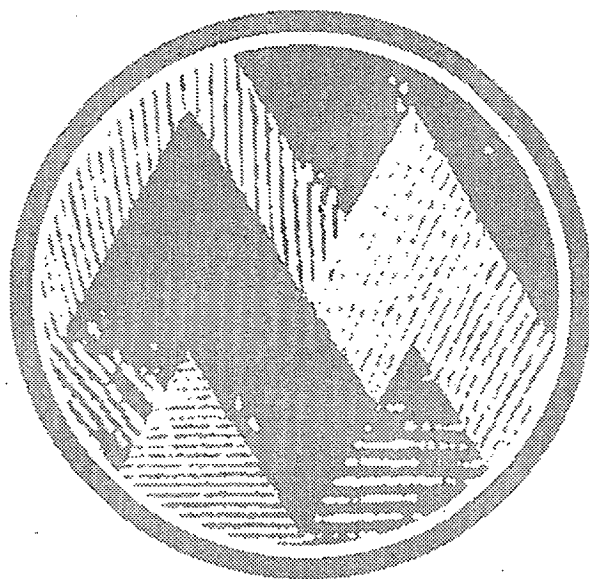
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## Budgetary Comparison Schedules

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Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in 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, requires an individual schedule of revenues, expenditures, and changes in fund balance, budget and actual be presented for each fund for which a legally adopted budget is required.

In accordance with GASB Statement No. 34, Metro's General Fund and all major special revenue funds are presented as required supplementary information. Budgetary comparisons for all other funds are displayed in the following pages.



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# Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual

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## Other Major Governmental Funds

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### **Debt Service Fund**

*General Obligation Bond Debt Service Fund.*

### **Capital Projects Fund**

*Open Spaces Fund*

METRO

General Obligation Bond Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances-  
Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with final budget positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
General revenues:				
Taxes:				
Property taxes	\$ 18,984,146	18,984,146	19,235,074	250,928
Investment income	275,000	275,000	334,351	59,351
Total revenues	<u>19,259,146</u>	<u>19,259,146</u>	<u>19,569,425</u>	<u>310,279</u>
Expenditures:				
Materials and services	-	-	70,299	(70,299)
Debt service:				
Principal	8,938,625	8,938,625	8,978,625	(40,000)
Interest	<u>10,201,496</u>	<u>10,201,496</u>	<u>9,869,646</u>	<u>331,850</u>
Total expenditures	<u>19,140,121</u>	<u>19,140,121</u>	<u>18,918,570</u>	<u>221,551</u>
Revenues over expenditures	119,025	119,025	650,855	531,830
Other financing sources (uses):				
Bond proceeds	-	-	47,855,350	47,855,350
Bond refunding	<u>-</u>	<u>-</u>	<u>(47,943,691)</u>	<u>(47,943,691)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(88,341)</u>	<u>(88,341)</u>
Revenues and other sources over expenditures and other uses	119,025	119,025	562,514	443,489
Beginning fund balance available for appropriation - July 1, 2001	<u>11,785,000</u>	<u>11,785,000</u>	<u>12,532,332</u>	<u>747,332</u>
Unappropriated ending fund balance - June 30, 2002	<u>\$ 11,904,025</u>	<u>11,904,025</u>	<u>13,094,846</u>	<u>1,190,821</u>

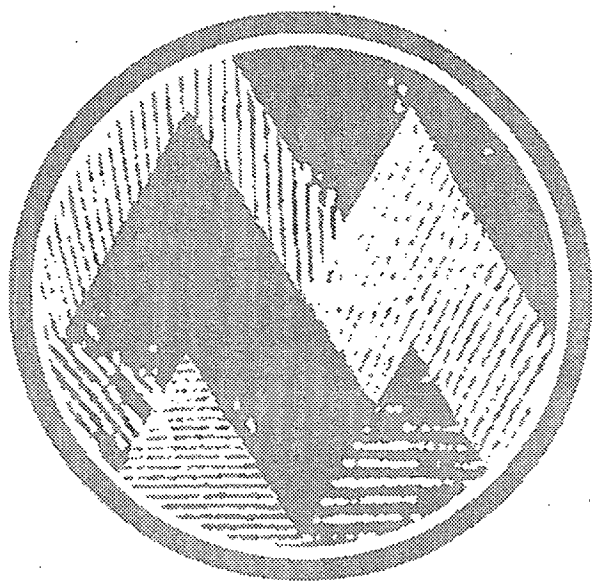
# METRO

## Open Spaces Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Charges for services:				
Other fees	\$ -	-	17,637	17,637
Miscellaneous revenue	-	-	97	97
Operating grants and contributions:				
Grants	9,000	9,000	14,900	5,900
Government contributions	300,000	300,000	7,485	(292,515)
Contributions and donations	562,000	562,000	168,757	(393,243)
General revenues:				
Investment income	1,284,986	1,284,986	799,963	(485,023)
Total revenues	<u>2,155,986</u>	<u>2,155,986</u>	<u>1,008,839</u>	<u>(1,147,147)</u>
Expenditures:				
Operating expenses	6,340,826	6,340,826	2,683,936	3,656,890
Capital outlay	15,282,000	15,282,000	9,284,781	5,997,219
Contingency	4,582,999	4,582,999	-	4,582,999
Total expenditures	<u>26,205,825</u>	<u>26,205,825</u>	<u>11,968,717</u>	<u>14,237,108</u>
Revenues under expenditures	(24,049,839)	(24,049,839)	(10,959,878)	13,089,961
Other financing uses:				
Operating transfers out	<u>(1,973,146)</u>	<u>(1,973,146)</u>	<u>(640,726)</u>	<u>1,332,420</u>
Revenues under expenditures and other uses	(26,022,985)	(26,022,985)	(11,600,604)	14,422,381
Beginning fund balance available for appropriation - July 1, 2001	<u>26,022,985</u>	<u>26,022,985</u>	<u>27,338,023</u>	<u>1,315,038</u>
Unappropriated ending fund balance - June 30, 2002	\$ <u>-</u>	<u>-</u>	<u>15,737,419</u>	<u>15,737,419</u>





# Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual

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## Proprietary Funds

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*Solid Waste Revenue Fund*

*Zoo Operating Fund*

*Zoo Capital Fund*

*Reconciliation of Enterprise Fund Revenues and Expenditures (Basis of Budgeting) to  
Statement of Revenues, Expenses and Changes in Fund Net Assets-Proprietary Funds  
(GAAP Basis)*

# METRO

## Solid Waste Revenue Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
<b>Revenues:</b>				
Program revenues:				
Charges for services:				
Government fees	\$ 245,950	245,950	270,246	24,296
Culture and recreation fees	3,194	3,194	8,045	4,851
Solid waste fees	48,925,032	48,925,032	45,486,863	(3,438,169)
Other fees	184,000	184,000	285,630	101,630
Miscellaneous revenue	365,000	365,000	131,208	(233,792)
Operating grants and contributions:				
Grants	-	-	11,157	11,157
General revenues:				
Investment income	1,937,500	1,937,500	1,240,423	(697,077)
Total revenues	<u>51,660,676</u>	<u>51,660,676</u>	<u>47,433,572</u>	<u>(4,227,104)</u>
<b>Expenditures:</b>				
Operating Account:				
Operating expenses	<u>46,248,669</u>	<u>46,248,669</u>	<u>41,695,138</u>	<u>4,553,531</u>
Landfill Closure Account:				
Operating expenses	215,000	215,000	21,249	193,751
Capital outlay	<u>1,481,377</u>	<u>1,481,377</u>	<u>643,422</u>	<u>837,955</u>
Total Landfill Closure Account	<u>1,696,377</u>	<u>1,696,377</u>	<u>664,671</u>	<u>1,031,706</u>
Recycling Business Assistance Account:				
Operating expenses	500,000	500,000	-	500,000
Capital outlay	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Total Recycling Business Assistance Account	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>	<u>1,100,000</u>
Renewal and Replacement Account:				
Capital outlay	<u>1,909,874</u>	<u>1,909,874</u>	<u>462,206</u>	<u>1,447,668</u>

(Continued)

# METRO

## Solid Waste Revenue Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting), Continued

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Expenditures, continued:				
General Account:				
Capital outlay	\$ 2,300,679	2,300,679	655,321	1,645,358
Master Project Account:				
Debt service	350,000	350,000	102,294	247,706
Debt Service Account:				
Debt service	3,688,546	3,688,546	3,688,546	-
Contingency	12,680,152	12,380,152	-	12,380,152
Total expenditures	69,974,297	69,674,297	47,268,176	22,406,121
Revenues over (under) expenditures	(18,313,621)	(18,013,621)	165,396	18,179,017
Other financing sources (uses):				
Interfund loan	-	107,000	103,690	(3,310)
Operating transfers in	43,050	43,050	43,050	-
Interfund loan	-	(300,000)	(300,000)	-
Operating transfers out	(4,143,461)	(4,143,461)	(3,798,987)	344,474
Total other financing				
sources (uses)	(4,100,411)	(4,293,411)	(3,952,247)	341,164
Revenues and other sources under				
expenditures and other uses	(22,414,032)	(22,307,032)	(3,786,851)	18,520,181
Beginning fund balance available for				
appropriation - July 1, 2001	41,528,326	41,528,326	43,610,662	2,082,336
Unappropriated ending fund balance -				
June 30, 2002	\$ 19,114,294	19,221,294	39,823,811	20,602,517

# METRO

## Zoo Operating Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 10,444,091	10,444,091	10,882,534	438,443
Other fees	593,707	593,707	648,584	54,877
Miscellaneous revenue	3,500	3,500	55,455	51,955
Operating grants and contributions:				
Grants	-	-	63,438	63,438
Contributions and donations	865,855	865,855	766,883	(98,972)
General revenues:				
Taxes:				
Real property taxes	7,917,640	7,917,640	8,094,915	177,275
Investment income	355,554	355,554	266,930	(88,624)
Total revenues	<u>20,180,347</u>	<u>20,180,347</u>	<u>20,778,739</u>	<u>598,392</u>
Expenditures:				
Operating expenses	18,924,940	20,325,452	19,534,959	790,493
Capital outlay	434,000	234,000	147,675	86,325
Contingency	850,512	-	-	-
Total expenditures	<u>20,209,452</u>	<u>20,559,452</u>	<u>19,682,634</u>	<u>876,818</u>
Revenues over (under) expenditures	(29,105)	(379,105)	1,096,105	1,475,210
Other financing sources (uses):				
Operating transfers in	-	350,000	-	(350,000)
Operating transfers out	<u>(2,565,813)</u>	<u>(2,565,813)</u>	<u>(2,462,104)</u>	<u>103,709</u>
Total other financing sources (uses)	(2,565,813)	(2,215,813)	(2,462,104)	(246,291)
Revenues under expenditures and other uses	(2,594,918)	(2,594,918)	(1,365,999)	1,228,919
Beginning fund balance available for appropriation - July 1, 2001	<u>6,658,925</u>	<u>6,658,925</u>	<u>7,909,030</u>	<u>1,250,105</u>
Unappropriated ending fund balance - June 30, 2002	<u>\$ 4,064,007</u>	<u>4,064,007</u>	<u>6,543,031</u>	<u>2,479,024</u>

# METRO

## Zoo Capital Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ -	-	230,364	230,364
Operating grants and contributions:				
Contributions and donations	500,000	500,000	816,979	316,979
General revenues:				
Investment income	<u>322,887</u>	<u>322,887</u>	<u>164,199</u>	<u>(158,688)</u>
Total revenues	<u>822,887</u>	<u>822,887</u>	<u>1,211,542</u>	<u>388,655</u>
Expenditures:				
Capital outlay	1,574,500	1,574,500	539,140	1,035,360
Contingency	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total expenditures	<u>2,074,500</u>	<u>2,074,500</u>	<u>539,140</u>	<u>1,535,360</u>
Revenues over (under) expenditures	(1,251,613)	(1,251,613)	672,402	1,924,015
Beginning fund balance available for appropriation - July 1, 2001	<u>5,676,367</u>	<u>5,676,367</u>	<u>6,207,658</u>	<u>531,291</u>
Unappropriated ending fund balance - June 30, 2002	\$ <u>4,424,754</u>	<u>4,424,754</u>	<u>6,880,060</u>	<u>2,455,306</u>

