Grant Thornton

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

Metro

Year ended June 30, 2005

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Grant Thornton
Accountants and Business Advisors

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 of Metro
Portland, Oregon

We have audited the basic financial statements of Metro as of and for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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 an opinion 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 reportable 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 caused by error or fraud 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 weaknesses.

Compliance and Other Matters
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.*

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This report is intended solely for the information and use of the Council President, Council and Auditor of Metro, 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.

Grant Thornton LLP

Portland, Oregon
November 10, 2005

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 of Metro
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, 2005. 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants; 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, 2005.

Internal Control Over Compliance

The management of 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 financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Metro as of and for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Metro's basic financial statements. 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 of Metro, 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.

Grant Thornton LLP

Portland, Oregon
November 10, 2005

METRO

Schedule of Expenditures of Federal Awards
For the year ended June 30, 2005

Grantor and program title	Federal CFDA number	Grant number	Federal Expenditures
U. S. Department of Agriculture			
Natural Resources Conservation Service- Wetlands Reserve Program	10.072	66-0436-3-029	$ 29,561
Total U.S. Department of Agriculture			$ 29,561
U. S. Department of the Interior			
Bureau of Land Management- Federal Land Policy and Management Act (FLPMA)	-	HAA059Q00	$ 5,000
U. S. Fish and Wildlife -			
Passed through Oregon Department of Fish & Wildlife: Federal Aid in Sport Fish Restoration Act	15.605	File No. BR 293	124,554
Passed through The Woodland Park Zoo: Fish and Wildlife Management Assistance	15.608	13420-02-J251	5,813
Passed through Washington Department of Fish and Wildlife: Fish and Wildlife Management Assistance	15.608	04-1392	6,348
Passed through Oregon State Marine Board: Clean Vessel Act Program	15.616	N/A	225
Wildlife Conservation and Appreciation	15.617	14-48-13420-97-J002	108,261
Wildlife Conservation and Appreciation	15.617	14-48-13420-02-J241	809
Wildlife Conservation and Appreciation	15.617	14-48-13420-02-J207	17,373
Passed through Washington Department of Fish and Wildlife: State Wildlife Grants	15.634	04-1238	18,238
State Wildlife Grants	15.634	04-1423	46,985
National Park Service- Passed through Oregon Parks and Recreation Department: Outdoor Recreation, Acquisition, Development and Planning	15.916	Unknown	30,524
Total U. S. Department of the Interior			$ 364,130
U.S. Department of Education			
Institute of Museum and Library Services - Learning Opportunities Grants	45.301	ML-02-03-0283-03	$ 75,539
Total U.S. Department of Education			$ 75,539
U.S. Department of Energy			
Bonneville Power Administration- Passed through Washington Department of Fish and Wildlife	81.XXX	04-1235	$ 4,950
Total U.S. Department of Energy			$ 4,950
U. S. Department of Homeland Security			
Federal Emergency Management Agency (FEMA)- Passed through State of Oregon-Department of State Police: Public Assistance Grant	97.036	DR-1510-OR	$ 22,888
Total U.S. Department of Homeland Security			$ 22,888

* - Indicates a major program

METRO

Schedule of Expenditures of Federal Awards
For the year ended June 30, 2005

Grantor and program title		Federal CFDA number	Grant number	Federal Expenditures
U. S. Department of Transportation				
Federal Transit Administration:				
Direct program -				
Federal Highway Administration				
Transportation Equity Act (TEA-21)				
Advanced Travel Forecasting Procedures Program:				
TRANSIMS II	*	20.205	DTFH61-02-X-00006	$ 322,630
Federal Surface Transportation Program				
Willamette Shoreline Alternatives Analysis	*	20.205	OR90-X115-00	49,708
Passed through Oregon Department of Transportation -				
Highway, Research, Planning and Construction:				
2005 Planning	*	20.205	SPR-PL-STP-PR05(01)	1,093,644
Federal Surface Transportation Program				
2005 METRO Surface Transportation Program	*	20.205	SPR-PL-STP-PR05(001)	790,042
Damascus/Boring Concept Plan	*	20.205	X-STP-C000(015)	734,925
Federal Highway Administration				
Value Pricing Program				
Highway 217 Corridor Planning Study	*	20.205	VP-S000(165)	150,942
Transportation Growth Management Program:				
I-5/99W Connector Study	*	20.205	TGM6LA06	32,334
2040 Corridors & Centers	*	20.205	TGM6LA20	22,059
Direct program -				
Transit Oriented Development		20.500	OR-90-X073-00	4,103
Passed through Tri-County Metropolitan Transportation District of Oregon (TriMet)-				
South Corridor I 205 & Portland Mall Light Rail Project		20.500	OR-03-0110-01	340,951
Passed through Oregon Department of Transportation -				
Highway, Research, Planning and Construction:				
2004 Technical Studies (Sec 5303)		20.505	OR-80-2013	27,258
2005 Technical Studies (Sec 5303)		20.505	OR-80-2014	274,256
Passed through Tri-County Metropolitan Transportation District of Oregon (TriMet)-				
Congestion Mitigation & Air Quality Improvement Program				
North Interstate MAX Light Rail Project		20.505	OR-90-X088	5,640
Passed through Tri-County Metropolitan Transportation District of Oregon (TriMet)-				
Congestion Mitigation & Air Quality Improvement Program(CMAQ)				
Regional Travel Options (49 USC 5307)		20.507	OR-90-X087	220,541
Total U. S. Department of Transportation				$ 4,069,033
U.S. Environmental Protection Agency				
Regional Wetland Program Development		66.461	CD-97080701-0	$ 79,401
Clean Air Act-Source Reduction Assistance		66.717	X9-97088201-0	10,614
Total U.S. Environmental Protection Agency				$ 90,015
Total Federal Expenditures				$ 4,656,116

* - Indicates a major program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2005

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:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Damascus/Boring Concept Plan	20.205	$ 455,312

Metro

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2005

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	_x_ no
• Reportable condition(s) identified that are not considered to be material weaknesses?	____yes	_x_ none reported
Noncompliance material to financial statements noted?	____yes	_x_ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	____yes	_x_ no
• Reportable condition(s) identified that are not considered to be material weaknesses?	____yes	_x_ 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	_x_ no

Identification of major programs:

CFDA Number	Name of Federal Program
20.205	Department of Transportation, Federal Transit Administration, Highway Planning and Construction (Federal Transit Cluster)

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	_x_ yes	___ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2005

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs reported.

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MetroCAFR

Comprehensive Annual Financial Report

For the year ended June 30, 2005

METRO

PEOPLE PLACES
OPEN SPACES

Oregon

Metro
People places • open spaces

Clean air and clean water do not stop at city limits or county lines. Neither does the need for jobs, a thriving economy and good transportation choices for people and businesses in our region. Voters have asked Metro to help with the challenges that cross those lines and affect the 25 cities and three counties in the Portland metropolitan area.

A regional approach simply makes sense when it comes to protecting open space, caring for parks, planning for the best use of land, managing garbage disposal and increasing recycling. Metro oversees world-class facilities such as the Oregon Zoo, which contributes to conservation and education, and the Oregon Convention Center, which benefits the region's economy.

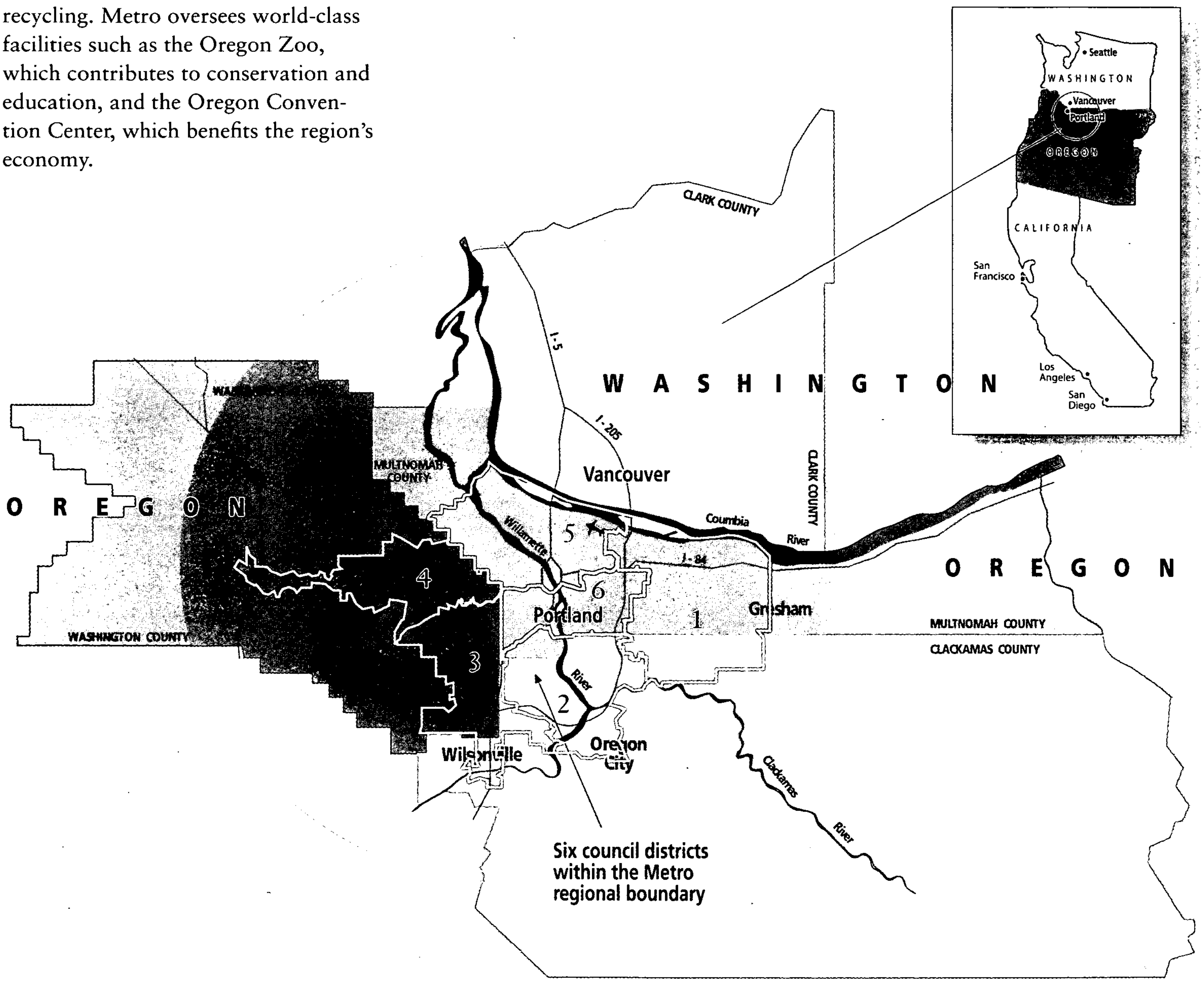
Your Metro representatives

Metro Council President – David Bragdon

Metro Councilors – Rex Burkholder, deputy council president, District 5; Rod Park, District 1; Brian Newman, District 2; Carl Hosticka, District 3; Susan McLain, District 4; Robert Liberty, District 6.