# METRO

## Reconciliation of Enterprise Fund Revenues and Expenditures (Basis of Budgeting) to Statement of Revenues, Expenses and Changes in Fund Net Assets-Proprietary Funds (GAAP Basis)

For the year ended June 30, 2002

	<u>Solid Waste Fund</u>	<u>Zoo Fund</u>	<u>Total</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting:			
Solid Waste Revenue Fund	\$ (3,786,851)	-	(3,786,851)
Zoo Operating Fund	-	(1,365,999)	(1,365,999)
Zoo Capital Fund	-	672,402	672,402
General Revenue Bond Fund - Zoo	-	(7,736)	(7,736)
Budget resources not qualifying as revenues under GAAP:			
Interfund loan repayment	(100,000)	-	(100,000)
Budget requirements not qualifying as expenses under GAAP:			
Interfund loan made	300,000	-	300,000
Payment of post-closure liability	664,671	-	664,671
Fixed assets additions	1,117,527	686,815	1,804,342
Principal and interest payments on bonds	3,469,051	-	3,469,051
Principal and interest payments on loans	-	333,144	333,144
Additional revenues (expenses) required by GAAP:			
Reduction in arbitrage liability	15,457	-	15,457
Tax revenue earned but not available	-	404,001	404,001
Depreciation and amortization	(1,506,908)	(2,051,090)	(3,557,998)
Amortization of bond accretion, discount and costs	(808,573)	-	(808,573)
Amortization of prepaid item	(708,920)	-	(708,920)
Vacation benefits	(46,954)	(53,801)	(100,755)
Accrued interest on bonds	(231,181)	(133,363)	(364,544)
Change in net assets presented in the statement of revenues, expenses and changes in fund net assets for proprietary funds	<u>\$ (1,622,681)</u>	<u>(1,515,627)</u>	<u>(3,138,308)</u>

# Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual

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## Fiduciary Funds

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*Rehabilitation and Enhancement Fund*

# METRO

## Rehabilitation and Enhancement Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
General revenues:				
Investment income	\$ 119,612	119,612	69,315	(50,297)
Total revenues	<u>119,612</u>	<u>119,612</u>	<u>69,315</u>	<u>(50,297)</u>
Expenditures:				
Operating expenses	612,734	712,734	521,420	191,314
Contingency	<u>300,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total expenditures	<u>912,734</u>	<u>912,734</u>	<u>521,420</u>	<u>391,314</u>
Revenues under expenditures	<u>(793,122)</u>	<u>(793,122)</u>	<u>(452,105)</u>	<u>341,017</u>
Other financing sources (uses):				
Operating transfers in	446,899	446,899	359,510	(87,389)
Operating transfers out	<u>(43,050)</u>	<u>(43,050)</u>	<u>(43,050)</u>	<u>-</u>
Total other financing sources (uses)	<u>403,849</u>	<u>403,849</u>	<u>316,460</u>	<u>(87,389)</u>
Revenues and other sources under expenditures and other uses	<u>(389,273)</u>	<u>(389,273)</u>	<u>(135,645)</u>	<u>253,628</u>
Beginning fund balance available for appropriation - July 1, 2001	<u>2,187,553</u>	<u>2,187,553</u>	<u>2,197,706</u>	<u>10,153</u>
Unappropriated ending fund balance - June 30, 2002	<u>\$ 1,798,280</u>	<u>1,798,280</u>	<u>2,062,061</u>	<u>263,781</u>



# Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual

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## Internal Service Funds

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*Building Management Fund*

*Support Services Fund*

*Risk Management Fund*

*Reconciliation of Internal Service Funds Revenues and Expenditures (Basis of Budgeting) to  
Statement of Revenues, Expenses and Changes in Fund Net Assets-Internal Service Funds  
(GAAP Basis)*

# METRO

## Building Management Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 64,167	64,167	428,496	364,329
Other fees	509,960	509,960	107,309	(402,651)
Miscellaneous revenue	-	-	29,272	29,272
General revenues:				
Investment income	54,709	54,709	44,407	(10,302)
Total revenues	<u>628,836</u>	<u>628,836</u>	<u>609,484</u>	<u>(19,352)</u>
Expenditures:				
Operating expenses	805,048	836,048	769,248	66,800
Capital outlay	65,000	65,000	64,955	45
Contingency	31,000	-	-	-
Total expenditures	<u>901,048</u>	<u>901,048</u>	<u>834,203</u>	<u>66,845</u>
Revenues under expenditures	<u>(272,212)</u>	<u>(272,212)</u>	<u>(224,719)</u>	<u>47,493</u>
Other financing sources (uses):				
Operating transfers in	2,023,507	2,023,507	1,970,408	(53,099)
Operating transfers out	<u>(1,703,436)</u>	<u>(1,703,436)</u>	<u>(1,703,435)</u>	<u>1</u>
Total other financing sources (uses)	<u>320,071</u>	<u>320,071</u>	<u>266,973</u>	<u>(53,098)</u>
Revenues and other sources over expenditures and other uses	47,859	47,859	42,254	(5,605)
Beginning fund balance available for appropriation - July 1, 2001	<u>1,351,319</u>	<u>1,351,319</u>	<u>1,462,113</u>	<u>110,794</u>
Unappropriated ending fund balance - June 30, 2002	<u>\$ 1,399,178</u>	<u>1,399,178</u>	<u>1,504,367</u>	<u>105,189</u>

# METRO

## Support Services Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Charges for services:				
Government fees	\$ -	-	489	489
Internal charges for services	68,681	68,681	62,915	(5,766)
Licenses and permits	398,520	398,520	376,400	(22,120)
Miscellaneous revenue	-	-	9,355	9,355
Operating grants and contributions:				
Grants	-	-	6,500	6,500
General revenues:				
Investment income	53,989	53,989	44,589	(9,400)
Total revenues	<u>521,190</u>	<u>521,190</u>	<u>500,248</u>	<u>(20,942)</u>
Expenditures:				
Administrative services/Human resources:				
Operating expenses	4,130,198	4,165,198	3,814,997	350,201
Capital outlay	77,000	77,000	76,664	336
Total administrative services/ human resources	<u>4,207,198</u>	<u>4,242,198</u>	<u>3,891,661</u>	<u>350,537</u>
Information technology:				
Operating expenses	2,069,088	2,069,088	1,934,719	134,369
Capital outlay	416,500	416,500	253,370	163,130
Debt service	49,867	49,867	49,844	23
Total information technology	<u>2,535,455</u>	<u>2,535,455</u>	<u>2,237,933</u>	<u>297,522</u>
Office of general counsel:				
Operating expenses	1,137,827	1,137,827	1,063,842	73,985
Total office of general counsel	<u>1,137,827</u>	<u>1,137,827</u>	<u>1,063,842</u>	<u>73,985</u>
Office of citizen involvement:				
Operating expenses	65,226	65,226	57,805	7,421
Total office of citizen involvement	<u>65,226</u>	<u>65,226</u>	<u>57,805</u>	<u>7,421</u>

(Continued)

# METRO

## Support Services Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting), Continued

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with final budget positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Expenditures, continued:				
Office of the auditor:				
Operating expenses	\$ 630,411	630,411	573,416	56,995
Total office of the auditor	630,411	630,411	573,416	56,995
Contingency	404,134	369,134	-	369,134
Total expenditures	8,980,251	8,980,251	7,824,657	1,155,594
Revenues under expenditures	(8,459,061)	(8,459,061)	(7,324,409)	1,134,652
Other financing sources (uses):				
Operating transfers in	9,986,258	9,986,258	9,224,293	(761,965)
Operating transfers out	(2,296,177)	(2,296,177)	(2,058,456)	237,721
Total other financing sources (uses)	7,690,081	7,690,081	7,165,837	(524,244)
Revenues and other sources under expenditures and other uses	(768,980)	(768,980)	(158,572)	610,408
Beginning fund balance available for appropriation - July 1, 2001	1,102,786	1,102,786	1,181,617	78,831
Unappropriated ending fund balance - June 30, 2002	\$ 333,806	333,806	1,023,045	689,239

# METRO

## Risk Management Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Charges for services:				
Internal charges for services	\$ 4,215,200	4,215,200	4,629,398	414,198
Miscellaneous revenue	370,000	370,000	72,709	(297,291)
Operating grants and contributions:				
Grants	10,000	10,000	-	(10,000)
General revenues:				
Investment income	428,610	428,610	254,094	(174,516)
Total revenues	<u>5,023,810</u>	<u>5,023,810</u>	<u>4,956,201</u>	<u>(67,609)</u>
Expenditures:				
Operating expenses	6,363,089	6,363,089	5,959,624	403,465
Contingency	400,000	400,000	-	400,000
Total expenditures	<u>6,763,089</u>	<u>6,763,089</u>	<u>5,959,624</u>	<u>803,465</u>
Revenues under expenditures	(1,739,279)	(1,739,279)	(1,003,423)	735,856
Other financing sources:				
Operating transfers in	694,017	694,017	648,290	(45,727)
Revenues and other sources under expenditures	(1,045,262)	(1,045,262)	(355,133)	690,129
Beginning fund balance available for appropriation - July 1, 2001	<u>6,937,317</u>	<u>6,937,317</u>	<u>7,190,938</u>	<u>253,621</u>
Unappropriated ending fund balance - June 30, 2002	\$ <u>5,892,055</u>	<u>5,892,055</u>	<u>6,835,805</u>	<u>943,750</u>

# METRO

## Reconciliation of Internal Service Funds Revenues and Expenditures (Basis of Budgeting) to Combining Statement of Revenues, Expenses and Changes in Fund Net Assets-Internal Service Funds (GAAP Basis)

For the year ended June 30, 2002

	Building Management <u>Fund</u>	Support Services <u>Fund</u>	Risk Management <u>Fund</u>	<u>Total</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting:				
Building Management Fund	\$ 42,254	-	-	42,254
General Revenue Bond Fund - Building Management	(41,264)	-	-	(41,264)
Support Services Fund	-	(158,572)	-	(158,572)
Risk Management Fund	-	-	(355,133)	(355,133)
Budget requirements not qualifying as expenses under GAAP:				
Fixed assets additions	190,169	330,034	-	520,203
Loan payments	20,214	-	-	20,214
Principal payments on capital leases	-	45,519	-	45,519
Principal and interest payments on bonds	1,109,569	-	-	1,109,569
Additional revenues (expenses) required by GAAP:				
Depreciation and amortization	(543,656)	(323,823)	-	(867,479)
Amortization of bond discount and costs	(110,694)	-	-	(110,694)
Vacation benefits	-	(44,136)	-	(44,136)
Accrued interest on bonds	(483,294)	-	-	(483,294)
Change in net assets presented in combining statement of revenues, expenses and changes in fund net assets for internal service funds	<u>\$ 183,298</u>	<u>(150,978)</u>	<u>(355,133)</u>	<u>(322,813)</u>

# Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual

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## Other Budgetary Funds

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### *General Revenue Bond Fund*

This fund is a budgetary fund comprised of three components that are separated and combined with other budgetary funds for reporting under GAAP.