Auditor – Alexis Dow, CPA

Metro's web site:
www.metro-region.org



Six council districts within the Metro regional boundary

Printed on recycled-content paper.
2005-ASD 03605 mdw

Metro CAFR

Comprehensive Annual Financial Report

For the year ended June 30, 2005

Finance and Administrative Services
Department

Chief Financial Officer
William Stringer

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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For the Year Ended June 30, 2005

METRO

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Other Major Governmental Funds:

Proprietary Funds:

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AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS:

600 NORTHEAST GRAND AVENUE | PORTLAND, OREGON 97232 2736
TEL 503 797 1700 | FAX 503 797 1797

METRO

November 10, 2005

To the Council and Citizens of the Metro Region:

In accordance with ORS 297.425, Metro's Finance and Administrative Services Department, Accounting Services Division is pleased to submit the Comprehensive Annual Financial Report of Metro, for the fiscal year ended June 30, 2005, 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, 2005, and the results of its operations as well as 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. There are four main sections in this report:

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

The **Financial Section** includes the independent auditor's report, Management's 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.

The **Audit Comments and Disclosures Section** includes 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 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, 2005, 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 the Secretary of State. 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 express an opinion on whether the entity complied with laws, regulations, and with the provisions of contracts or grant agreements that could have a direct and material effect on each major program. These reports are available in Metro's separately issued *Schedule of Expenditures of Federal Awards and Reports of Independent Certified Public Accountants*.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

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; Portland, Gresham, Hillsboro, Beaverton, Tigard, Lake Oswego and Oregon City are the largest.

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. In 1979, voters approved the merger of a council of governments (Columbia Region Association of Governments) 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 expanded Metropolitan Service District (the District) had the combined authority of the two predecessor agencies and other potential additional powers. The District was organized under a grant of authority by the Oregon Legislature and the Oregon Revised Statutes.

The District'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, the District was assigned the responsibility for regional solid waste disposal, took 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, the District 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).

Also 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 Metro 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. 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 region's designated metropolitan planning organization, responsible for allocation of federal transportation funds to projects. 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.

Budget. The annual adopted budget serves as the foundation for Metro's financial planning and control. Metro prepares a budget for each fund in accordance with the legal requirements set forth in 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 Council approval.

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. Under this requirement, Metro includes as a 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 (PCPA) and Expo Center. In addition, in accordance with the provisions of *Governmental Accounting Standards Board Statement No. 39*, the Oregon Zoo Foundation (OZF) warrants inclusion in the report because of the nature and significance of its relationship with Metro, including its on-going financial support of Metro's Oregon Zoo. The OZF is a legally separate tax-exempt organization, organized to encourage and aid the development of the Oregon Zoo. The financial statements of MERC and OZF are included in this report as discretely presented component units.

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 specific 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.

The State of Oregon lies at the end of the Oregon Trail, the longest overland route used in the westward expansion of the United States. Two major rivers help define Oregon's boundaries with its neighbor states of Washington and Idaho - the Columbia River to the north and the Snake River to the east. The Columbia River Gorge is the only sea-level route through the Cascade Mountain Range and is considered by many to be the best place in the world for windsurfing.

The Wine Spectator says "These days Portland is a wine and food town, and a serious one." Similarly, The New York Daily News reports "...it's the city's love affair with warm open kitchens and wholesome ingredients that led me to explore its booming restaurant scene." Portland's compact, vibrant café-filled downtown, and its light-rail system, are draws for visitors. Tourism results from the city's early decisions "...about our urban-growth boundary, to honor the pedestrian over the automobile, and to plan out growth and transportation as a region" according to former Mayor Vera Katz. Examples of this planning include Portland's Airport MAX light rail, which was the first train-to-plane transportation option on the West Coast and the Portland Streetcar, which is the only modern streetcar system in the nation.

More than 200 parks cover 10,000 acres of Portland's 130 square miles, representing almost 10% of all city land. Portland is home to both the nation's largest urban wilderness, Forest Park with 5,000 acres, and the world's smallest, Mill Ends Park at 24 square inches in size. Its Japanese Garden has been acclaimed as one of the finest outside of Japan and the Portland Classical Chinese Garden is the largest outside China. On a regional level, Metro's own Regional Parks and Greenspaces Department contributes directly to the preservation of the region's livability and supports the goals and objectives developed by the Metro Council. Metro manages more than 11,000 acres of regional parks and natural areas.

Portland occupies a central location between markets in the state of California and the Seattle and Vancouver, B.C. areas. The region is served by two trans-continental railroads, the Burlington Northern Santa Fe and the Union Pacific. In addition, two major interstate highways, I-5 and I-84, intersect in the region. I-5 is the main north-south route from Canada to Mexico and I-84 is the principal route east to Salt Lake City and on to the Midwest and East Coast.

The Port of Portland holds a prominent position for waterborne commerce. It is the number one auto port on the West Coast and number three auto port in the United States. In addition, it is the number one wheat exporter in the U.S. and is the largest mineral bulks port on the West Coast.

For most of Portland's 162 years, the city's economy grew because it was the port closest to Willamette Valley farms. Later it became a timber town because it was the headquarters for lumber companies. In the 1980's timber gave way to high-tech hardware, oscilloscope and circuit-board manufacturers. As an example of how things have changed, now only two of the Portland metropolitan area's biggest employers, Intel and Freightliner, actually manufacture anything in the local area. Ranked twenty-fifth nationally in population, Portland has the 24th largest retail market in the country.

Statistics over the last 10 years indicate that high-tech manufacturing peaked in the year 2000. Metals manufacturing, another strong industry, employs 10,000 fewer people than in 2000. Tektronix, once the largest employer in the Portland area, reports decreased profits. Intel has announced it is investing in other areas of the world. Chip manufacturer LSI recently announced it is outsourcing 90 jobs to Asia and may cut another 500 jobs.

The unemployment rate in the Portland area is higher than the national average. Partly as a result of the loss of relatively high-paying jobs over the last 10 years or so, Portland's median income has decreased. However, looked at in a different way, Portland's economy is actually growing rapidly. The relatively high unemployment rate results from people moving into Portland in numbers not seen since the 1990's and faster than a fast growing job market can absorb them. According to the U.S. Census, Portland's population went from 437,319 in 1990 to 533,492 in 2004. That nearly 22% increase compares to San Francisco's 7.3% gain and Seattle's 11% increase. Over the last few years the Portland metropolitan area added jobs at a fast rate, with the city's 2.2% job growth last year, for instance, topping San Francisco, Denver, Atlanta, Chicago, Houston, New York and Minneapolis, among other cities. The Oregon State Office of Economic Analysis forecasts employment to rise by 3% for 2005, the strongest yearly growth since 1997. The increased population has also been a strong factor in the median price of homes, which has increased faster during the last year than any time during the last 10 years.

In office space throughout the Portland metropolitan market, the vacancy rate is trending downward. Vacancy rates have dropped steadily over the last six quarters from a high experienced during the third quarter of 2003. It is reported that developers are "gun-shy" of building on a speculative basis but that a firming market suggests that some development activity will return in 2006.

Long-term financial planning. Metro prepares a five-year Capital Budget with annual updates as part of its financial planning responsibilities. For purposes of the Capital Budget, capital projects are defined as any physical asset acquired or constructed by Metro with a total capital cost of $50,000 or more and a useful life of at least five years. This definition includes significant capital maintenance activities. The adopted Capital Budget for fiscal year 2006 through fiscal year 2010 includes 83 capital projects at an estimated total cost of $118.8 million. This amount is over two and one half times the prior year Capital Budget and comes from the addition of a Regional Parks $75 million project to purchase new Open Spaces properties.

In prior years, the Capital Budget has been dominated by three large projects that continue winding down – the Oregon Zoo's Great Northwest Project, the expansion of the Oregon Convention Center, and the original Open Spaces' land acquisition projects. The balance of the Capital Budget is mainly comprised of regular renewal and replacement projects and the planned Regional Parks' development of certain of the properties acquired by the Open Spaces bond measure.

The largest share of planned capital project expenditures among Metro departments in the current Capital Budget are in Regional Parks and Greenspaces at 78.15%, Solid Waste and Recycling at 10.89%, and the Oregon Zoo at 6.15%.

The financing sources for these capital projects vary by project and by department. The Solid Waste and Recycling Department generally relies on fund balance or capital reserve accounts and funding is included in the solid waste disposal rate-setting process. Zoo and MERC projects have typically been funded from fund balance and donations. In the current Capital Budget, MERC is funding many of the projects at the PCPA from "naming rights" sales. In addition, MERC now has the dedication of $.50 per ton of excise tax generated on solid waste to aid in funding those capital projects that will make MERC facilities more competitive. The Zoo has active fundraising support in OZF and is relying on their efforts for almost 67% of their capital project funding needs. Regional Parks and Greenspaces non-land expenditures are predominately funded by grants (42%) and excise tax (33%). The current Capital Budget anticipates expending renewal and replacement funds set aside from a "dollar per ton" dedicated excise tax and developing new parks from an additional dedicated excise tax of $1.50 per ton on solid waste disposal. Metro plans to place a new Open Spaces general obligation bond measure on the ballot in fiscal year 2007 to fund additional Open Spaces' land acquisition projects.

The Capital Budget also contains a projection from each department of the net impact on operating costs (reflected in 2004 dollars) resulting from each capital project, for the first full year of operation after project completion. Only two projects are expected to produce positive cash flows, both in Regional Parks – the Blue Lake Water System Upgrade and the Golf Course at Blue Lake Park. Metro, overall, will have an additional cost of $288,000 to $634,000 per year from these projects. The projects adding the most to operating costs are the California Condor Captive Breeding Facility, the Mt. Talbert Development, and the St. Johns Landfill Leachate Pretreatment project.

Financial policies. Comprehensive financial policies were adopted by Metro on June 17, 2004 and provide the basic framework for the overall fiscal management of the agency. The policies are designed to operate independently of changing circumstances and conditions and help safeguard Metro's assets, promote effective and efficient operations, and support the achievement of Metro's strategic goals. The policies are reviewed annually by the Metro Council and are published in the adopted budget.

In addition to policies on accounting, auditing and financial reporting that mirror statements made earlier in this letter of transmittal, there are policies regarding budgeting and financial planning, capital asset management, cash management and investments, debt management and revenue policies.