# METRO

## General Revenue Bond Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Operating grants and contributions:				
Grants	\$ 108,100	108,100	108,000	(100)
General revenues:				
Investment income	100,000	100,000	84,995	(15,005)
Total revenues	208,100	208,100	192,995	(15,105)
Expenditures:				
Debt service account:				
Debt service-Metro Regional Center	1,788,435	1,788,435	1,788,435	-
Debt service-Washington Park Parking Lot	432,233	432,233	432,233	-
Debt service-Expo Center Hall D	1,008,625	1,008,625	1,008,625	-
Construction account:				
Capital outlay-Metro Regional Center	136,100	136,100	125,214	10,886
Project account:				
Capital outlay-Washington Park Parking Lot	171,973	171,973	-	171,973
Capital outlay-Expo Center Hall D	1,000,000	1,000,000	358,366	641,634
Contingency	300,000	300,000	-	300,000
Total expenditures	4,837,366	4,837,366	3,712,873	1,124,493
Revenues under expenditures	(4,629,266)	(4,629,266)	(3,519,878)	1,109,388
Other financing sources and (uses):				
Loan proceeds	1,100,000	1,100,000	412,830	(687,170)
Operating transfers in	3,051,294	3,051,294	3,108,048	56,754
Operating transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	4,101,294	4,101,294	3,470,878	(630,416)
Revenues and other sources under expenditures and other uses	(527,972)	(527,972)	(49,000)	478,972
Beginning fund balance available for appropriation - July 1, 2001	2,610,005	2,610,005	2,623,920	13,915
Unappropriated ending fund balance - June 30, 2002	\$ 2,082,033	2,082,033	2,574,920	492,887

Note: This schedule demonstrates compliance with budget at the legal level of control.



# METRO

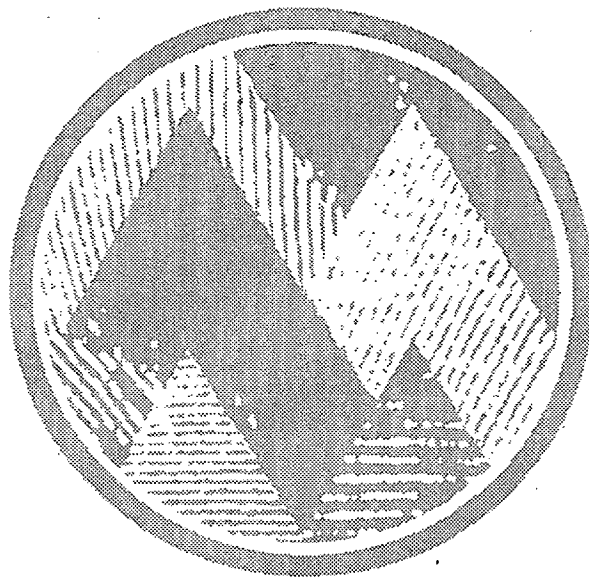
## General Revenue Bond Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Building Management</u>	<u>Zoo</u>	<u>Expo</u>	<u>Total</u>
Revenues:				
Program revenues:				
Operating grants and contributions:				
Grants	\$ 108,000	-	-	108,000
General revenues:				
Investment income	88,950	5,741	(9,696)	84,995
Total revenues	<u>196,950</u>	<u>5,741</u>	<u>(9,696)</u>	<u>192,995</u>
Expenditures:				
Debt service account:				
Debt service-Metro Regional Center	1,788,435	-	-	1,788,435
Debt service-Washington Park Parking Lot	-	432,233	-	432,233
Debt service-Expo Center Hall D	-	-	1,008,625	1,008,625
Construction account:				
Capital outlay-Metro Regional Center	125,214	-	-	125,214
Project account:				
Capital outlay-Expo Center Hall D	-	-	358,366	358,366
Total expenditures	<u>1,913,649</u>	<u>432,233</u>	<u>1,366,991</u>	<u>3,712,873</u>
Revenues under expenditures	<u>(1,716,699)</u>	<u>(426,492)</u>	<u>(1,376,687)</u>	<u>(3,519,878)</u>
Other financing sources and (uses):				
Loan proceeds	-	-	412,830	412,830
Operating transfers in	1,725,435	418,756	963,857	3,108,048
Operating transfers out	(50,000)	-	-	(50,000)
Total other financing sources (uses)	<u>1,675,435</u>	<u>418,756</u>	<u>1,376,687</u>	<u>3,470,878</u>
Revenues and other sources under expenditures and other uses	(41,264)	(7,736)	-	(49,000)
Beginning fund balance available for appropriation - July 1, 2001	<u>2,438,562</u>	<u>185,358</u>	<u>-</u>	<u>2,623,920</u>
Unappropriated ending fund balance - June 30, 2002	<u>\$ 2,397,298</u>	<u>177,622</u>	<u>-</u>	<u>2,574,920</u>

Note: This schedule presents the activity of the three components of the fund.



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Capital Assets  
Used in the Operation  
of Governmental Funds

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METRO

Capital Assets Used in the Operation of Governmental Funds  
Schedule by Source (1)

June 30, 2002

Governmental funds capital assets:

Land	\$ 129,254,565
Buildings	3,034,839
Improvements	5,818,714
Equipment	787,101
Office furniture/equipment	<u>537,594</u>
Total governmental funds capital assets	<u>\$ 139,432,813</u>

Investments in governmental funds capital assets by source:

Special Revenue Funds:

Planning Fund	\$ 1,245,802
Regional Parks Fund	11,809,368
Smith and Bybee Lakes Fund	354,918

Capital Projects Funds:

Open Spaces Fund	<u>126,022,725</u>
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Total governmental funds capital assets	<u>\$ 139,432,813</u>
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(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

# METRO

## Capital Assets Used in the Operation of Governmental Funds Schedule by Function and Activity (1)

June 30, 2002

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Office furniture/ equipment</u>	<u>Total</u>
Regional planning and development	\$ -	-	-	708,208	537,594	1,245,802
Recreation and development	<u>129,254,565</u>	<u>3,034,839</u>	<u>5,818,714</u>	<u>78,893</u>	<u>-</u>	<u>138,187,011</u>
Total	\$ <u>129,254,565</u>	<u>3,034,839</u>	<u>5,818,714</u>	<u>787,101</u>	<u>537,594</u>	<u>139,432,813</u>

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

# METRO

## Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function and Activity (1)

For the year ended June 30, 2002

<u>Function and Activity</u>	Governmental Funds Capital Assets <u>July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	Governmental Funds Capital Assets <u>June 30, 2002</u>
Regional planning and development	\$ 1,022,641	223,161	-	1,245,802
Recreation and development	<u>125,806,148</u>	<u>12,380,863</u>	<u>-</u>	<u>138,187,011</u>
Total additions	\$ <u>126,828,789</u>	<u>12,604,024</u>	<u>-</u>	<u>139,432,813</u>

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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## Component Unit Financial Schedules

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### Enterprise Fund

#### *MERC Fund*

This fund accounts for revenues and expenses related to the management and operation of facilities managed by MERC, including the OCC, Expo Center, and PCPA. The principal sources of revenue are local government shared revenue and charges for services. Expenses consist primarily of management, marketing and operation costs. This fund consists of four budgetary funds (MERC Operating Fund, Convention Center Project Capital Fund, MERC Pooled Capital Fund, and General Revenue Bond Fund-Expo) that are combined as one Enterprise Fund to be in accordance with accounting principles generally accepted in the United States of America.

# METRO

## Statement of Revenues, Expenses and Changes in Fund Net Assets Component Unit

For the year ended June 30, 2002

	Component Unit <u>MERC</u>
Operating revenues:	
Charges for services	\$ 17,638,401
Grants	12,725
Government contributions	<u>1,284,562</u>
Total operating revenues	<u>18,935,688</u>
Operating expenses:	
Payroll and fringe benefits	11,243,187
Depreciation and amortization	3,876,267
Administrative expenses	1,486,315
Facility operating expenses	4,966,506
Marketing expense	2,598,848
Concessions expense	<u>5,483,494</u>
Total operating expenses	<u>29,654,617</u>
Operating loss	<u>(10,718,929)</u>
Non-operating revenues (expenses):	
Local government shared revenues	6,820,346
Investment income	3,659,650
Contributions to other governments	(543,720)
Interest expense	<u>(849,371)</u>
Total non-operating revenues (expenses)	<u>9,086,905</u>
Change in net assets	(1,632,024)
Adjustment to reflect the consolidation of internal service fund activities related to component unit	<u>116,907</u>
Change in net assets of component unit	<u>\$ (1,515,117)</u>



# METRO

## Statement of Cash Flows Component Unit

For the year ended June 30, 2002

	Component Unit <u>MERC</u>
Cash flows from operating activities:	
Receipts from customers	\$ 20,136,097
Receipts from other governments	1,284,562
Other operating receipts	11,145
Payments to suppliers for goods and services	(11,568,556)
Payments to employees for services	(11,208,542)
Payments to primary government for services used	<u>(1,486,315)</u>
Net cash used in operating activities	<u>(2,831,609)</u>
Cash flows from noncapital financing activities:	
Grants received	12,725
Local government shared revenues	<u>6,820,346</u>
Net cash provided by noncapital financing activities	<u>6,833,071</u>
Cash flows from capital and related financing activities:	
State bond bank loan proceeds	304,020
Interest payments	(851,391)
Acquisition and construction of capital assets	(55,751,213)
Principal payments on loans	<u>(157,233)</u>
Net cash used in capital and related financing activities	<u>(56,455,817)</u>
Cash flows from investing activities:	
Investment income	3,654,315
Proceeds from sale of investments	131,520,586
Purchase of investments	<u>(81,217,488)</u>
Net cash provided by investing activities	<u>53,957,413</u>
Net increase in cash including restricted amounts	1,503,058
Cash at beginning of year including restricted amounts	<u>16,272,698</u>
Cash at end of year including restricted amounts	<u>\$ 17,775,756</u>

(Continued)

# METRO

## Statement of Cash Flows, Continued Component Unit

For the year ended June 30, 2002

	Component Unit <u>MERC</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(10,718,929)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	3,876,267
Grants received	(12,725)
Change in assets and liabilities:	
Trade/other accounts receivable	3,064,054
Other assets	(1,833)
Accounts payable	1,522,151
Salaries, withholdings and payroll taxes payable/compensated absences	34,645
Unearned revenue	(458,608)
Deposits payable	(96,606)
Other liabilities	<u>(40,025)</u>
Total adjustments	<u>7,887,320</u>
Net cash used in operating activities	\$ <u><u>(2,831,609)</u></u>
<b>Noncash investing, capital, and financing activities:</b>	
Interest income relating to the change in the fair value of investments	\$ (94,458)
Local improvement district debt assumed during the year	\$ 205,588

Acquisition and construction of capital assets includes \$338,132 that becomes capital assets of the City of Portland under terms of an intergovernmental agreement.

# METRO

## MERC Operating Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 17,149,322	17,149,322	15,727,944	(1,421,378)
Other fees	1,660,000	1,660,000	1,899,312	239,312
Miscellaneous revenue	68,000	68,000	10,926	(57,074)
Operating grants and contributions:				
Grants	-	-	12,725	12,725
Government contributions	668,000	668,000	650,000	(18,000)
General revenues:				
Local government shared revenue	6,752,109	6,752,109	6,820,346	68,237
Investment income	830,469	830,469	340,947	(489,522)
Total revenues	<u>27,127,900</u>	<u>27,127,900</u>	<u>25,462,200</u>	<u>(1,665,700)</u>
Expenditures:				
Operating expenses	26,178,538	26,178,538	24,311,776	1,866,762
Capital outlay	344,000	-	-	-
Debt service	17,700	17,700	-	17,700
Contingency	913,020	713,020	-	713,020
Total expenditures	<u>27,453,258</u>	<u>26,909,258</u>	<u>24,311,776</u>	<u>2,597,482</u>
Revenues over (under) expenditures	<u>(325,358)</u>	<u>218,642</u>	<u>1,150,424</u>	<u>931,782</u>
Other financing sources (uses):				
Operating transfers in	205,000	205,000	162,966	(42,034)
Operating transfers out	(3,412,232)	(3,956,232)	(3,556,168)	400,064
Total other financing sources (uses)	<u>(3,207,232)</u>	<u>(3,751,232)</u>	<u>(3,393,202)</u>	<u>358,030</u>
Revenues and other sources under expenditures and other uses	<u>(3,532,590)</u>	<u>(3,532,590)</u>	<u>(2,242,778)</u>	<u>1,289,812</u>
Beginning fund balance available for appropriation - July 1, 2001	<u>17,203,608</u>	<u>17,203,608</u>	<u>15,012,405</u>	<u>(2,191,203)</u>
Unappropriated ending fund balance - June 30, 2002	<u>\$ 13,671,018</u>	<u>13,671,018</u>	<u>12,769,627</u>	<u>(901,391)</u>

# METRO

## Convention Center Project Capital Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ -	-	119	119
General revenues:				
Investment income	2,600,000	2,600,000	3,105,408	505,408
Total revenues	2,600,000	2,600,000	3,105,527	505,527
Expenditures:				
Operating expenses	459,477	459,477	420,308	39,169
Capital outlay	67,223,028	67,223,028	54,150,653	13,072,375
Contingency	2,411,209	2,411,209	-	2,411,209
Total expenditures	70,093,714	70,093,714	54,570,961	15,522,753
Revenues under expenditures	(67,493,714)	(67,493,714)	(51,465,434)	16,028,280
Other financing sources (uses):				
Operating transfers in	-	-	24,786	24,786
Operating transfers out	(277,228)	(277,228)	(222,993)	54,235
Total other financing sources (uses)	(277,228)	(277,228)	(198,207)	79,021
Revenues and other sources under expenditures and other uses	(67,770,942)	(67,770,942)	(51,663,641)	16,107,301
Beginning fund balance available for appropriation - July 1, 2001	89,262,023	89,262,023	97,433,173	8,171,150
Unappropriated ending fund balance - June 30, 2002	\$ 21,491,081	21,491,081	45,769,532	24,278,451

# METRO

## MERC Pooled Capital Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Non-GAAP Basis of Budgeting)

For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
				<u>positive</u>
				<u>(negative)</u>
Revenues:				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ -	-	100	100
Operating grants and contributions:				
Government contributions	300,000	300,000	634,562	334,562
General revenues:				
Investment income	<u>225,000</u>	<u>225,000</u>	<u>114,182</u>	<u>(110,818)</u>
Total revenues	<u>525,000</u>	<u>525,000</u>	<u>748,844</u>	<u>223,844</u>
Expenditures:				
Operating expenses	678,571	678,571	45,505	633,066
Capital outlay	2,410,000	2,410,000	596,247	1,813,753
Contingency	<u>928,400</u>	<u>928,400</u>	-	<u>928,400</u>
Total expenditures	<u>4,016,971</u>	<u>4,016,971</u>	<u>641,752</u>	<u>3,375,219</u>
Revenues over (under) expenditures	(3,491,971)	(3,491,971)	107,092	3,599,063
Other financing sources:				
Operating transfers in	<u>800,000</u>	<u>1,344,000</u>	<u>1,006,210</u>	<u>(337,790)</u>
Revenues and other sources over (under) expenditures	(2,691,971)	(2,147,971)	1,113,302	3,261,273
Beginning fund balance available for appropriation - July 1, 2001	<u>5,384,174</u>	<u>5,384,174</u>	<u>3,550,684</u>	<u>(1,833,490)</u>
Unappropriated ending fund balance - June 30, 2002	<u>\$ 2,692,203</u>	<u>3,236,203</u>	<u>4,663,986</u>	<u>1,427,783</u>

# METRO

## Reconciliation of MERC Enterprise Fund Revenues and Expenditures (Basis of Budgeting) to Statement of Revenues, Expenses and Changes in Fund Net Assets-Component Unit (GAAP Basis)

For the year ended June 30, 2002

Excess of revenues and other financing sources over (under)  
expenditures and other financing uses on the basis of budgeting:

MERC Operating Fund	\$ (2,242,778)
Convention Center Project Capital Fund	(51,663,641)
MERC Pooled Capital Fund	1,113,302
General Revenue Bond Fund-Expo	-

Budget resources not qualifying as revenues under GAAP:

State bond bank loan proceeds	(304,020)
-------------------------------	-----------

Budget requirements not qualifying as expenses under GAAP:

Fixed assets additions	55,413,081
Principal and interest payments on loans	653,878

Additional revenues (expenses) required by GAAP:

Depreciation and amortization	(3,876,267)
Vacation benefits	(25,367)
Local improvement district debt -contribution to other governments	(205,588)
Accrued interest on loans	<u>(494,624)</u>

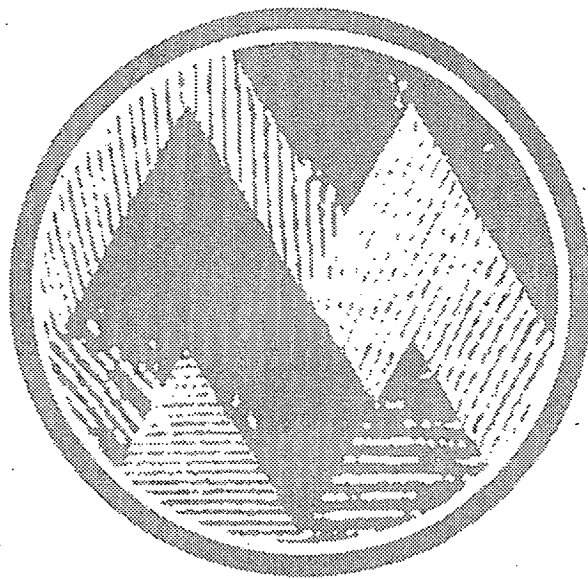
Change in net assets presented in the statement of revenues, expenses  
and changes in fund net assets for the component unit

\$ (1,632,024)

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## Other Financial Schedules

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# METRO

## Schedule of Property Tax Transactions and Outstanding Receivable

For the year ended June 30, 2002

Fiscal Year	Original levy or balance of receivable July 1, 2001	Add (deduct)				Property taxes receivable June 30, 2002
		Discounts	Adjustments	Interest	Collections	
2001-02	\$ 28,067,559	(416,167)	(368,364)	8,443	(26,357,614)	933,857
2000-01	939,761	-	(66,118)	18,373	(505,948)	386,068
1999-00	350,261	-	(20,210)	14,432	(168,038)	176,445
1998-99	178,118	-	(11,125)	16,565	(120,108)	63,450
1997-98	68,509	-	(4,889)	7,772	(55,821)	15,571
1996-97 & prior	22,812	-	3,598	1,218	(13,200)	14,428
	<u>\$ 29,627,020</u>	<u>(416,167)</u>	<u>(467,108)</u>	<u>66,803</u>	<u>(27,220,729)</u>	<u>1,589,819</u>

Reconciliation to property tax revenue presented in the Statement of Activities:	Governmental Activities	Business-type Activities	Total
Cash collections July 1, 2001 to June 30, 2002	\$ 19,163,959	8,056,770	27,220,729
Accrual of receivables:			
July 1, 2001 to August 31, 2001	(140,583)	(53,816)	(194,399)
July 1, 2002 to August 31, 2002	145,734	59,691	205,425
Timing difference between county tax collector and county treasurer	3,464	669	4,133
Payments in lieu of property taxes	62,500	31,601	94,101
Taxes earned but not available	<u>980,393</u>	<u>404,001</u>	<u>1,384,394</u>
Property tax revenue per Statement of Activities	<u>\$ 20,215,467</u>	<u>8,498,916</u>	<u>28,714,383</u>
Property taxes receivable June 30, 2002	<u>\$ 1,126,127</u>	<u>463,692</u>	<u>1,589,819</u>

# METRO

## Schedule of Future Bonded Debt Service Requirements General Obligation Bonds

June 30, 2002

Open Spaces Program General Obligation Bonds						
<u>Year of maturity</u>	<u>1995 Series A</u>		<u>1995 Series B</u>		<u>1995 Series C</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2002-03	\$ 2,945,000	3,157,716	363,060	136,940	2,145,000	2,302,963
2003-04	3,105,000	2,998,704	343,920	156,080	2,275,000	2,170,362
2004-05	3,270,000	2,831,566	325,155	174,845	2,405,000	2,046,798
2005-06	3,435,000	2,663,941	308,037	193,963	2,515,000	1,932,380
2006-07	3,615,000	2,485,884	288,945	211,055	2,640,000	1,809,917
2007-08	3,805,000	2,293,820	271,585	228,415	2,770,000	1,678,693
2008-09	4,015,000	2,086,538	254,775	245,225	2,910,000	1,538,077
2009-10	4,235,000	1,864,791	238,540	261,460	3,065,000	1,387,170
2010-11	4,475,000	1,627,384	223,356	277,644	3,225,000	1,225,969
2011-12	4,730,000	1,371,881	-	-	3,910,000	1,040,288
2012-13	5,005,000	1,096,799	-	-	4,120,000	829,500
2013-14	5,300,000	801,781	-	-	4,340,000	607,425
2014-15	5,610,000	491,625	-	-	4,575,000	373,406
2015-16	5,935,000	166,922	-	-	4,825,000	126,656
2016-17	-	-	-	-	-	-
Total	\$ 59,480,000	25,939,352	2,617,373	1,885,627	45,720,000	19,069,604

(1) The principal amount of the bonds is reported in governmental activities on the statement of net assets.

2001 Series A General Obligation Refunding Bonds		Metro Washington Park Zoo Oregon Project 1996 Series A General Obligation Bonds		Total	
Principal	Interest	Principal	Interest	Principal (1)	Interest
3,250,000	2,027,664	1,095,000	1,336,260	9,798,060	8,961,543
3,370,000	1,897,664	1,150,000	1,281,510	10,243,920	8,504,320
3,530,000	1,762,863	1,215,000	1,212,510	10,745,155	8,028,582
3,695,000	1,621,664	1,275,000	1,139,610	11,228,037	7,551,558
3,870,000	1,473,863	1,345,000	1,063,110	11,758,945	7,043,829
4,065,000	1,309,389	1,415,000	982,410	12,326,585	6,492,727
4,270,000	1,131,545	1,490,000	908,830	12,939,775	5,910,215
4,525,000	918,045	1,570,000	830,605	13,633,540	5,262,071
4,785,000	691,795	1,660,000	748,180	14,368,356	4,570,972
5,035,000	486,040	1,755,000	660,200	15,430,000	3,558,409
5,290,000	264,500	1,850,000	565,869	16,265,000	2,756,668
-	-	1,955,000	466,431	11,595,000	1,875,637
-	-	2,070,000	361,350	12,255,000	1,226,381
-	-	2,185,000	247,500	12,945,000	541,078
-	-	2,315,000	127,325	2,315,000	127,325
<u>45,685,000</u>	<u>13,585,032</u>	<u>24,345,000</u>	<u>11,931,700</u>	<u>177,847,373</u>	<u>72,411,315</u>

# METRO

## Schedule of Future Bonded Debt Service Requirements Revenue Bonds

June 30, 2002

Solid Waste Enterprise Fund Revenue Bonds					
<u>Year of maturity</u>	<u>Metro Central Transfer Station 1990 Series A</u>		<u>Metro Central Transfer Station 1993 Series A Refunding</u>		<u>Metro Riedel Compost Facility 1990 Series 1 (1)</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2002-03	\$ 2,140,000	-	75,000	448,951	-
2003-04	2,140,000	-	80,000	445,347	-
2004-05	2,140,000	-	85,000	441,426	-
2005-06	2,140,000	-	90,000	437,181	-
2006-07	2,140,000	-	90,000	432,726	-
2007-08	1,070,000	-	95,000	428,054	-
2008-09	-	-	2,240,000	368,231	-
2009-10	-	-	2,360,000	250,356	-
2010-11	-	-	2,475,000	126,459	-
2011-12	-	-	1,230,000	31,519	5,000,000
2012-13	-	-	-	-	-
2013-14	-	-	-	-	-
2014-15	-	-	-	-	-
2015-16	-	-	-	-	-
2016-17	-	-	-	-	-
2017-18	-	-	-	-	-
2018-19	-	-	-	-	-
2019-20	-	-	-	-	-
2020-21	-	-	-	-	-
2021-22	-	-	-	-	-
2022-23	-	-	-	-	-
<b>Total</b>	<b>\$ 11,770,000</b>	<b>-</b>	<b>8,820,000</b>	<b>3,410,250</b>	<b>5,000,000</b>

- (1) As interest rates on this issue are variable, interest payments over the life of the bonds are not determinable. Interest payments for 2002-03 are estimated to total \$350,000 at 7.0%.
- (2) The principal amount of the bonds is reported in business-type activities on the statement of net assets net of unamortized issuance costs, discounts, accretion and deferred amounts on refunding.
- (3) The principal amount of the bonds is reported in governmental activities on the statement of net assets net of unamortized issuance costs, discounts and deferred amounts on refunding.