In regards to budgeting, Oregon Local Budget Law requires that total resources shall equal total requirements in each fund. In addition to this legal requirement, Metro considers a budget to be balanced whenever budgeted revenues equal or exceed budgeted expenditures. Metro policy provides that it will maintain fund balance reserves that are appropriate to the needs of each fund and that targeted reserve levels shall be established and reviewed annually as part of the budget review process. The policy requires that a new program or service be evaluated before it is implemented to determine its affordability and that Metro will prepare annually a five-year forecast of revenues, expenditures, other financing sources and uses and staffing needs for each of its major funds, identifying major anticipated changes and trends, and highlighting significant items which require the attention of the Metro Council.

Metro established fund balance reserves beginning in fiscal year 2004 to fund potential future increases in Public Employees Retirement System (PERS) costs. An amount equivalent to 6.65% of regular salaries has been set aside annually in this PERS reserve. The accumulated reserve as of June 30, 2005 totaled approximately $4.97 million. On September 23, 2005, Metro also issued $24,290,000 in limited tax pension bonds, the proceeds of which were paid to PERS on September 30, 2005 to reduce Metro's unfunded actuarial liability and to reduce required contribution rates in the future. Metro is considering how much, if any, of the accumulated PERS reserves to pay to PERS to reduce further the future pension costs.

Metro plans to carry forward $45.5 million of fund balance into fiscal year 2006. This amount includes $9.7 million of debt reserves for general obligation bond payments early in fiscal year 2006, $15.5 million in reserves for the solid waste operation and $7.5 million for MERC operating reserves. The remainder of the reserves are for specific purposes (revenue bonds, risk management and general reserves) which are generally required by law or formal operating agreement.

Cash management policies provide that Metro maintain an investment policy in the Metro Code, which shall be subject to annual review and re-adoption. This policy must in turn conform to the requirements of Oregon Revised Statutes. The Council readopted the policy in April 2005. 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 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, commercial paper and bankers' acceptances. The average yield earned on Metro's pooled cash investments varied with the market in fiscal year 2005, from a low of 1.50% in July 2004 to a high of 2.94% in June 2005.

The average yield for the fiscal year was 2.18% compared to 1.24% in the prior year. The pooled cash portfolio does not include bond related investments, which are restricted in terms of maturity and yield.

Debt management policies provide that Metro shall issue long-term debt only to finance capital improvements (including land acquisition) that cannot be readily financed from current revenues, or to reduce the cost of long-term financial obligations. Metro will not use short-term borrowing to finance operating needs unless specifically authorized by Council. Further, Metro will repay all debt issued within a period not to exceed the expected useful life of the improvements financed by the debt. Metro conformed to these policies during the fiscal year ended June 30, 2005, as the proceeds of the one debt issue completed during the year resulted in future debt service savings. This is discussed further in MD&A later in this report.

Metro's revenue policies provide that the agency will strive to maintain a diversified and balanced revenue system to protect it from short-term fluctuations in any one revenue source. One-time revenues shall be used to support one-time expenditures or to increase fund balance.

A further detailed discussion of Metro's financial policies and plans for the future can be found in *Metro's 2005-06 Adopted Budget.*

Major initiatives. In fiscal year 2004, the Metro Council initiated a Strategic Budget Initiative to identify important regional goals and create strategies to address them. This effort requires fundamental changes to the budgeting process which will be seen significantly in fiscal year 2006, such as budgeting by program rather than by fund, improved tracking of program performance, and consolidating a myriad of individual accounts into the General Fund. These measures will strengthen Metro's ability to direct resources to strategic priorities, allow Metro to more easily transcend department boundaries in implementing projects, increase transparency and accountability, and provide more value to the public.

Of the strategic initiatives being launched in fiscal year 2006, two stand out as having the most visible budgetary implications: Reduce overhead by consolidating central service functions, and enhancing the Nature in Neighborhoods program.

The Metro Council President and Metro Council empowered the Chief Operating Officer to consolidate a range of business service functions. Early steps in this process include a hiring freeze and voluntary separation program to accelerate attrition and limit layoffs in critical service areas. The result will be greater efficiency and accountability in Metro's central service functions of finance, public affairs, and human resources, and a strengthened capacity to protect important public services and investments.

The Nature in Neighborhoods program fosters collaboration among conservation groups, developers, businesses and homeowners. In the words of Council President David Bragdon, "the fiscal year 2005-06 budget will move Metro beyond the era of planning and into an era of investment and implementation through the Nature in Neighborhoods initiative, a multifaceted education, restoration, and willing seller acquisition program that will protect and enhance streams, wildlife habitat and greenspaces where people live, work, and play."

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, 2004. This was the thirteenth 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, 2004. 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, an operations guide, and as a communications device. This was the ninth 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 Finance and Administrative Services Department. We especially acknowledge Karla J. 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,

Michael Jordan
Chief Operating Officer

William Stringer
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, 2004

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.

President

Executive Director

GFOA award

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June 30, 2005

Elected Officials

Council President

David Bragdon
Term expires January 2007

Auditor

Alexis Dow, CPA
Term expires January 2007

Councilors

Rod Park
District 1
Term expires January 2007

Brian Newman
District 2
Term expires January 2007

Carl Hosticka
District 3
Term expires January 2009

Susan McLain
District 4
Term expires January 2007

Deputy Council President
Rex Burkholder
District 5
Term expires January 2009

Robert Liberty
District 6
Term expires January 2009

Appointed Officials

Michael Jordan
Chief Operating Officer

William Stringer
Chief Financial Officer

Daniel B. Cooper
Metro Attorney

Andrew Cotugno
Planning Department Director

Tony Vecchio
Oregon Zoo Director

Michael Hoglund
Solid Waste and Recycling
Department Director

James Desmond
Regional Parks and Greenspaces
Department Director

Jeff Miller
Metropolitan Exposition Recreation
Commission General Manager

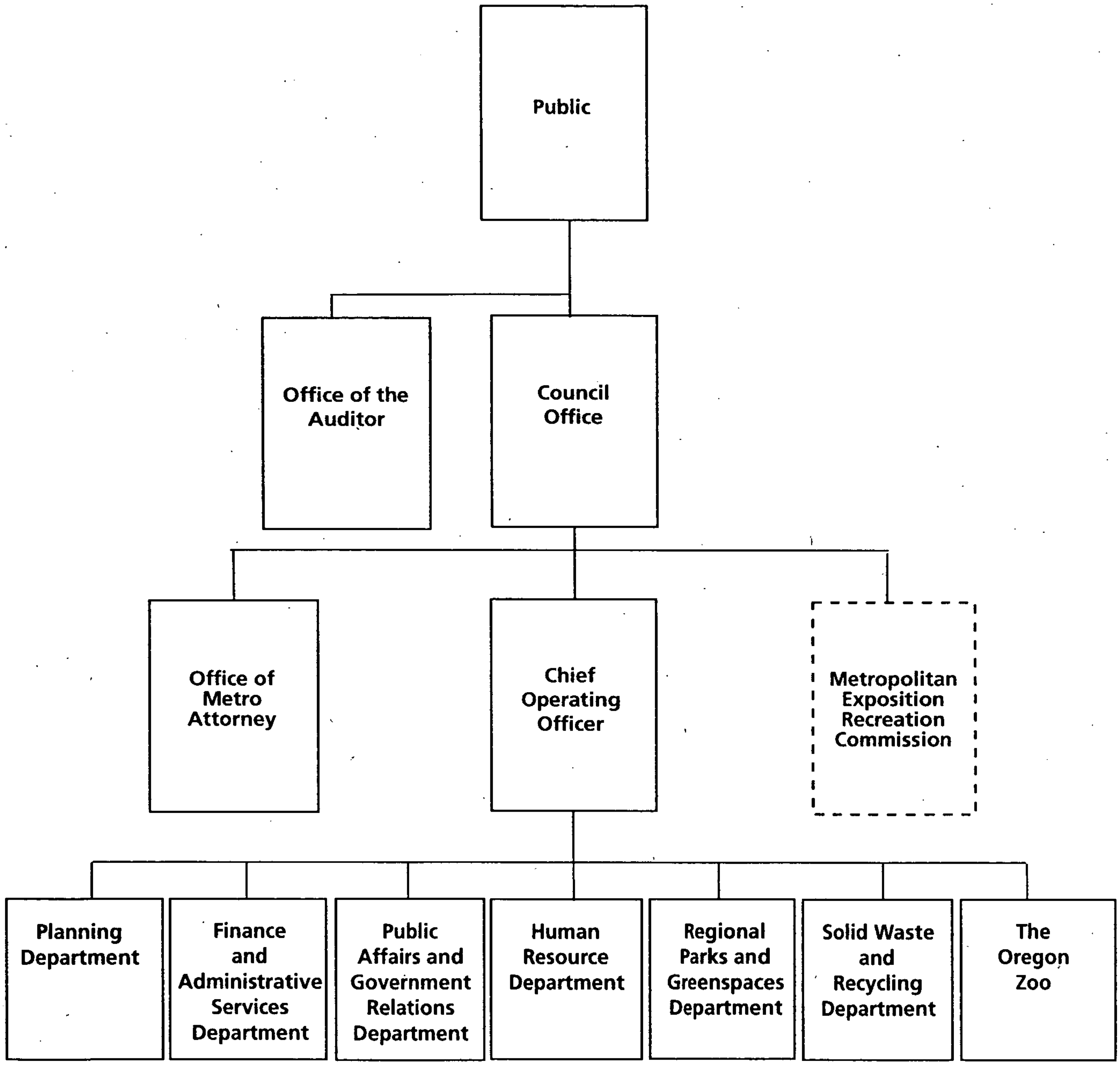
Registered Agent

Christina Billington

Address of Registered and Administrative Office

600 NE Grand Ave.
Portland, OR 97232-2736

Metro Organization Structure



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METRO

AUDITOR
ALEXIS DOW, CPA

November 10, 2005

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, 2005.

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, 2005, have been issued under separate cover.

Respectfully submitted,

Alexis Dow, CPA
Metro Auditor

HOTLINE PHONE (503) 230-0600 HOTLINE E-MAIL METROAUDITOR@METRO.DST.OR.US WWW.METRO-REGION.ORG/AUDITOR

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Independent Auditor's Report

The Council, Council President 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 units, each major fund, and the aggregate remaining fund information of Metro, as of and for the year ended June 30, 2005, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Oregon Zoo Foundation, a discretely presented component unit, which statements reflect total assets of $5,360,641 as of June 30, 2005 and a change in net assets of $91,534 for the year then ended. Those statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oregon Zoo Foundation, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants and the standards applicable to the 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, based on our audit and the report of other auditors, 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 units, each major fund, and the aggregate remaining fund information of Metro, as of June 30, 2005, 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.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2005 on our consideration of Metro's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 17 through 38 and 89 through 98 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 opinions on the financial statements that collectively comprise Metro's basic financial statements. The introductory section, supplementary information other than required supplementary information, 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 10, 2005

By Gary C Horsley

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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, 2005. 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 - 9 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 $163,097,359 (net assets). Of this amount, $51,871,473 is unrestricted with $35,258,896 attributable to Metro's business-type activities and $16,612,577 to governmental activities.