Internal Service Funds  
General Revenue Refunding Bonds  
Metro Regional Center Project  
1993 Series A

<u>Total Enterprise Fund</u>			
<u>Principal (2)</u>	<u>Interest</u>	<u>Principal (3)</u>	<u>Interest</u>
2,215,000	448,951	640,000	1,145,505
2,220,000	445,347	670,000	1,115,695
2,225,000	441,426	705,000	1,083,718
2,230,000	437,181	735,000	1,049,510
2,230,000	432,726	770,000	1,013,005
1,165,000	428,054	810,000	973,890
2,240,000	368,231	845,000	932,515
2,360,000	250,356	890,000	889,140
2,475,000	126,459	935,000	843,515
6,230,000	31,519	980,000	795,150
-	-	1,030,000	743,895
-	-	1,080,000	690,090
-	-	1,140,000	632,625
-	-	1,195,000	571,331
-	-	1,255,000	507,019
-	-	1,320,000	439,425
-	-	1,390,000	368,287
-	-	1,460,000	293,475
-	-	1,540,000	214,725
-	-	1,620,000	131,775
-	-	1,700,000	44,625
<u>25,590,000</u>	<u>3,410,250</u>	<u>22,710,000</u>	<u>14,478,915</u>

# METRO

## Schedule of Long-Term Bonded Debt Transactions General Obligation Bonds

For the year ended June 30, 2002

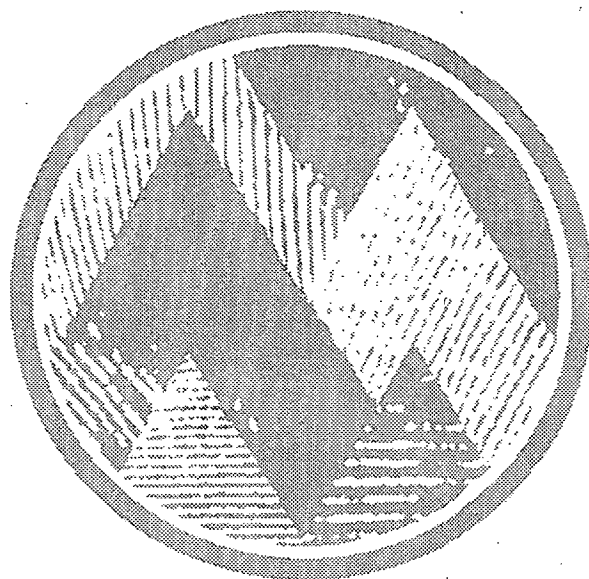
	Principal				
	Outstanding July 1, <u>2001</u>	Issued During <u>Year</u>	Matured and Paid During <u>Year</u>	Outstanding June 30, <u>2002</u>	Interest <u>Expense</u>
Open Spaces Program 1995 Series A General Obligation Bonds with interest rates from 5.0 to 5.75%, final maturity 9/1/15	\$ 62,275,000	-	2,795,000	59,480,000	3,304,710
Open Spaces Program 1995 Series B General Obligation Bonds with interest rates from 4.7 to 5.5%, final maturity 9/1/10	3,000,998	-	383,625	2,617,373	116,375
Open Spaces Program 1995 Series C General Obligation Bonds with interest rates from 4.6 to 6.0%, final maturity 9/1/15	47,740,000	-	2,020,000	45,720,000	2,427,912
Convention Center 1992 Series A General Obligation Refunding Bonds called and paid 8/15/2001 at 101%	48,445,000	-	48,445,000	-	1,501,570
2001 Series A General Obligation Refunding Bonds with interest rates from 3.5 to 5.0%, final maturity 1/1/13	-	47,095,000	1,410,000	45,685,000	1,130,819
Metro Washington Park Zoo Oregon Project 1996 Series A General Obligation Bonds with interest rates from 5.0 to 6.0%, final maturity 1/15/17	<u>25,385,000</u>	<u>-</u>	<u>1,040,000</u>	<u>24,345,000</u>	<u>1,388,260</u>
Total	\$ 186,845,998	47,095,000	56,093,625	177,847,373	9,869,646

# METRO

## Schedule of Long-Term Bonded Debt Transactions Revenue Bonds

For the year ended June 30, 2002

	Principal				
	Outstanding July 1, <u>2001</u>	Issued During <u>Year</u>	Matured and Paid <u>During Year</u>	Outstanding June 30, <u>2002</u>	Interest <u>Expense</u>
<b>ENTERPRISE FUNDS:</b>					
<b>SOLID WASTE FUND:</b>					
<u>Metro Central Transfer Station</u>					
1990 Series A Solid Waste Disposal Project Revenue Bonds with interest rates from 6.9 to 7.1%, final maturity 7/1/07	\$ 12,836,120	-	1,066,120	11,770,000	-
<u>Metro Central Transfer Station</u>					
1993 Series A Solid Waste Disposal Refunding Revenue Bonds with interest rates from 4.6 to 5.125%, final maturity 7/1/11	10,945,000	-	2,125,000	8,820,000	497,426
<u>Metro\Riedel Compost Facility</u>					
1990 Series 1 Solid Waste Disposal Project Revenue Bonds with variable interest rates, final maturity 7/1/11	5,000,000	-	-	5,000,000	102,295
Total	\$ <u>28,781,120</u>	<u>-</u>	<u>3,191,120</u>	<u>25,590,000</u>	<u>599,721</u>
<b>INTERNAL SERVICE FUNDS:</b>					
<b>BUILDING MANAGEMENT FUND:</b>					
<u>Metro Regional Center Project</u>					
1993 Series A General Revenue Refunding Bonds with interest rates from 4.5% to 5.25%, final maturity 8/1/22	\$ <u>23,325,000</u>	<u>-</u>	<u>615,000</u>	<u>22,710,000</u>	<u>1,173,435</u>
Total	\$ <u>23,325,000</u>	<u>-</u>	<u>615,000</u>	<u>22,710,000</u>	<u>1,173,435</u>







# METRO

## General Governmental Expenditures by Function (1)

for the last ten fiscal years  
Unaudited

Fiscal year ended June 30,	General government operations	Zoo operations and development (2)	Regional planning and development	Recreation and development	Capital outlay	Debt service	Total- Primary Government	Component Unit MERC (3)	Total- Reporting Entity
								Spectator facility operations	
1993	\$ 2,367,244	\$ 11,104,303	\$ 6,402,875	\$ -	\$ 1,699,506	\$ 3,924,401	\$ 25,498,329	\$ 17,099,020	\$ 42,597,349
1994	2,591,901	12,826,339	9,518,156	2,213,582	3,555,543	5,530,803	36,236,324	6,809,282	43,045,606
1995	2,395,330	12,895,793	11,069,401	4,396,155	813,877	5,542,640	37,113,196	6,403,481	43,516,677
1996	1,962,173	13,038,699	11,100,770	9,474,072	14,137,150	10,910,449	60,623,313	8,585,781	69,209,094
1997	2,005,267	13,343,436	14,816,259	8,329,607	34,364,694	17,348,950	90,208,213	9,292,517	99,500,730
1998	2,524,722	13,866,883	14,690,941	8,918,822	35,126,447	19,469,296	94,597,111	-	94,597,111
1999	2,695,154	16,036,401	16,979,166	8,221,900	35,949,786	19,915,021	99,797,428	-	99,797,428
2000	3,464,504	17,981,708	10,683,715	8,390,587	33,626,613	19,710,657	93,857,784	-	93,857,784
2001	3,587,316	19,847,517	10,916,783	6,490,300	18,954,879	19,723,991	79,520,786	-	79,520,786
2002	3,824,481	-	15,016,781	7,837,607	10,426,457	18,899,413	56,004,739	-	56,004,739

(1) Includes general, special revenue, debt service and capital projects funds.

(2) In fiscal year 2002, zoo operations became proprietary activities.

(3) In fiscal year 1994, the operations of the Coliseum were returned to the City. In fiscal year 1998, component unit operations became proprietary activities.

# METRO

## General Governmental Revenues by Source (1)

for the last ten fiscal years  
Unaudited

Fiscal year ended June 30,	Property taxes (2)	Excise taxes	Charges for services	Grants	Contributions and donations	Investment and other income	Total- Primary Government (3)	Component Unit - MERC (4)		Total- Reporting Entity
								Charges for services	Investment and other income	
1993	\$ 11,115,246	\$ 4,527,103	\$ 6,034,700	\$ 3,177,735	\$ 422,536	\$ 2,052,533	\$ 27,329,853	\$ 16,578,875	\$ 697,884	\$ 44,606,612
1994	10,947,908	5,451,649	8,246,568	5,456,814	801,254	3,664,621	34,568,814	4,881,002	270,214	39,720,030
1995	11,831,729	5,999,125	10,505,971	7,903,594	739,756	2,823,237	39,803,412	3,078,589	3,276,470	46,158,471
1996	24,666,369	6,996,251	11,149,521	7,758,523	786,188	9,391,255	60,748,107	4,890,258	3,767,790	69,406,155
1997	22,244,865	7,228,573	12,041,342	10,257,407	797,206	13,138,730	65,708,123	4,696,575	3,983,440	74,388,138
1998	25,672,117	7,621,699	10,999,508	10,037,351	806,277	9,867,083	65,004,035	-	-	65,004,035
1999	25,532,776	7,405,463	12,571,986	12,104,342	1,337,092	7,435,230	66,386,889	-	-	66,386,889
2000	24,410,966	7,726,842	14,890,703	6,533,796	1,699,285	4,943,549	60,205,141	-	-	60,205,141
2001	26,892,741	7,619,224	16,097,777	6,760,944	1,133,699	4,402,706	62,907,091	-	-	62,907,091
2002	19,235,074	7,922,160	3,430,418	10,151,521	322,617	2,024,500	43,086,290	-	-	43,086,290

(1) Includes general, special revenue, debt service, and capital projects funds.

(2) Property tax revenues include the following tax levies and the year they began: Convention Center General Obligation Bonds, 1993 (refunded by General Obligation Bonds, 2002); zoo operations tax base, 1992; Open Spaces General Obligation Bonds, 1996; Zoo Oregon Project General Obligation Bonds, 1997.

(3) In fiscal year 2002, zoo operations became proprietary activities.

(4) In fiscal year 1994, the operations of the Coliseum were returned to the City. In fiscal year 1998, component unit operations became proprietary activities.