- The total net assets for Metro increased $19,154,553 or 13.5% for the fiscal year (net of the reclassification of the Rehabilitation and Enhancement Fund to governmental activities). Governmental activities provided $14,516,666 towards this increase, primarily from paying down and refinancing principal on bonded debt outstanding that relates to capital assets accounted for in business-type activities and spending Open Spaces bond proceeds on capital assets. The remainder of the increase, $4,637,887, was from business-type activities, as revenues in these activities increased by 2.0%, whereas expenses were down 2.8% from the prior year.

- Program revenues, the share of revenues generated directly from Metro's operations (which includes charges for services), decreased to 65.2% of revenues, compared to 67.0% in the prior year. During the most recent fiscal year, 56.4% ($68,676,881) of Metro's revenues came from, or were based upon, its charges for services program revenues, compared to 58.1% ($67,023,071) in the prior year. Property taxes accounted for 21.6% of revenues, down from 22.6% in the prior year, and were dedicated to repayment of general obligation bond debt ($17,545,652, up 0.4%) and support of operations of the Oregon Zoo ($8,941,517, up 3.9%).

- Solid waste tonnage delivered to Metro transfer stations increased 1.5%, however, total regional tonnage disposed upon which Metro collects regional system fees was down 1.4% from the prior year. This combination of factors, along with certain changes in rates, contributed to program revenues increasing $1,178,941 or 2.3% from the prior year. Net revenue for the Solid Waste activity was $3,880,143 for the year, up $2,094,209 from the prior year.

- Combined fund balances of Metro's governmental funds totaled $31,605,349, up 8.8% from the prior year, primarily due to reclassification of the Rehabilitation and Enhancement Fund to a governmental fund ($1,890,019) and growth in the General Fund of $1,881,978 from increased excise tax revenue. These increases were somewhat offset by spending of Open Spaces bond proceeds where the total cost of local share projects and property acquisitions totaled $2,074,969 in

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fiscal year 2005. Metro added 108 acres, bringing the total acreage to 8,131 under this program, exceeding by over 2000 acres the commitment made to voters of the region.

- Metro's excise tax, a tax Metro assesses on users of its goods and services to fund primarily general government and planning functions, provided $13,577,891 in general revenue, up $3,071,810 or 29.2% from the prior year. The primary reason for this increase was an increase of $2.00 per ton on solid waste effective September 1, 2004, of which $1.50 per ton supports the Regional Parks and Greenspaces programs and $0.50 per ton supports the competitiveness of the Oregon Convention Center. (OCC).

- The Metropolitan Exposition-Recreation Commission (MERC) component unit experienced an increase in charges for services revenue of 6.8% or $1,748,130 during the year, primarily due to increased food and beverage revenue, up $1,511,858 as greater event attendance was experienced throughout the year. Total expenses for MERC were down $4,150,588, or 9.1%, due primarily to a decrease from the prior year in internal service fund allocations related to the charge for the estimated environmental impairment liability.

- Metro's total debt decreased 9.1% ($17,453,466) during the current fiscal year as a result of principal payments and a reduction in outstanding principal. This was due to the issuance of bonds to refund all callable portions of the outstanding Metro Washington Park Zoo Oregon Project 1996 Series A General Obligation Bonds. As a result of these activities carried out by the Finance and Administrative Services Department, Metro has future debt service savings of $1,740,936 and an economic gain of $1,427,412.

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 the notes is a section of *required supplementary information* that further supports the information contained in the financial statements.

In addition, there is a section with combining statements that provide additional information about Metro's internal service funds and the MERC component unit. This information is integrated into 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 tool for the reader in the analysis of the financial statements that follow this management discussion and analysis.

		Fund Financial Statements	
Statement Element	**Government-Wide Financial Statements**	**Governmental Funds**	**Proprietary Funds**
Scope	Entire Metro government	The activities of Metro that are not proprietary, such as regional planning, parks and policy development	Activities Metro operates similar to businesses: ▪ Solid Waste ▪ Oregon Zoo
Required financial statements	▪ Statement of net assets ▪ Statement of activities	▪ Balance sheet ▪ Statement of revenues, expenditures and changes in fund balances	▪ Statement of net assets ▪ Statement of revenues, expenses, changes in fund net assets ▪ Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	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
Type of inflow/outflow information	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

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 region, changes in property tax base, and the age and condition of capital assets used by Metro.

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.

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 the general government functions of the Council/Public Affairs office, regional transportation and growth management planning, regional parks and open spaces, rehabilitation and enhancement activities near Metro area solid waste facilities, 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 units – Metro includes MERC and the Oregon Zoo Foundation (OZF) as discretely presented component units. Although legally separate, Metro is financially accountable for MERC. MERC operates the OCC, Portland Center for the Performing Arts (PCPA), and the Portland Metropolitan Exposition Center (Expo). In addition, OZF is considered a component unit, as the sole purpose of this legally separate non-profit organization is to provide support and significant additional funding for Metro's Oregon Zoo.

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 two 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 on 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. A reconciliation that follows the governmental funds statements explains the relationship (differences) between the two statements.

Metro maintains eight individual governmental funds (the General Fund, Planning Fund, Parks Fund, Rehabilitation and Enhancement Fund, General Obligation Bond Debt Service Fund, Open Spaces Fund, Regional Parks Capital Fund and Cemetery Perpetual Care 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 major fund, 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.

The governmental fund financial statements can be found on pages 44 - 50 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 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 (finance and administrative services, human resources, public affairs-creative services, office of Metro Attorney, and office of the Auditor), 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 governmental 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 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 internal service funds is provided in the form of combining statements on pages 99 – 103 of this report.

The proprietary fund financial statements can be found on pages 51 - 56 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 57 - 88 of this report.

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 $163,097,359 at June 30, 2005, which reflects an increase of 14.9% ($21,130,746) over the prior year. The following table reflects the condensed Government-Wide Statement of Net Assets.

Metro's Net Assets

		Governmental Activities		Business-Type Activities		Total - Primary Government	
		2005	2004	2005	2004	2005	2004
Current and other assets	$	55,253,742	48,516,727	57,340,128	56,635,916	112,593,870	105,152,643
Capital assets		164,092,976	162,225,973	91,352,323	93,542,495	255,445,299	255,768,468
Total assets		219,346,718	210,742,700	148,692,451	150,178,411	368,039,169	360,921,111
Long-term debt outstanding		162,467,403	173,992,793	12,873,097	18,801,173	175,340,500	192,793,966
Other liabilities		18,786,917	15,150,368	10,814,393	11,010,164	29,601,310	26,160,532
Total liabilities	$	181,254,320	189,143,161	23,687,490	29,811,337	204,941,810	218,954,498
Net assets							
Invested in capital assets, net of related debt		4,684,793	(6,201,885)	78,479,226	74,741,322	83,164,019	68,539,437
Restricted		16,795,028	17,989,881	11,266,839	9,310,641	28,061,867	27,300,522
Unrestricted		16,612,577	9,811,543	35,258,896	36,315,111	51,871,473	46,126,654
Total net assets	$	38,092,398	21,599,539	125,004,961	120,367,074	163,097,359	141,966,613

Metro's business-type activities account for a significant portion of total net assets – totaling $125,004,961 (76.6%), whereas governmental activities account for $38,092,398 (23.4%). Of Metro's total net assets, 51.0% of the total reflects its investment in capital assets, net of related debt, up from 48.3% in the prior year. 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, 17.2% of net assets are externally restricted for specific purposes, including capital projects, capital asset renewal and replacement, landfill closure, debt service, cemetery perpetual care and other purposes. This represents an increase in restricted net assets of $761,345 (2.8%) from the amount at June 30, 2004, although with overall growth in Metro's net assets, it represents a smaller proportion than the prior year when restricted net assets comprised 19.2% of net assets. The remaining $51,871,473 is unrestricted, with 68.0% of this amount attributable to Metro's business-type activities. Unrestricted net assets declined slightly in business-type activities - $1,056,215 (2.9%) and increased $6,801,034 (69.3%) in governmental activities (see discussion below). Unrestricted net assets may be used to meet Metro's ongoing obligations to citizens and creditors.

The negative balance reflected in the prior year for the amount invested in capital assets (net of related debt) for governmental activities ($6,201,885) was the result of Metro financing capital assets for the business-type activities (Oregon Zoo) and component unit (OCC) 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. This negative balance of governmental activities' net assets invested in capital assets, net of related debt, was eliminated and ended with a balance of $4,684,793 (an increase of $10,886,678) at June 30, 2005. This change reflects an increase in capital assets of $1,867,003, a decrease in related long-term debt outstanding of $11,525,390 (see discussion below) and a reduction of $2,477,888 in the amount of related unspent bond proceeds from the prior year.

Capital assets added in the governmental activities were primarily for acquisition of 108 acres of property in five different target areas (involving seven separate land transactions) under Metro's open spaces acquisition program. In addition, Metro's Regional Parks and Greenspaces completed construction of a parking lot, restrooms, picnic shelter, and canoe launch at Smith & Bybee Wetlands Natural Area and completed parking lot improvements at the M. James Gleason Memorial Boat Ramp.

Restricted net assets increased $761,345 (up $1,956,198 or 21.0% for business-type activities and down $1,194,853 or 6.6%, for governmental activities). The increase in restricted net assets of the business-type activities was primarily due to an increase of $1,183,424 in amounts restricted for debt service and an increase of $549,385 (8.9%) in renewal and replacement as required under bond covenants for Solid Waste enterprise activities. The decline in governmental activities' restricted net assets was primarily in restrictions for other purposes, down $2,724,833 (27.4%), as amounts for Planning and Parks operations were reclassified to unrestricted, while restrictions for capital projects increased $1,326,266, representing the amount for Parks related projects.

Current and other assets (composed of cash and investments, receivables and other current assets) increased 7.1% ($7,441,227). Business-type activities reflected a small increase of $704,212 (1.2%), whereas governmental activities showed an increase of $6,737,015 (13.9%). The change in current and other assets in business-type activities is composed of an overall increase in cash and investments of $6,043,802 from operations. This increase was offset by a decline of $592,406 in prepaid items resulting from the continued amortization of an advance contractual payment made in a prior year to the solid waste transport contractor, and the elimination of a $5,000,000 loan receivable (and corresponding and equal amount of bonds payable as described further in the notes to the financial statements) for Metro/Riedel Oregon Compost Co. Project, Waste Disposal System Project Revenue bonds. The bond trustee effected a mandatory repurchase of the bonds on June 1, 2005 (Metro was not obligated to make payment on the bonds as they were issued as non-recourse to Metro.)