# METRO

## Property Tax Levies and Collections (1)

for the last ten fiscal years  
Unaudited

Fiscal year ended <u>June 30,</u>	Taxes levied by <u>assessor</u>	Current tax <u>collections</u>	Current tax collections as percent of current <u>levy</u>	Delinquent tax <u>collections</u>	Total tax <u>collections</u>	Total collections as percent of current <u>levy</u>	Uncollected <u>taxes</u>	Uncollected taxes as percent of current <u>levy</u>
1993	\$ 11,175,896	\$ 10,410,370	93.2 %	\$ 687,374	\$ 11,097,744	99.3 %	\$ 1,081,433	9.7 %
1994	10,948,828	10,297,297	94.0	635,431	10,932,728	99.9	934,970	8.5
1995	11,918,746	11,203,099	94.0	616,290	11,819,389	99.2	765,012	6.4
1996	25,499,278	24,061,489	94.4	462,400	24,523,889	96.2	1,098,856	4.3
1997	22,796,884	21,521,746	94.4	675,849	22,197,595	97.4	1,151,230	5.0
1998	26,103,411	24,848,112	95.2	720,013	25,568,125	97.9	1,286,146	4.9
1999	26,225,874	24,710,874	94.2	798,788	25,509,662	97.3	1,403,421	5.4
2000	25,039,223	23,514,268	93.9	798,873	24,313,141	97.1	1,469,184	5.9
2001	27,612,647	25,936,657	93.9	716,457	26,653,114	96.5	1,559,461	5.6
2002	28,067,559	26,357,614	93.9	863,115	27,220,729	97.0	1,589,819	5.7

(1) Property tax levies provide additional operating revenue for the Oregon Zoo and debt service for Metro's general obligation bonds. Property tax revenues include the following tax levies and the year they began: Convention Center General Obligation Bonds, 1993 (refunded by General Obligation Bonds, 2002); zoo operations tax base, 1992; Open Spaces General Obligation Bonds, 1996; Zoo Oregon Project General Obligation Bonds, 1997.

# METRO

## Assessed and Real Market Value of Taxable Property

for the last ten fiscal years (1)

Unaudited

Fiscal year ended <u>June 30,</u>	<u>Real property</u>		<u>Personal property</u>		<u>Public utility property</u>		<u>Total</u>		Ratio of total assessed to total real market <u>value</u>
	<u>Assessed value</u>	<u>Real market value</u>	<u>Assessed value</u>	<u>Real market value</u>	<u>Assessed value</u>	<u>Real market value</u>	<u>Assessed value</u>	<u>Real market value</u>	
1993	\$ 45,423,405,654	\$ 45,423,405,654	\$ 2,595,268,658	\$ 2,595,268,658	\$ 2,043,094,320	\$ 2,043,094,320	\$ 50,061,768,632	\$ 50,061,768,632	100.0 %
1994	49,677,571,088	49,677,571,088	2,514,868,176	2,514,868,176	2,184,301,817	2,184,301,817	54,376,741,081	54,376,741,081	100.0
1995	56,193,560,012	56,193,560,012	2,612,727,562	2,612,727,562	2,173,333,580	2,173,333,580	60,979,621,154	60,979,621,154	100.0
1996	63,459,767,323	63,459,767,323	2,904,185,194	2,904,185,194	2,382,468,737	2,382,468,737	68,746,421,254	68,746,421,254	100.0
1997	72,014,495,367	72,014,495,367	3,104,873,132	3,104,873,132	2,602,116,760	2,602,116,760	77,721,485,259	77,721,485,259	100.0
1998	60,387,931,053	80,283,641,966	3,675,943,675	3,974,916,593	2,647,959,728	3,061,987,922	66,711,834,456	87,320,546,481	76.4
1999	64,954,925,132	86,686,731,219	4,015,295,303	4,218,503,324	2,965,312,065	3,252,510,350	71,935,532,500	94,157,744,893	76.4
2000	68,119,873,420	96,442,637,972	4,599,178,731	4,855,164,356	3,539,158,652	3,849,648,489	76,258,210,803	105,147,450,817	72.5
2001	72,324,619,679	103,550,908,925	4,778,797,938	5,014,856,997	3,906,448,496	4,445,298,672	81,009,866,113	113,011,064,594	71.7
2002	76,887,078,626	113,257,470,348	5,241,574,117	5,332,826,767	4,360,911,274	4,460,651,523	86,489,564,017	123,050,948,638	70.3

(1) In fiscal year 1997-98, the State of Oregon was converted from a levy based to a rate based property tax system with reductions in assessed values.

Source: The Departments of Assessment and Taxation for Multnomah, Clackamas and Washington Counties.

# METRO

## Property Tax Rates - Direct and Overlapping Governments (1) for the last ten fiscal years Unaudited

	Dollars per \$1,000 Assessed Value									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Direct Government</b>										
Metro	\$ 0.23	0.21	0.20	0.37	0.29	0.39	0.36	0.33	0.34	0.32
<b>Overlapping Government</b>										
<b>Multnomah County</b>										
Portland School District #1J	\$ 14.91	14.81	14.10	13.25	13.37	6.67	6.32	6.35	7.00	6.97
City of Portland	7.34	7.22	6.61	6.36	6.07	6.78	6.83	6.79	6.90	6.72
Multnomah County	4.29	4.30	4.08	3.88	4.23	4.89	5.39	5.25	5.31	5.21
Reynolds School District #7	12.81	11.89	10.94	10.20	10.40	5.88	5.49	5.34	5.29	6.32
Multnomah County ESD	1.31	1.28	1.22	1.14	1.08	0.46	0.46	0.46	0.46	0.46
Parkrose School District #3	11.54	11.50	11.72	12.37	11.53	6.68	6.49	6.36	6.28	6.51
David Douglas School District #40	15.86	16.12	14.98	13.82	13.12	5.66	5.53	5.49	5.47	6.71
Portland Community College	0.90	0.87	0.82	0.79	0.73	0.37	0.35	0.36	0.37	0.55
City of Gresham	4.44	4.96	4.68	4.50	3.71	4.04	3.95	3.91	3.92	3.93
Gresham-Barlow School District #10JT	9.67	9.02	14.17	13.01	13.15	7.29	7.31	7.13	7.02	7.38
<b>Washington County</b>										
Beaverton School District #48J	\$ 14.16	13.39	12.41	12.07	11.41	6.16	6.17	6.19	6.12	6.37
Tigard-Tualatin School District #23J	15.95	15.58	13.88	14.01	12.85	6.60	6.65	6.31	8.48	8.08
Washington County	2.84	2.60	2.48	2.34	2.51	3.48	3.85	3.85	3.85	4.26
Hillsboro School District #1J (2)	8.43	7.49	7.79	7.02	13.11	7.09	7.00	7.49	7.10	8.34
Tualatin Valley Fire and Rescue	1.98	1.88	1.76	1.66	1.52	1.54	1.53	1.56	1.59	1.83
City of Beaverton	4.06	4.03	4.16	4.01	2.58	3.38	3.66	3.98	3.79	3.32
Forest Grove School District #15	19.06	18.05	17.01	16.71	15.02	8.27	8.08	8.33	6.48	8.30
Hillsboro Elem. School District #7 (2)	9.64	9.00	8.59	7.81	-	-	-	-	-	-
Tualatin Hills Park & Rec. District	1.29	1.27	1.30	1.41	1.37	1.53	1.53	1.56	1.49	1.47
Sherwood School District #88J	12.82	11.90	12.30	11.10	10.87	7.47	7.32	9.01	8.64	8.46
<b>Clackamas County</b>										
North Clackamas School District #12	\$ 12.74	11.93	10.59	9.55	8.47	5.23	5.36	7.20	6.41	6.13
Lake Oswego School District #7J	12.90	13.36	13.37	11.57	11.25	6.83	6.23	6.11	6.49	7.42
Clackamas County	2.40	3.72	3.28	3.94	4.31	6.09	6.10	6.10	6.10	6.09
West Linn-Wilsonville School District #3J	15.05	13.49	13.15	11.78	11.17	6.76	8.23	6.81	9.02	8.97
Oregon City School District #62	16.04	15.57	14.03	12.75	11.49	4.97	4.96	4.96	6.79	6.76
Clackamas Community College	1.39	1.34	1.25	1.17	1.09	0.63	0.62	0.62	0.62	0.86
City of Lake Oswego	4.89	4.49	4.40	4.29	4.23	10.35	10.41	10.41	10.37	10.05
Clackamas County ESD	0.87	0.85	0.79	0.76	0.71	0.37	0.37	0.37	0.37	0.37
Clackamas Rural Fire Protect. District #1	2.45	2.90	2.67	2.52	2.30	2.44	2.48	2.47	2.44	2.57
Canby School District #86	7.76	7.49	12.69	11.56	10.77	6.93	6.80	6.57	8.02	7.91

(1) Metro is a regional government that covers a three county area and has over 200 overlapping governments. Listed above are 10 selected governments from each county.

In fiscal year 1997-98, the State of Oregon was converted from a levy based to a rate based property tax system with reductions in assessed values.

(2) In 1997, the Hillsboro High School District merged with the Hillsboro Elementary School District and several other smaller districts to become Hillsboro School District #1J.

Sources: Municipal Debt Advisory Commission, State of Oregon; and the Departments of Assessment and Taxation for Multnomah, Clackamas and Washington Counties.

# METRO

## Computation of Legal Debt Margin

June 30, 2002

Unaudited

True cash value		\$ 123,050,948,638
Debt limit (1)		<u>10.0%</u>
		12,305,094,864
Gross bonded debt principal	\$ 226,147,373	
Less legal deductions from debt limit:		
Metro Central Transfer Station Project, Solid Waste Disposal System Revenue Bonds	(11,770,000)	
Metro Central Transfer Station Project, Solid Waste Disposal System Refunding Revenue Bonds	(8,820,000)	
Metro/Reidel Oregon Compost Company, Inc. Project, Waste Disposal Project Revenue Bonds	(5,000,000)	
Metro Regional Center Project 1993 Series A General Revenue Refunding Bonds	(22,710,000)	
Net debt subject to 10% limitation		<u>177,847,373</u>
Legal debt margin		<u><u>\$ 12,127,247,491</u></u>

(1) ORS 268.520 sets a debt limit of 10% of the true cash value of all taxable property within the district.

Sources: The Departments of Assessment and Taxation for Multnomah, Clackamas and Washington Counties.  
The Treasury Department, State of Oregon.  
Metro Administrative Services Department, Accounting Services Division.

# METRO

## Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

for the last ten fiscal years  
Unaudited

<u>Fiscal year ended June 30,</u>	<u>Population</u>		<u>Assessed valuation</u>		<u>Net bonded debt</u>	<u>Ratio of net bonded debt to assessed valuation</u>	<u>Net bonded debt per capita</u>
1993	1,268,000	\$	50,061,768,632	\$	61,525,261	0.12 %	\$ 48.52
1994	1,285,000		54,376,741,081		60,218,305	0.11	46.86
1995	1,305,100		60,979,621,154		58,386,119	0.10	44.74
1996	1,325,700		68,746,421,254		182,165,720	0.26	137.41
1997	1,341,700		77,721,485,259		205,846,342	0.26	153.42
1998	1,363,100		66,711,834,456		198,196,159	0.30	145.40
1999	1,378,450		71,935,532,500		190,321,671	0.26	138.07
2000	1,444,219		76,258,210,803		183,799,227	0.24	127.27
2001	1,467,300		81,009,866,113		174,313,666	0.22	118.80
2002	N/A	*	86,489,564,017		164,752,527	0.19	N/A *

\* Not available

Sources: The Departments of Assessment and Taxation for Multnomah, Clackamas and Washington Counties.  
Population Research Center, Portland State University, and U.S. Census Bureau.