The increase in current and other assets for governmental activities is primarily reflected in an increase of $10,387,834 (40.4%) in equity in internal cash and investment pool and a decrease of $3,506,611 (24.1%) in investments held specifically for debt service and Open Spaces purposes. The majority of this decrease in investments, or $2,441,923, is due to the continued acquisition of Open Spaces properties with bond proceeds. The increase in other governmental activity areas is due to the reclassification of the Rehabilitation and Enhancement Fund as a governmental activity, which resulted in $1,980,684 of additional equity in internal cash and investments, additional amounts held from grantors for Metro's planning activities (up $4,832,561, of which $4,052,359 is associated with Metro's Transit Oriented Development (TOD) program) and additional amounts held in the General Fund from excise tax receipts (up $1,599,953).

Other liabilities (consisting of accounts payable, accrued compensation, accrued interest payable, and other current liabilities) of Metro's business-type activities decreased 1.8% ($195,771) from June 30, 2004. Other liabilities in the governmental activities increased $3,636,549 (24.0%), primarily due to an increase in unearned revenue in the TOD and grant programs noted earlier of $4,140,473, with a reduction in accrued interest payable of $490,393.

Long-term debt outstanding declined 9.1% ($17,453,466), with governmental activity long-term debt decreasing $11,525,390 or 6.6%, and business-type activity long-term debt decreasing $5,928,076 or 31.5% from June 30, 2004 as a result of scheduled debt payments and refinancing activities undertaken by Metro to take advantage of the favorable interest rate environment, as well as the elimination of the $5,000,000 bond payable noted earlier. A further discussion of the refinancing activities undertaken during the year is presented later in this analysis.

Changes in net assets. As noted above, Metro's total net assets increased 13.5% (exclusive of the reclassification of the Rehabilitation and Enhancement Fund to a governmental activity) over the prior year. Governmental activities' net assets increased by $14,516,666, while business-type activities' net assets increased $4,637,887. The components of this change in net assets are reflected in the condensed information from Metro's Statement of Activities below.

Program revenues generated directly from Metro's operations, which includes charges for services, increased $2,080,625 or 2.7% from the prior year, while the share of total revenues derived from these sources decreased from the prior year, from 67.0% to 65.2%. A significant portion (56.4%) 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 and admission fees. Program revenues from business-type activities increased 1.7%, or $1,117,710, while governmental activities program revenue increased 8.4% ($962,915). Charges for services revenues declined 0.2% in governmental activities and grew 2.6% in business-type activities. Operating grants and contributions increased significantly ($1,403,516) over the prior year due primarily to contributions of improvements for fish passage and habitat improvements performed by Portland General Electric (PGE) on a Parks property, worth an estimated $1.2 million.

Changes in Metro's Net Assets

		Governmental Activities		Business-Type Activities		Total - Primary Government	
		2005	2004	2005	2004	2005	2004
Revenues:							
Program revenues							
Charges for services	$	3,917,653	3,924,366	64,759,228	63,098,705	68,676,881	67,023,071
Operating grants and contributions		8,552,429	7,582,801	1,396,306	962,418	9,948,735	8,545,219
Capital grants and contributions		-	-	786,534	1,763,235	786,534	1,763,235
General revenues							
Property taxes		17,545,652	17,481,813	8,941,517	8,605,342	26,487,169	26,087,155
Excise taxes		13,577,891	10,506,081	-	-	13,577,891	10,506,081
Local government shared revenues		540,690	476,514	-	-	540,690	476,514
Other		864,620	445,696	915,500	555,028	1,780,120	1,000,724
Transfers		306,009	-	(306,009)	-	-	-
Total revenues	$	45,304,944	40,417,271	76,493,076	74,984,728	121,798,020	115,401,999
Expenses:							
General government operations		3,158,675	2,546,034	-	-	3,158,675	2,546,034
Regional planning and development		11,367,579	10,599,654	-	-	11,367,579	10,599,654
Recreation and development		8,582,520	7,774,128	-	-	8,582,520	7,774,128
Interest on long-term debt		7,679,504	8,324,767	-	-	7,679,504	8,324,767
Solid Waste		-	-	47,697,124	48,612,392	47,697,124	48,612,392
Zoo		-	-	24,158,065	25,296,229	24,158,065	25,296,229
Total expenses	$	30,788,278	29,244,583	71,855,189	73,908,621	102,643,467	103,153,204
Increase (decrease) in net assets	$	14,516,666	11,172,688	4,637,887	1,076,107	19,154,553	12,248,795

General revenues are used by Metro to fund expenses not covered by program revenues. The most significant general revenue, property taxes, accounts for 21.7% of all revenues, down from 22.6% in the prior fiscal year, and is dedicated to repayment of general obligation bond debt or support for operations of the Oregon Zoo ($17,545,652 and $8,941,517, respectively). The bonds were originally issued to finance construction of the OCC, construction of the Great Northwest project at the Oregon Zoo, and for acquisition of open spaces in the region.

The excise tax – a tax Metro assesses on users of its goods and services at a flat rate per ton on solid waste activities and as a percentage of revenues on all other authorized revenues to fund primarily general government and planning functions- provided $13,577,891 in general revenue, up $3,071,810 or 29.2%. This increase is reflective of a $2.00 per ton increase on solid waste that went into effect on September 1, 2004. This increase was composed of $1.50 per ton to support the operations of the Regional Parks and Greenspaces Department and $0.50 per ton for the OCC program. A total of $2.50 per ton is now dedicated to Regional Parks for development and operations of four new sites purchased under the Open Spaces bond measure, operations of existing sites, and renewal and replacement reserves for all Regional Parks facilities. The amount dedicated to the OCC is used to fund the Tourism

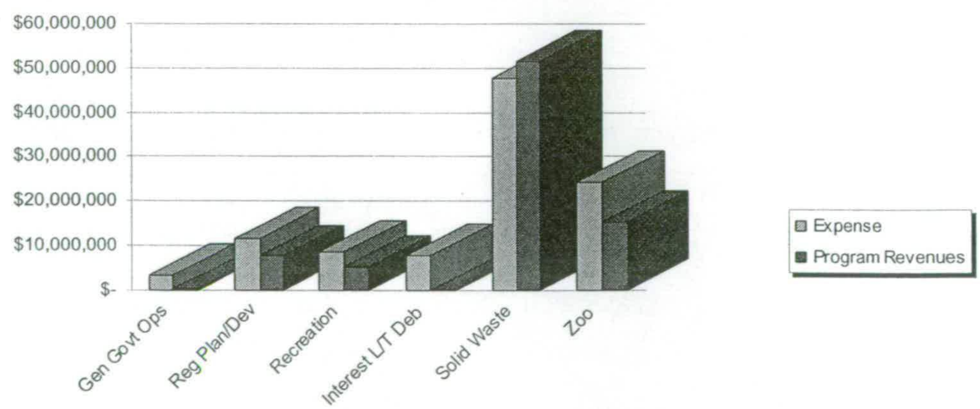
Opportunity and Competitiveness Account designed to enhance the OCC's pursuit of conventions from outside the region, bringing new dollars into the region.

Most of the remaining revenue for Metro ($9,948,735 or 8.2%) comes from federal, state and local grants or other contributions that fund various programs such as regional transportation and growth management planning activities. These revenues were up 16.4% or $1,403,516 from the prior year.

The total cost of all programs and services declined 0.5% ($509,737) from the prior year to a total of $102,643,467. Business-type activities of Solid Waste and Zoo operations accounted for 70.0% of this total, compared to 71.6% in the prior year. General government operations reflected only 3.1% of total costs, compared to 2.5% in the prior year. Regional planning and development, and recreation and development, accounted for 11.1% and 8.4% of total costs, respectively. The remainder was primarily interest on long-term debt, which decreased by $645,263 or 7.8% from the prior year and totaled $7,679,504 or 7.5% of total costs, down from 8.1% in the prior year.

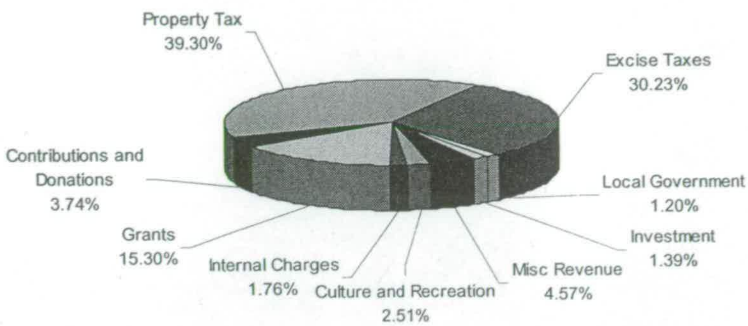
As reflected in the chart below, program revenues in each of the functional and program areas, other than Solid Waste operations, did not cover costs during the fiscal year. General revenues are called upon to cover this difference to the extent possible. Each of these areas is described separately in the narrative that follows.

Metro
Government-Wide Revenues and Expenses
Fiscal Year 2005



Governmental activities. Revenues for Metro's governmental activities increased $4,887,673 (12.1%) to a total of $45,304,944 with 38.7% of this revenue ($17,545,652) coming from property taxes dedicated to repayment of general obligation bond principal and interest, an increase of $63,839 (0.4%) from the prior fiscal year. Property taxes funded interest expense totaling $7,679,504 and the remainder was used to pay bond principal and reduce outstanding bond liabilities. Excise tax revenues showed the largest gains as noted earlier.

Metro
Governmental Activities
Sources of Revenue, Fiscal Year 2005

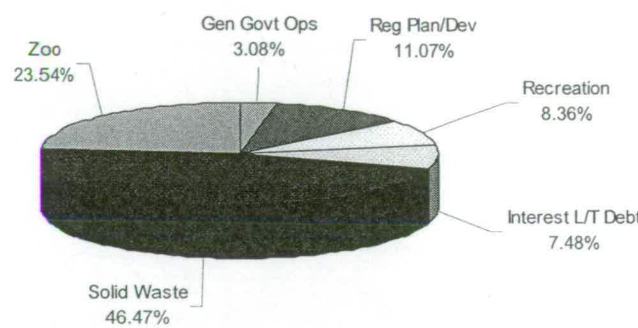


Metro's general government operations accounted for 10.3% ($3,158,675) of Metro's total expenses for governmental activities, which was an increase of $612,641 or 24.1% from the prior year. Council and Public Affairs operating expenses increased by $287,560, with a major part of this increase related to the new Nature in Neighborhoods program, the hiring of a lobbyist and a full year of Metro Charter change implementation, while the expenses for election costs and public notices were down $71,794 and $69,398, respectively. The remainder of the increase results from reimbursements of costs and internal service allocations ($116,278), and an increase in general fund support of MERC ($513,309, including $504,000 for OCC competitiveness). General government operations rely significantly on general revenues, primarily excise taxes, to offset its net expense of $3,156,082.

Metro's regional planning and development activities had total costs of $11,367,579 for the fiscal year ending June 30, 2005, up $767,925 (7.2%) from the prior year. Revenues that fund these activities are primarily from operating grants and contributions ($6,285,361), which decreased 0.9% or $55,546 from the prior year. Overall, regional planning and development is project driven, relying heavily on grant awards; the level of grants received also affects the level of work and expenditures incurred. In addition, charges for services on data and professional planning services provided to customers increased by $242,499 or 24.9% to a total of $1,215,077. The remaining net expense of $3,867,141 (an increase of $580,972 or 17.7%) 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 $8,582,520, up $808,392 or 10.4% from the prior year. Of this increase, $467,069 represents the expenses of the Rehabilitation and Enhancement program now accounted for in governmental activities. Program revenues from charges for services (e.g., admission fees, rentals, etc.) totaled $2,699,983, down 8.2% or $242,335 from the prior year, with additional support provided from operating grants and contributions (primarily the PGE contributions noted earlier) in the amount of $2,267,068, an increase of $1,035,174 or 84.0% over the prior year. The remaining net expense of this function, $3,615,469, 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
Function/Program Expenses
Fiscal Year 2005



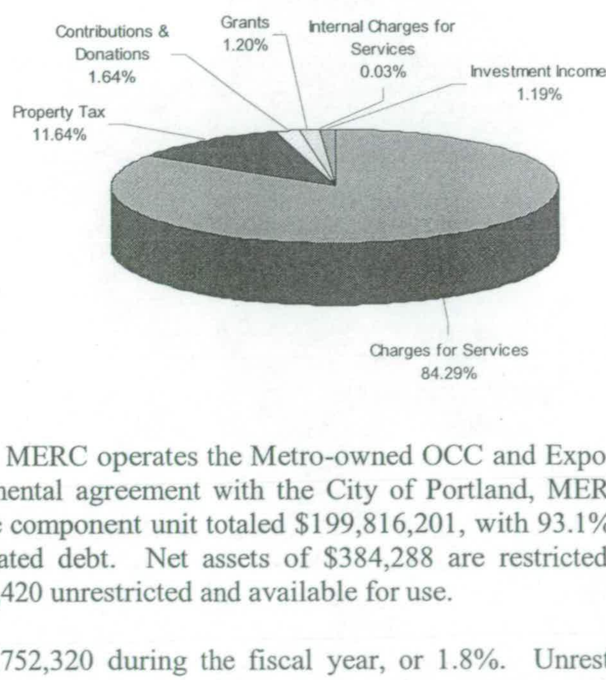
Business-type activities. Revenues of Metro's business-type activities totaled $76,493,076, up 2.0% ($1,508,348) while total expenses decreased 2.8% or $2,053,432 to a total of $71,855,189. Therefore, operations of business-type activities (the Solid Waste enterprise and Oregon Zoo) reflected an increase in net assets of $4,637,887 for the fiscal year ended June 30, 2005.

Solid Waste operations reflected program revenues of $51,577,267, which is an increase of $1,178,941 over the prior year, or up 2.3%. Total expenses of $47,697,124 were down 1.9% or $915,268 from the prior year. Solid waste tonnage brought to Metro facilities was up slightly (1.5%), and coupled with the increase in rates charged (tonnage charge was $45.55 per ton, compared to $42.55 per ton in the prior year and the transaction charge rose from $6.00 to $7.50 per transaction) resulted in increased disposal and transaction fees (up $1,174,505 and $468,435 respectively). This increase in revenue was offset by a decrease in revenue generated from the Regional System Fee, which dropped $799,650 as regional disposal tons decreased about 1.4% from the prior year and the fee was lowered from $16.57 per ton to $15.09 per ton due in part to the Metro Council's decision to recover certain administrative and overhead costs from the tonnage charge rather than the Regional System Fee. Fees charged non-Metro facilities to pay for disposal feels at the Gilliam County Landfill for their direct haul of waste were down $655,823 (with an equal decline in Metro's disposal fee expenses). Net revenue for the Solid Waste activity was $3,880,143 for the fiscal year, up $2,094,209 from the prior year.

Operations of the Oregon Zoo reflected program revenues of $15,364,801, with 85.8% of this generated from charges for services (e.g., admission fees, food and retail sales). Program revenues decreased

$61,231 or 0.4% from the prior year, with a $513,933 increase reflected in capital grants and contributions and a decrease of $976,701 in capital grants, a combined drop of $462,768 in these categories. Charges for services revenues increased $401,537 or 3.1% over the prior year. Total expenses for Zoo operations totaled $24,158,065, a decrease of $1,138,164 or 4.5% from the prior year. The resulting net expense of $8,793,264 (an improvement of $1,076,933 or 10.9% over the prior year) is 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 $8,941,517, up $336,175 or 3.9% over the prior year.

Metro
Business-Type Activities
Sources of Revenue, Fiscal Year 2005



MERC component unit. MERC operates the Metro-owned OCC and Expo Center. In addition, under terms of an intergovernmental agreement with the City of Portland, MERC operates the city-owned PCPA. Net assets for the component unit totaled $199,816,201, with 93.1% of this amount invested in capital assets, net of related debt. Net assets of $384,288 are restricted for completion of capital projects, leaving $13,339,420 unrestricted and available for use.

Net assets decreased $3,752,320 during the fiscal year, or 1.8%. Unrestricted net assets increased $7,065,420 from the prior year, primarily due to changes in amounts previously considered restricted. Program revenue includes charges for services of $27,268,341 and operating grants and contributions of $2,378,509. Charges for services revenue was up $1,748,130 or 6.8% from the prior year. This revenue growth results primarily from greater food and beverage sales, up $1,511,858 or 13.8%, due largely to a significant increase in attendance at events throughout the year, and at new events, including the Green Buildings Conference and the Nike Sales Annual Conference.

Total expenses for MERC were $41,363,806, down $4,150,588, or 9.1%. This decrease is primarily due to a decrease in internal service fund allocations of $2,952,288 as in the prior year MERC was charged by the Risk Management Fund for its share of environmental impairment liabilities. Facility operating expenses were down $1,136,880 or 22.3%. Concessions expenses increased $221,222 or 2.5%, before adjustment for a one-time only purchasing rebate attributable to prior years of $480,205 which MERC recorded as a reduction of product expenses. Payroll and fringe benefit costs increased $503,829 or 4.0%, whereas contributions to other governments (primarily for capital improvements to PCPA which is owned by the City of Portland) dropped $581,214 or 44.0%.

The resulting net expense of MERC operations was $11,716,956 for the fiscal year ended June 30, 2005, compared to $18,868,817 in the prior year, an improvement of 37.9%. General revenues used to support this net expense include local government shared revenues (transient lodging taxes) and investment income of $7,683,769 and $280,867, respectively.

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 financial statements 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 $31,605,349, up 8.8% from the prior year. The most significant decline ($2,477,888) 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. $3,087,047 remains available for additional open spaces acquisitions. In addition, these other changes in fund balances should be noted:

The Planning Fund's fund balance increased $647,738 to $3,604,540. Charges for services revenues (exclusive of miscellaneous items) were up $171,903 due to increases in sales of bike maps, custom products, aerial photos and other "lite" sales of the Data Resource Center. Personal service expenditures increased $177,537 or 2.7%, which included payments under a voluntary separation program as well as scheduled wage increases and higher fringe costs. Payments to other agencies increased $214,926 due to expenditures on the Damascus-Clackamas corridor project contract, while contracted professional services increased $309,268 as work on the South Corridor final environmental impact statement was completed and the Regional Land Information System (RLIS) changed specifications for aerial photos, which resulted in greater RLIS product demand. Program purchases of the TOD program were down $218,746 from the prior year.

The Parks Fund's fund balance decreased $421,977 or 5.6% from the prior year. Of the total fund balance of $7,097,849 at June 30, 2005, $3,606,760 is available for Smith and Bybee Lakes and $417,622 is available for special activities, such as cemetery care and other specified uses. The remaining $3,073,467 is available for regional park operations. Culture and recreation fees were down

$78,100 or 6.5% and other fees dropped $195,473 or 14.9% due to a downward trend in the number of rounds of golf played at Glendoveer Golf Course (down 2.8%) and a drop in reservation and admission fees at Blue Lake Regional Park in August and September 2004 as a result of an outbreak of the Norwalk virus in the lake. Parks operating expenses were up $1,559,997or 26.7% primarily due to the $1.2 million, one-time only, PGE funded restoration project on the Clackamas River (Parsons property) noted earlier.

The Rehabilitation and Enhancement Fund was reclassified in the current year resulting in a $1,890,019 increase to governmental fund reported fund balances.

The General Fund reflected an increase in fund balance of $1,881,978 from the prior year, to a total of $4,443,897, more than sufficient to meet the objective of maintaining General Fund reserves at a minimum of $1,000,000 in undedicated funds. Revenues increased primarily from excise taxes, as noted earlier. General Fund expenditures were up 27.9% ($733,254). Council office and Public Affairs costs increased $287,560 or 17.4% over the prior year. In addition, expenditures for special appropriations decreased $136,801, as noted earlier. Within this category, election expenditures were also down by $71,794, as there was no region-wide election during fiscal year 2005.

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 $59,832,469 at year-end, up 6.9% or $3,850,333. Of this amount, $23,805,569 is unrestricted, down 11.3%. 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:

Total operating expenses increased $254,031 or 0.5% from the prior year. Payroll and fringe benefits increased 2.0% ($168,144) due to higher fringe benefit costs and scheduled wage increases. Facility operating expenses for Metro's two solid waste transfer stations increased $684,449 or 10.1%. Waste transport costs increased 0.5% ($34,349) and disposal fees paid for waste disposal at the Gilliam County landfill decreased 3.2% ($394,731), primarily due to the drop in non-Metro facility direct haul fees of $655,823 noted earlier. Various other operating costs accounted for a decrease of $1,047,714 from the prior year. This decrease was composed primarily of a decrease in recycling credits of $557,396 and other materials and services expenses, which were down $429,540 as the department took actions to reduce costs. Waste reduction grants, a non-operating expense, totaled $1,235,594 in the current fiscal year, up $164,066 or 15.3% from the prior year. Investment income was up $282,576 or 75.2% due to improvements in the interest rate environment.

Net assets in the Zoo Fund totaled $66,089,920, up 0.6% ($383,190) from the prior year. Of this amount, $12,370,755 is unrestricted. The majority of net assets are invested in capital assets, net of related debt - which totals $53,719,165. In addition to the analysis provided earlier regarding business-type activities, the following additional details are provided:

The Oregon Zoo had its second highest attendance in its 118-year history – with 1,336,287 people passing through the gates, up 1.4% from the prior year. Food service revenue was up $216,916 or 5.7%, and fees for Zoo admission increased $463,973 or 9.5% as admission fees were increased by $0.50 on January 1, 2005. Retail sales increased $108,388 or 7.3% for the first full year under the agreement with Aramark to operate the Zoo's gift shop. Exhibit Show revenue declined $489,016 or 58.0%, due primarily to an adjustment of $383,045 that was recognized in the prior fiscal year for the Butterfly Exhibit. Contributions and donations to the Oregon Zoo totaled $1,262,770 for the fiscal year ended June 30, 2005, with $600,000 coming from the Oregon Zoo Foundation and an $83,916 in-kind donation of advertising.