# METRO

## Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures

for the last ten fiscal years  
Unaudited

Fiscal year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	Total debt service (3)	General Governmental Expenditures			Ratio of debt service to total general governmental expenditures
				Primary government(1)(3)	Component unit (2)	Total	
1993	\$ 820,000	\$ 3,104,401	\$ 3,924,401	\$ 25,498,329	\$ 17,099,020	\$ 42,597,349	9.21 %
1994	1,670,000	3,860,803	5,530,803	36,236,324	6,809,282	43,045,606	12.85
1995	1,755,000	3,787,640	5,542,640	37,113,196	6,403,481	43,516,677	12.74
1996	1,860,000	6,853,588	8,713,588	60,623,313	8,585,781	69,209,094	12.59
1997	6,073,965	10,557,118	16,631,083	90,208,213	9,292,517	99,500,730	16.71
1998	6,978,955	12,142,400	19,121,355	94,597,111	-	94,597,111	20.21
1999	7,624,050	11,458,222	19,082,272	99,797,428	-	99,797,428	19.12
2000	8,048,755	11,053,369	19,102,124	93,857,784	-	93,857,784	20.35
2001	8,483,200	10,641,953	19,125,153	79,520,786	-	79,520,786	24.05
2002	8,978,625	9,869,646	18,848,271	56,004,739	-	56,004,739	33.65

(1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds.

(2) In fiscal year 1994, the operations of the Coliseum were returned to the City. In fiscal year 1998, component unit operations became proprietary activities.

(3) Beginning fiscal year 1997, the Open Spaces program and its related debt service is included. In fiscal year 2002, zoo operations became proprietary activities.

# METRO

## Schedule of Overlapping Bonded Debt - All Overlapping Governments

June 30, 2002

Unaudited

<u>Overlapping government</u>	<u>Percent within District</u>	<u>Overlapping</u>	
		<u>Gross bonded debt</u>	<u>Net direct debt</u>
Clackamas County	73.49 %	\$ 264,575	\$ 264,575
Mt. Scott Water District 3J	100.00	1,515,000	1,515,000
Oak Lodge Water District 4	100.00	2,550,000	2,550,000
Clackamas County RFPD 1	82.90	8,493,054	8,493,054
Clackamas County SD 3J (West Linn-Wilsonville)	94.46	84,984,897	84,984,897
Clackamas County SD 7J (Lake Oswego)	100.00	95,535,000	95,535,000
Clackamas County SD 12 (N Clackamas)	98.56	104,357,291	104,357,291
Clackamas County SD 62 (Oregon City)	66.53	44,237,461	44,237,461
Clackamas County SD 115 (Gladstone)	100.00	11,165,000	11,165,000
Multnomah County SD 10J (Damascus-Union Bond)	91.52	2,530,406	2,530,406
Clackamas Community College	72.79	38,638,843	38,638,843
City of Gladstone	100.00	450,000	450,000
City of Milwaukie	100.00	3,320,000	3,320,000
City of Oregon City	100.00	4,180,000	4,180,000
City of West Linn	100.00	11,230,000	11,230,000
Columbia County SD 1J (Scappoose)	8.99	273,593	273,593
Port of Portland	91.27	49,974,155	49,974,155
Tri-Met	97.18	104,750,007	104,750,007
Multnomah County SD 1J (Portland)	99.55	189,199,526	189,199,526
Multnomah County SD 7 (Reynolds)	100.00	68,540,000	68,540,000
Multnomah County SD 28J (Centennial)	100.00	37,244,566	37,244,566
Multnomah County SD 40 (David Douglas)	100.00	54,310,000	54,310,000
Multnomah County SD 10J (Gresham-Barlow)	96.60	79,783,301	79,783,301
Multnomah County SD 10J (Orient 6 Bond)	69.26	1,106,901	1,106,901
Mount Hood Community College	87.76	807,433	807,433
City of Fairview	100.00	5,116,000	2,385,000
City of Gresham	100.00	6,560,538	6,445,000
City of Portland	100.00	280,466,760	232,878,603
City of Troutdale	100.00	15,005,100	15,005,100
Washington County	93.28	68,402,896	67,392,705
Tualatin Hills Park & Rec. District	99.97	20,078,031	20,078,031
Tualatin Valley Water District (Wolf Creek Bond)	99.96	4,573,335	4,573,335
Cornelius RFPD	8.09	8,497	8,497
Forest Grove RFPD	11.39	43,870	43,870
Tualatin Valley Fire & Rescue District	96.82	8,142,427	8,142,427

(Continued)

# METRO

## Schedule of Overlapping Bonded Debt - All Overlapping Governments, Continued

June 30, 2002

Unaudited

<u>Overlapping government</u>	Percent <u>within District</u>	<u>Overlapping</u>	
		<u>Gross bonded debt</u>	<u>Net direct debt</u>
Washington County SD 23J (Tigard-Tualatin)	99.37 %	\$ 137,638,218	\$ 137,638,218
Washington County SD 1J (Hillsboro 7 Bond)	93.45	2,294,193	2,294,193
Washington County SD 48J (Beaverton)	99.81	282,790,256	188,390,431
Washington County SD 88J (Sherwood)	79.15	38,670,394	38,670,394
Washington County SD 1J (Reedville Bond)	97.53	3,432,975	3,432,975
Washington County SD 1J (Farmington Bond)	0.01	49	49
City of Beaverton	100.00	26,340,000	25,440,000
City of Cornelius	92.37	1,293,128	1,293,128
City of Durham	100.00	2,035,000	2,035,000
City of Sherwood	100.00	10,770,000	10,590,000
City of Tigard	100.00	660,000	470,000
City of Tualatin	100.00	4,580,000	4,455,000
Tri-City Service District	100.00	1,770,000	1,770,000
Clackamas County SD 86 (Canby)	16.02	6,930,837	6,930,837
City of Lake Oswego	100.00	27,925,000	27,925,000
City of Wilsonville	100.00	6,155,000	2,365,000
Multnomah County	98.87	141,037,484	86,589,996
Multnomah County SD 3 (Parkrose)	100.00	26,785,000	26,785,000
Multnomah County SD 51J (Riverdale)	100.00	9,775,000	9,775,000
Portland Community College	91.83	180,761,348	180,761,348
City of Wood Village	100.00	805,000	350,000
Tualatin Valley Water District (Metzger Bond)	100.00	1,535,000	1,535,000
Washington County SD 15 (Forest Grove)	76.51	46,429,729	46,429,729
Washington County SD 1J (Hillsboro)	87.70	138,702,797	138,702,797
City of Forest Grove	99.74	5,166,356	5,166,356
North Clackamas Park & Rec. District	100.00	8,290,000	-
Clackamas River Water District	79.94	115,916	-
Clackamas County Service District 1	100.00	690,424	-
Totals		<u>\$ 2,521,217,567</u>	<u>\$ 2,306,189,028</u>

Note: "Gross bonded debt" includes all unlimited-tax general obligation bonds and limited-tax general obligation bonds.

"Net direct debt" is gross bonded debt less self-supporting unlimited-tax general obligation and self-supporting limited-tax general obligation debt.

Source: The Municipal Debt Advisory Commission, State of Oregon.

# METRO

## Schedule of Revenue Bond Coverage Solid Waste Fund

for the last ten fiscal years  
Unaudited

Fiscal year ended June 30.	Operating revenue (1)	Operating expenses (1)	Non- operating revenue	Net revenue available for debt service	Debt service requirements (2)			Debt service coverage
					Principal	Interest	Total	
1993	\$ 56,415,188	\$ 47,071,292	\$ 1,008,193	\$ 10,352,089	\$ 1,175,000	\$ 1,579,458	\$ 2,754,458	3.76
1994	59,072,437	50,550,496	1,057,946	9,579,887	1,250,000	1,330,470	2,580,470	3.71
1995	58,748,744	50,380,113	1,439,388	9,808,019	1,520,000	1,224,869	2,744,869	3.57
1996	60,686,973	51,905,805	1,852,723	10,633,891	1,535,000	1,134,191	2,669,191	3.98
1997	62,631,555	50,729,462	2,277,920	14,180,013	1,630,000	1,036,874	2,666,874	5.32
1998	55,423,473	49,162,552	2,582,564	8,843,485	1,735,000	931,026	2,666,026	3.32
1999	52,438,405	50,572,163	2,370,951	4,237,193	1,855,000	816,058	2,671,058	1.59
2000	51,524,953	47,479,320	1,799,459	5,845,092	1,980,000	690,895	2,670,895	2.19
2001	47,765,065	45,071,501	2,620,781	5,314,345	1,110,000	568,041	1,678,041	3.17
2002	46,122,748	45,890,489	1,259,570	1,491,829	3,191,120	497,426	3,688,546	0.40

(1) Revenue and expense amounts are based upon the full accrual basis of accounting excluding depreciation expense, post-closure costs and dedicated grant money.

(2) Debt service expenditures paid as pass-through debt service activities and payments to escrow agents on advance refundings are not included as a debt service requirement for purposes of this schedule.

# METRO

## Schedule of Revenue Bond Coverage Building Management Fund

for the last ten fiscal years  
Unaudited

Fiscal year ended June 30,	Operating revenue (1)	Operating expenses (1)	Non- operating revenue	Net revenue available for debt service	Debt service requirements			Debt service coverage
					Principal	Interest	Total	
1993	\$ 1,464,781	\$ 874,928	\$ 398,078	\$ 987,931	\$ -	\$ 1,618,859	\$ 1,618,859	0.61
1994	1,616,565	1,396,817	103,987	323,735	-	1,128,665	1,128,665	0.29
1995	2,085,801	809,755	347,807	1,623,853	200,000	1,292,958	1,492,958	1.09
1996	2,058,686	746,862	159,304	1,471,128	245,000	1,286,337	1,531,337	0.96
1997	2,737,107	736,461	166,849	2,167,495	310,000	1,276,993	1,586,993	1.37
1998	2,552,168	707,323	193,456	2,038,301	375,000	1,264,536	1,639,536	1.24
1999	2,545,140	706,573	184,606	2,023,173	545,000	1,246,605	1,791,605	1.13
2000	2,499,944	660,052	130,657	1,970,549	570,000	1,224,020	1,794,020	1.10
2001	2,394,766	702,317	202,381	1,894,830	590,000	1,199,650	1,789,650	1.06
2002	2,445,485	749,034	133,357	1,829,808	615,000	1,173,435	1,788,435	1.02

(1) Revenue and expense amounts are based upon the full accrual basis of accounting excluding depreciation expense and dedicated grant money.

# METRO

## Demographic Statistics

for the last ten fiscal years

Unaudited

<u>Fiscal year ended June 30,</u>	<u>Population (1)</u>	<u>Per capita income (2)</u>	<u>Portland metropolitan unemployment rate (2)</u>
1993	1,268,000	\$ 22,557	6.0 %
1994	1,285,000	23,614	4.3
1995	1,305,100	24,991	3.7
1996	1,325,700	26,157	4.5
1997	1,341,700	27,555	4.3
1998	1,363,100	28,700	4.2
1999	1,378,450	29,672	4.5
2000	1,444,219	31,620	4.0
2001	1,467,300	N/A *	5.9
2002	N/A *	N/A *	N/A *

\* Not available

(1) For Clackamas, Multnomah and Washington counties. 2000 was a census year.

(2) Portland-Vancouver, OR-WA PMSA consisting of Clackamas, Columbia, Multnomah, Washington, and Yamhill counties in Oregon, and Clark County, Washington.

Sources: Population Research Center, Portland State University, and U.S. Census Bureau.  
Oregon Employment Department.

# METRO

## Construction Permits and Bank Deposits

for the last ten fiscal years

Unaudited

Fiscal year ended June 30,	Residential Construction Permits (1)		Bank deposits	
	<u>Units</u>	<u>Value (in thousands)</u>	<u>(amounts in thousands)</u>	
1993	13,739	\$ 1,325,257	\$	15,111,868
1994	17,043	1,590,815		13,745,622 (2)
1995	18,032	1,757,677		15,874,867
1996	18,260	1,771,820		16,149,419
1997	19,704	1,948,161		19,162,656
1998	17,900	1,840,091		18,032,911
1999	15,077	1,647,561		19,439,824
2000	12,962	1,623,152		21,733,572
2001	13,839	2,016,078		19,357,591
2002	N/A *	N/A *		23,407,349

\* Not available

(1) Portland-Vancouver, OR-WA PMSA consisting of Clackamas, Columbia, Multnomah, Washington, and Yamhill counties in Oregon, and Clark County, Washington. Information is based upon the calendar year end that ended during the fiscal year shown.