Facility operating expenses for the Zoo totaled $7,465,072, down 0.2% ($18,471) from the prior year. Personal services expenditures increased 1.6% ($188,660) due to $226,558 in costs associated with the voluntary separation program for the Zoo. Materials and services expenditures were down approximately $130,765 or 1.7%. Within this expenditure category, Administrative costs declined $43,550 (43.1%) as the previous year's contractual services for work on the Zoo's master plan and paid parking studies were completed in the prior year. Utility expenditures dropped $162,007 (8.8%) from the prior year, whereas other purchased services in Marketing increased $173,568 or 96.7% for advertising related to various events, including the recognition of the expenditure for donated advertising of $83,916 noted above.

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/Public Affairs 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 this purpose (e.g., the Planning and Parks funds discussed elsewhere.)

Three budget amendments were made in the General Fund during the fiscal year. Ordinance 04-1064 authorized the transfer of $504,000 from the General Fund's Tourism Opportunity and Competitiveness Account to the MERC Pooled Capital Fund. Ordinance 04-1066 authorized the transfer of $62,280 to the Zoo Operating Fund for use on four capital maintenance projects. Finally, Ordinance 05-1085 authorized the transfer of $336,000 to fund the costs of a voluntary separation program.

General Fund revenues, primarily excise taxes, exceeded the budgeted amount by 12.6%. The overall amount collected from excise taxes increased as discussed above. Investment earnings were $25,442 higher than budget due to the improved interest rate environment.

General Fund expenditures came in at 77.3% of budget. The Council Office/Public Affairs was at 92% of budget with underspending most prominent in materials and services, which was at 63% of budget. General Fund operating expenditures included $1,246,685 for Council, $595,873 for Public and

Government Relations, $48,988 for Archives and $43,613 for Office of Citizen Involvement. In the Special Appropriations category, expenditure detail was $15,600 in Water Consortium dues, a $25,000 contribution to the Regional Arts & Culture Council, $80,457 for election costs, and $7,000 for a Nature in Neighborhoods mailing.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Metro's investment in capital assets for its governmental and business type activities amounts to $255,445,299 (net of accumulated depreciation) as of June 30, 2005. 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 $323,169 or 0.1%, with an increase of $1,867,003 or 1.2% in capital assets attributable to governmental activities and a decrease of $2,190,172, or 2.3% in business type activity capital assets.

Metro's Capital Assets

(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Land	$ 140,155,879	137,763,683	6,623,293	6,623,293	146,779,172	144,386,976
Buildings and Exhibits	17,034,666	16,940,402	79,272,106	80,854,484	96,306,772	97,794,886
Improvements	5,530,298	5,795,776	3,310,000	3,435,797	8,840,298	9,231,573
Equipment	220,996	321,662	1,810,372	2,196,230	2,031,368	2,517,892
Office furniture/equip	1,151,137	1,404,450	24,516	44,519	1,175,653	1,448,969
Railroad equip/facilities	-	-	312,036	388,172	312,036	388,172
Total	$ 164,092,976	162,225,973	91,352,323	93,542,495	255,445,299	255,768,468

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

- Acquisition of 108 acres of open spaces property from willing sellers in four different target areas, involving seven separate land transactions during the fiscal year. This brought the total acquired acreage to 8,131 (including 62 miles of stream and river frontage) under the open spaces program funded by the Open Spaces Program general obligation bonds. The total capitalized cost for the property acquired in the current fiscal year was $2,074,969 and is reflected in governmental-activities capital assets.

- Metro's Regional Parks and Greenspaces capitalized $235,990 for the first phase of the Gleason Boat Ramp project and engineering related work related to the Mt. Talbert Natural Area, reflected as improvements in governmental-activities, in addition to $875,175 in capital improvements at Smith and Bybee Lakes which includes a new parking lot, picnic shelter, restrooms and canoe launch.

- The Zoo had capital additions of $265,506 for the Great Northwest exhibit and $45,914 for the pygmy rabbit breeding facility. In addition, the Zoo capitalized $368,547 for phase II of the Condor facility.

- The Solid Waste enterprise completed the relocation of the latex paint operations for a capitalized cost of $445,756. The Metro South Station, a solid waste transfer and recycling facility, also saw a conversion of the latex paint lunchroom at a cost of $278,395. Metro capitalized $19,441 for expansion of the household hazardous waste area at Metro Central Station. Various other projects installed or improved equipment at a cost of $127,116.

MERC component unit capital assets. The total investment in capital assets, net of accumulated depreciation, for MERC totaled $200,712,670 at June 30, 2005, which represented a 3.7% ($7,819,518) decrease in total capital assets, net.

MERC Component Unit Capital Assets
(net of accumulated depreciation)

	2005	2004
Land	$ 15,279,942	$ 15,279,942
Buildings	180,887,390	188,807,695
Improvements	2,335,274	2,338,732
Equipment	1,385,538	1,326,088
Office furniture/equip.	824,535	779,740
Total	$ 200,712,679	208,532,197

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

- MERC facilities capitalized an additional $786,458 in fixed assets during the fiscal year ended June 30, 2005. Some of the more significant additions included $269,250 for a video display system and $109,353 for equipment and other improvements at OCC and additional costs to complete the expansion of the facility totaling $68,168. Improvements to the Expo Center's parking lot were made at a cost of $38,145 and MERC Administration capitalized costs of $208,819 for event business management software, scheduled for completion in fiscal year 2006.

- The above increases to fixed assets were more than offset by the annual depreciation charge, which totaled $8,557,959 for fiscal year 2005.

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 \$175,257,950 (net of unamortized costs, discounts, deferred amounts on refunding and unamortized accretion). Of this amount, \$143,000,238 comprises debt backed by the full faith and credit of Metro and the remainder (\$32,257,712) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

In addition, Metro had other long-term debt outstanding in the form of loans. The following table provides a summary of Metro's debt activity for the primary government (revenue bonds are reflected net of issuance costs, premiums, 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	
	2005	2004	2005	2004	2005	2004
Gen. obligation bonds	$ 143,000,238	153,820,393	-	-	143,000,238	153,820,393
Revenue bonds	19,384,615	20,065,556	12,873,097	18,703,766	32,257,712	38,769,322
Loans	82,550	106,844	-	97,407	82,550	204,251
Total	$ 162,467,403	173,992,793	12,873,097	18,801,173	175,340,500	192,793,966

Metro's total debt decreased \$17,453,466 (9.1%) during the current fiscal year. The key factor in this decrease was principal payments on bonds, and an additional reduction in principal resulting from a refinancing transaction undertaken during the fiscal year to take advantage of the favorable interest rate environment. Refinancing activities included the following:

- On May 12, 2005 Metro sold \$18,085,000 of General Obligation Refunding Bonds, 2005 Series to refund all callable outstanding Metro Washington Park Zoo Oregon Project 1996 Series A General Obligation Bonds. The callable portion of the 1996 Series A bonds are considered defeased and the liability has been removed from the government-wide statement of net assets. The refunding resulted in future debt service savings of \$1,740,936 and an economic gain of \$1,427,412.

- During fiscal year 2005, as disclosed further in the notes to the financial statements, US Bank notified the trustee of the Metro/Riedel Oregon Compost Co. Project, Waste Disposal System Project Revenue Bonds, that it would not renew its letter of credit in favor of Riedel Oregon Compost Company. The trustee drew on the letter of credit and effected a mandatory tender for repurchase of the bonds on June 1, 2005. Metro was not obligated to repay the bonds as they were issued non-recourse to Metro. The debt of \$5,000,000 has been removed from the statement of net assets.

Metro maintains an "AA+" rating from Standard & Poor's and an "Aa1" rating from Moody's for general obligation debt. Metro's General Obligation Refunding Bonds, 2005 Series are rated "AAA" and "Aa1" by Standard & Poor's and Moody's, respectively. The Waste Disposal System Refunding

Bonds, 2003 Series have been rated "AAA" as they are insured, with the underlying ratings of "A" by Standard & Poor's and "A2" by Moody's. The Metro Full Faith and Credit Refunding Bonds have been rated "AA+" and "Aa2" by Standard & Poor's and Moody's, 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 $14,629,389,284, which is significantly in excess of Metro's outstanding general obligation debt.

MERC component unit long-term debt. MERC had long-term debt outstanding at June 30, 2005 in the form of a loan from the OECDD in the amount of $14,445,436. In addition, MERC participated in a prior year in the creation of a Local Improvement District (LID), by the City of Portland, for the construction of a pedestrian walkway across the Willamette River. The outstanding principal balance of this LID at fiscal year end is $174,750.

Additional information on Metro's long-term debt can be found in Notes 8 through 10 in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Oregon's improved economy is luring people to the state at a pace not seen since 2001. During 2005 the total of out-of-state driver's licenses surrendered by people moving to Oregon represented a 20 percent increase over the first six months of 2004. Californians are leading the surge of new residents and Oregon is on pace to receive more California transplants than any time since 1996.

A study by the Oregon Employment Department shows that this region's reputation for a high quality of life is a major factor in its growth, and affects people's decisions to move to Portland. Oregon's job growth ranked sixth highest in the nation as recently as July 2005. Overall, state employment has grown 3.4% since August 2004, rivaling the state's growth rates in the boom years of the 1990s. The Oregon Employment Department forecasts that the state will add close to 240,000 jobs by 2014, increasing employment by 15 percent.

Unfortunately, Oregon's unemployment rate remains stubbornly high; it was the second highest in the nation in July 2005. The primary reason for the high unemployment rate is the in-migration of high numbers of job seekers, which has more than offset the fast creation of jobs.

The Beacon Hill Institute at Suffolk University (Boston, Massachusetts) ranked Portland the third most competitive city in the United States in 2004. Beacon Hill considers an area to be competitive if it has in place the policies and conditions that ensure and sustain a high level of per capita income and its continued growth. To achieve this an area must both attract and incubate new businesses and provide an environment that is conducive to the growth of existing firms.

This ranking may have resulted, in part, from Oregon Governor Kulongoski's Economic Development Vision. This plan to improve Oregon's economy relies on four elements – 1) make strategic infrastructure investments, 2) promote entrepreneurship and invest in human capital, 3) target investments in business that drive an innovation economy, and 4) facilitate a positive business climate by reducing regulatory barriers.