(2) Information is not available for a large interstate bank with branches in Clackamas, Washington, and Multnomah counties.

Sources: U.S. Census Bureau.

Oregon Department of Consumer and Business Services, Division of Finance and Corporate Securities.

# METRO

## Principal Property Tax Taxpayers Within the District by County (amounts expressed in thousands)

June 30, 2002  
Unaudited

<u>Taxpayer account</u>	<u>Type of business</u>	<u>Assessed valuation</u>	<u>Percent of total valuation</u>
<b>Multnomah County:</b>			
Qwest Corporation	Telephone utility	\$ 423,198	1.03 %
Fujitsu Microelectronics	Electronics	314,477	0.76
Portland General Electric Co.	Electric utility	307,484	0.75
Fujitsu Microelectronics	Electronics	299,258	0.73
Pacificorp (PP&L)	Electric utility	244,996	0.59
Wacker Siltronic Corp.	Semiconductor Manufacturing	219,400	0.53
Alaska Airlines, Inc.	Air travel	178,411	0.43
Boeing Company	Aircraft manufacturing	177,583	0.43
United Airlines, Inc.	Air travel	144,243	0.35
Northwest Natural Gas Co.	Natural gas utility	141,749	0.34
All other taxpayers	-	38,756,630	94.06
	Total	\$ 41,207,429	100.00 %
<b>Washington County:</b>			
Intel Corporation	Computer Electronics	\$ 894,020	3.10 %
Verizon Northwest, Inc.	Telecommunications	359,340	1.25
Nike, Inc.	Athletic apparel	309,524	1.07
Portland General Electric Co.	Electric utility	222,959	0.77
Maxim Integrated Products, Inc.	Semiconductor Manufacturing	194,615	0.68
Pacific Realty Associates	Real estate	182,951	0.64
Northwest Natural Gas Co.	Natural gas utility	172,265	0.60
Tektronix, Inc.	Computer Electronics	155,978	0.54
Spieker Properties LP	Real estate	120,123	0.42
Amberjack, Ltd	Real estate	101,126	0.35
All other taxpayers	-	26,087,884	90.58
	Total	\$ 28,800,785	100.00 %
<b>Clackamas County:</b>			
Portland General Electric Co.	Electric utility	\$ 146,740	0.89 %
Commonwealth Realty Adv, Inc.	Real estate	106,310	0.65
Northwest Natural Gas Co.	Natural gas utility	89,135	0.54
Qwest Corporation	Telephone utility	84,425	0.51
Fred Meyer, Inc.	Retailer	80,629	0.49
Deloitte & Touche LLP	Professional services	68,784	0.42
PCC Structural, Inc.	Metal castings and machining	66,829	0.41
Mentor Graphics Corp.	Electronics	55,783	0.34
Sisters of the Holy Names of Jesus & Mary	Religious/charitable	50,842	0.31
Xerox Corporation	Document management	43,110	0.26
All other taxpayers	-	15,782,715	95.18
	Total	\$ 16,481,350	100.00 %

Source: The Departments of Assessment and Taxation for Multnomah, Clackamas and Washington counties.



# METRO

## Insurance in Force

June 30, 2002  
Unaudited

<u>Insurance company</u>	<u>Amount of policy</u>	<u>Type of coverage</u>	<u>Expiration date (1)</u>	<u>Premium</u>
Allendale	\$ 436,927,000	"All Risk" property coverage includes a wide range of related coverages including earthquake, flood, and boiler and machinery	June 30, 2002	\$ 266,623
Lexington Insurance Company	3,000,000	Excess liability	June 30, 2002	47,593
Lexington Insurance Company	1,000,000	Liquor liability coverage	June 30, 2002	5,331
Hartford Insurance Company	500,000	Crime coverage/employee faithful performance	June 30, 2002	7,414
SAIF Corporation	Statutory	Workers' compensation	June 30, 2002	32,267
National Flood Insurance Program	500,000	Flood coverage for Expo	June 30, 2002	2,455
Underwriters at Lloyds	varies	Property, liability coverage for homes owned by Open Spaces Program	February 13, 2003	11,933
Western World	2,000,000	Liability-Park dwellings	June 30, 2002	5,349

(1) Coverage renewed through June 30, 2003

Source: Metro Administrative Services Department, Risk Management Division.

# METRO

## Summary of Solid Waste Delivery Tonnage (1)

for the last ten calendar years  
Unaudited

<u>Calendar year</u>	<u>Metro Owned Facilities</u>	<u>Other Facilities</u>	<u>Total Delivery Tonnage</u>	<u>Revenue Tonnage (2)</u>	<u>Revenue Tons as a percent of Delivery Tonnage (3)</u>
1993	732,550	403,861	1,136,411	1,060,257	93.30 %
1994	750,464	419,330	1,169,794	1,062,936	90.87
1995	752,297	507,558	1,259,855	1,113,671	88.40
1996	762,342	580,220	1,342,562	1,186,624	88.39
1997	769,287	647,852	1,417,139	1,259,350	88.87
1998	737,120	699,743	1,436,863	1,240,033	86.30
1999	713,142	717,751	1,430,893	1,263,432	88.30
2000	671,616	764,795	1,436,411	1,258,125	87.59
2001	632,413	750,392	1,382,805	1,230,161	88.96
2002 (4)	590,689	834,191	1,424,880	1,262,239	88.59

- (1) Waste generated in Multnomah, Washington, and Clackamas counties and delivered to solid waste facilities for disposal. Waste includes construction and demolition debris, petroleum contaminated soils, residue from shredding auto bodies, and material requiring special handling under DEQ permit.
- (2) Revenue tonnage is the portion of delivery tonnage on which Metro levies user fees. The fees vary by waste type.
- (3) Decline in percentage is due primarily to increases in post-collection recovery of recyclable materials on which fees are not assessed, exemption of certain materials used for beneficial purposes, and increased amounts of waste generated outside the Metro boundary and therefore not subject to fees.
- (4) Information provided is based upon a calendar year. October through December is estimated.

Source: Metro Regional Environmental Management Department.

# METRO

## Miscellaneous Statistical Data

June 30, 2002

Unaudited

Created by Oregon Legislature  
Metro Charter passed by voters  
Metro Charter effective date

1977  
November 3, 1992  
January 1, 1993

Form of government:

Primary Government - Metro

Elected Executive Officer,  
elected seven member District Council,  
and elected Auditor

Component Unit - MERC

Seven member appointed Commission

Metro Area - Square miles

461.80

Number of full-time equivalent employees budgeted for fiscal year 2001-02

688.23

Oregon Zoo attendance for last ten fiscal years ended June 30,

Total Attendance

1993	977,522
1994	1,104,369
1995	1,151,444
1996	1,052,810
1997	945,013
1998	1,004,795
1999	1,047,279
2000	1,226,002
2001	1,367,940
2002	1,319,459

Ten largest cities in the Metro District at July 1, 2001

Population

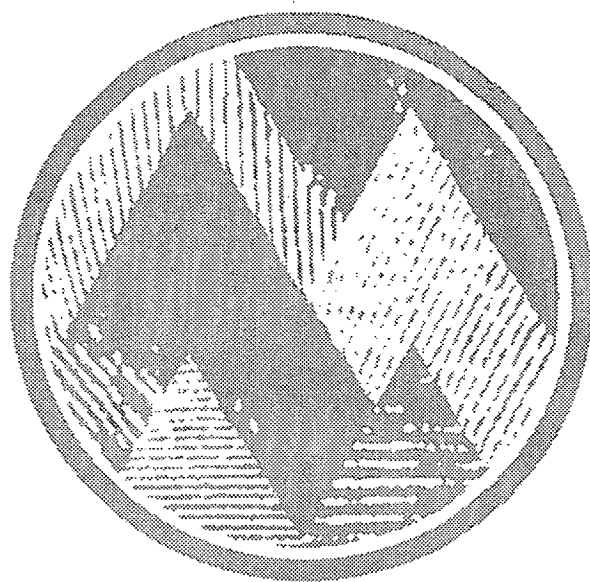
Portland	536,240
Gresham	91,420
Beaverton	77,170
Hillsboro	73,200
Tigard	43,040
Lake Oswego	35,580
Oregon City	26,680
Tualatin	23,270
West Linn	23,090
Milwaukie	20,550

Source: Metro Administrative Services Department, Accounting Services Division.  
Oregon Zoo.  
Population Research Center, Portland State University.



## AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in 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 financial statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth on the following pages.



Report of Independent Certified Public Accountants  
on Metro's Compliance and Certain Items Based  
on an Audit of Basic Financial Statements  
Performed in Accordance with Federal and  
Oregon Auditing Standards

The Council, Executive Officer and Auditor of Metro  
 Portland, Oregon

We have audited the basic financial statements of Metro as of and for the year ended June 30, 2002, and have issued our report thereon dated November 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to Metro is the responsibility of Metro's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Metro's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. Certain areas covered, as required by Oregon Administrative Rules 162-10-230 through 162-10-320, included but were not limited to the following:

Accounting and Internal Control Structure - Our report on the accounting and internal control structure is presented separately under this cover.

Programs Funded from Outside Sources - Reports related to such programs are presented separately under separate cover.

Financial Reporting Requirements - Whether financial reports and related data filed with other governmental agencies in conjunction with programs funded wholly or partially by such agencies were in agreement with or supported by the accounting records.

Compliance with Legal or Other Requirements -

Accounting Records - Pertaining to condition and adequacy of accounting records.

Collateral - Pertaining to the amount and adequacy of collateral pledged by depositories to secure the deposit of public funds (see requirements for public fund deposits as specified in Oregon Revised Statutes (ORS) 295)

Indebtedness - Relating to debt and the limitation on the debt amount, liquidation of debt within the prescribed period of time, and compliance with provisions of indentures or agreements, including restrictions on the use of moneys available to retire indebtedness

Budget - Relating to the preparation, adoption and execution of the annual budget for the current fiscal year and the preparation and adoption of the budget for the next succeeding fiscal year (see ORS 294.305 to 294.565)

Taxes on Motor Vehicle Use and Fuel and the use of a Road Fund - Pertaining to (as contained in Article IX, Section 3a of the Oregon Constitution) the use of revenue from taxes on motor vehicle use and fuel and the use of a road fund (as contained in ORS 294 and 373)

Insurance - Relating to insurance and fidelity bond coverage

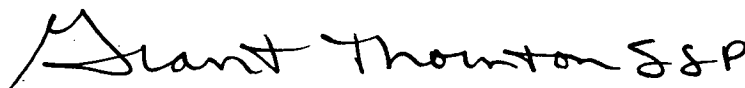
Investments - Pertaining to the investment of public funds (see ORS Chapter 294.035 to 294.046)

Public Contracts and Purchasing - Pertaining to (as contained in ORS Chapter 279) the awarding of public contracts and the construction of public improvements

The result of our tests indicate that, with respect to the items tested, Metro complied, in all material respects, with the provisions referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that Metro had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of management, the Metro Councilors and the Secretary of State, Division of Audits, of the State of Oregon and is not intended to be and should not be used by anyone other than these specified parties.

Portland, Oregon  
November 1, 2002





Report of Independent Certified Public Accountants  
on Metro's Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of Basic Financial Statements  
Performed in Accordance with Government Auditing Standards

The Council, Executive Officer and Auditor of Metro  
Portland, Oregon

We have audited the basic financial statements of Metro as of and for the year ended June 30, 2002, and have issued our report thereon dated November 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Metro's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Metro's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

This report is intended solely for the information and use of management, Metro Councilors and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Grant Thornton LLP*

Portland, Oregon  
November 1, 2002