An item of significant regional news is the Strategic Investment Program (SIP) agreement with Intel Corporation. The agreement sets the stage for Intel to invest up to $25 billion more in the Portland area. The SIP mitigates the disproportionate tax burden on capital equipment that previously affected Intel.

With the fiscal year 2006 budget, Metro introduces some changes in both process and presentation designed to achieve two objectives:

- Endeavor to provide the budget with greater transparency by emphasizing departmental programs rather than budget funds, relating programs to Council objectives, and providing measures of success or failure of the programs in order to contribute to understanding budget priorities rather than mere presentation of budgeted amounts.

- Assist the Metro Council in aligning priorities with spending by incorporating the Council's strategic planning process, its subsequent statements of objectives, the programmatic character of budget information, and the consolidation of budget funds.

Recognizing the legal requirement for some segregated funds, the fiscal year 2006 budget reduces the number of budgeted funds from twenty to twelve and increases the amounts in the General Fund from around $14.4 million to around $79.8 million. The change provides the Council with a broader array of spending options.

Historically, Metro's General Fund has included only the costs of general government functions of the elected Metro Council and Council President, their staffs, the Public Affairs Department, and non-departmental special appropriations. In fiscal year 2006, the Zoo Operating Fund, Regional Parks Operating Fund, Planning Fund, Support Services Fund, and Building Management Fund were consolidated into the General Fund.

The fiscal year 2006 budget includes an excise tax rate of 7.5 percent on all non-solid waste generated revenues and a flat fee of $8.33 on all solid waste tonnage, including the additional $2.50 per ton dedicated to Regional Parks and $0.50 per ton dedicated to the Tourism Opportunity and Competitiveness Account to provide assistance to MERC in marketing the OCC.

The General Fund will include enterprise revenues such as admission fees, parking fees, food and beverage sales, and other sales and contracted services generated from income producing activities such as the Oregon Zoo and Regional Parks. No fee increases are anticipated for fiscal year 2006.

Personal services expenditures include salary, wage and fringe benefits for the 386.08 full-time equivalents (FTE) that reside in the various departments of the General Fund. Overall, the FTE will remain flat; however, individual departments will experience fluctuations based on program needs and resource constraints. Irrespective of staff level shifts, all departments will experience increases in fringe benefit costs particularly in the area of health and welfare and pension costs. Metro's per capita cap on health and welfare will increase 10% for fiscal year 2006, and its employer contribution to the Oregon Public Employees Retirement System (PERS) will be affected by actions taken by Metro noted below. Metro staff and management are actively working on proposals to contain future years' costs in these areas.

The fiscal year 2006 budget includes $1.25 million for a new Nature in Neighborhoods Initiative to provide restoration funds that implement program goals designed to inspire, strengthen, coordinate, and focus the activities of individuals and organizations with a role and stake in the region's fish and wildlife habitat, natural beauty, clean air and water, and outdoor recreational opportunities.

Metro's solid waste system is funded largely through three types of user fees: the regional system fee, the Metro tip fee, and a flat fee charged for each transaction at Metro transfer stations. The regional system fee is imposed on all waste generated in the Metro region and ultimately disposed of for a fee. The Metro tip fee is a user charge collected only at Metro transfer stations. The fiscal year 2006 budget includes a $0.45 increase in the Metro tip fee and a $0.55 reduction in the regional system fee. The transaction fee will remain unchanged. Total enterprise revenues are expected to grow 7.3% due to increased tonnage. Non-Metro tonnage is expected to grow faster than Metro tonnage.

PERS reserve. Metro has designated a portion of the fund balance amount within each fund for potential future pension cost liabilities. In the spring of 2003, the Oregon legislature made major reforms to PERS, which were legally challenged. The reserve is equal to the difference between the PERS rate prior to the changes and the PERS rate after the changes – which approximated 6.65% of salaries and wages. The total set aside for all Metro funds at June 30, 2005 is $4,969,449. Subsequent to the end of fiscal year 2005, Metro issued limited tax pension bonds in the amount of $24,290,000 and paid these proceeds to PERS to finance Metro's unfunded actuarial liability as of September 30, 2005 (see Note 16). The payment resulted in a new employer contribution rate of 7.76%. During fiscal year 2006, Metro will consider what amounts, if any, to pay to PERS from the accumulated designated reserves noted earlier to further lower this rate.

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, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	MERC	Oregon Zoo Foundation
Assets					
Equity in internal cash and investment pool	$ 36,099,092	33,779,734	69,878,826	13,096,042	736,839
Investments	11,023,227	-	11,023,227	-	3,188,506
Receivables (net of allowance for uncollectibles):					
Property taxes	781,478	389,388	1,170,866	-	-
Trade	338,694	4,280,352	4,619,046	2,683,077	187,165
Other	569,975	1,305,455	1,875,430	6,404,932	168,795
Interest	88,847	104,924	193,771	27,695	34,164
Grants	1,790,088	-	1,790,088	-	-
Due from component unit	3,243,686	-	3,243,686	-	-
Internal balances	917,428	(917,428)	-	-	-
Inventories	-	553,908	553,908	-	-
Prepaid items	-	2,267,768	2,267,768	21,619	-
Other assets	49,260	475,377	524,637	-	42,764
Restricted assets:					
Equity in internal cash and investment pool	-	13,867,384	13,867,384	3,977,930	-
Investments	351,967	1,233,266	1,585,233	50,000	974,442
Capital assets:					
Land, improvements, and construction in progress	140,155,879	6,623,293	146,779,172	15,279,942	-
Other capital assets (net of accumulated depreciation)	23,937,097	84,729,030	108,666,127	185,432,737	27,966
Total assets	$ 219,346,718	148,692,451	368,039,169	226,973,974	5,360,641
Liabilities					
Accounts payable	$ 1,803,037	4,251,512	6,054,549	1,137,172	511,331
Salaries, withholdings and payroll taxes payable	1,014,980	1,187,408	2,202,388	688,644	-
Contracts payable	65,427	-	65,427	-	151,450
Accrued interest payable	2,855,083	106,199	2,961,282	467,698	-
Accrued self-insurance claims	987,535	-	987,535	-	-

(Continued)

METRO

Statement of Net Assets

June 30, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	MERC	Oregon Zoo Foundation
Liabilities, Continued					
Due to primary government	$ -	-	-	3,243,686	-
Unearned revenue	5,612,557	-	5,612,557	5,136,101	1,578,969
Deposits payable	25,958	-	25,958	838,869	13,462
Other liabilities	9,673	374,387	384,060	509,201	-
Payable from restricted assets:					
Contracts payable	-	105,000	105,000	-	-
Post-closure costs payable	-	3,733,810	3,733,810	-	-
Arbitrage payable	-	17,724	17,724	-	-
Non-current liabilities:					
Due within one year:					
Bonds payable	12,188,037	2,520,000	14,708,037	-	-
Loans payable	28,055	-	28,055	430,949	-
Compensated absences	953,316	872,220	1,825,536	426,635	20,823
Due in more than one year:					
Environmental impairment liability	5,225,000	-	5,225,000	-	-
Bonds payable (net of unamortized premium or discount and deferred amount on refunding)	150,196,816	10,353,097	160,549,913	-	-
Loans payable	54,495	-	54,495	14,189,237	-
Compensated absences	234,351	166,133	400,484	89,581	-
Total liabilities	181,254,320	23,687,490	204,941,810	27,157,773	2,276,035
Net Assets					
Invested in capital assets, net of related debt	4,684,793	78,479,226	83,164,019	186,092,493	27,966
Restricted for:					
Renewal and replacement	-	6,661,086	6,661,086	-	-
Landfill closure	-	3,372,488	3,372,488	-	-
Capital projects	1,326,266	-	1,326,266	384,288	-
Debt service	8,096,217	1,233,265	9,329,482	-	-
Perpetual care-expendable	151,288	-	151,288		
Other purposes	7,221,257	-	7,221,257	-	357,166
Unrestricted	16,612,577	35,258,896	51,871,473	13,339,420	2,699,474
Total net assets	$ 38,092,398	125,004,961	163,097,359	199,816,201	3,084,606

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

METRO

Statement of Activities

For the year ended June 30, 2005

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental activities:				
General government operations	$ 3,158,675	2,593	-	-
Regional planning and development	11,367,579	1,215,077	6,285,361	-
Recreation and development	8,582,520	2,699,983	2,267,068	-
Interest on long-term debt	7,679,504	-	-	-
Total governmental activities	30,788,278	3,917,653	8,552,429	-
Business-type activities:				
Solid Waste	47,697,124	51,574,923	2,344	-
Zoo	24,158,065	13,184,305	1,393,962	786,534
Total business-type activities	71,855,189	64,759,228	1,396,306	786,534
Total primary government	$ 102,643,467	68,676,881	9,948,735	786,534
Component Units:				
MERC	$ 41,363,806	27,268,341	2,378,509	-
Oregon Zoo Foundation	5,732,861	3,084,116	2,599,696	-
Total component units	$ 47,096,667	30,352,457	4,978,205	-

General revenues:
- Property taxes
- Excise taxes
- Cemetery revenue surcharge
- Local government shared revenues
- Unrestricted investment earnings

Transfers
- Total general revenues and transfers
  - Change in net assets

Net assets-July 1, 2004

Fund reclassification

Net assets-June 30, 2005

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	MERC	Oregon Zoo Foundation
(3,156,082)	-	(3,156,082)	-	-
(3,867,141)	-	(3,867,141)	-	-
(3,615,469)	-	(3,615,469)	-	-
(7,679,504)	-	(7,679,504)	-	-
(18,318,196)	-	(18,318,196)	-	-
-	3,880,143	3,880,143	-	-
-	(8,793,264)	(8,793,264)	-	-
-	(4,913,121)	(4,913,121)	-	-
(18,318,196)	(4,913,121)	(23,231,317)	-	-
-	-	-	(11,716,956)	-
-	-	-	-	(49,049)
-	-	-	(11,716,956)	(49,049)
$ 17,545,652	8,941,517	26,487,169	-	-
13,577,891	-	13,577,891	-	-
25,270	-	25,270	-	-
540,690	-	540,690	7,683,769	-
839,350	915,500	1,754,850	280,867	140,583
306,009	(306,009)	-	-	-
32,834,862	9,551,008	42,385,870	7,964,636	140,583
14,516,666	4,637,887	19,154,553	(3,752,320)	91,534
21,599,539	120,367,074	141,966,613	203,568,521	2,993,072
1,976,193	-	1,976,193	-	-
$ 38,092,398	125,004,961	163,097,359	199,816,201	3,084,606

Fund Financial Statements

Major Governmental Funds

General Fund

The *General Fund* accounts for all activities not required to be accounted for in another fund. Unlike many governments, Metro does not account for its primary governmental services within the General Fund. This fund accounts for Metro's Council Office/Public Affairs functions and special appropriations. 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 grants, charges for services, and 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.

Rehabilitation and Enhancement Fund

This fund accounts for special fees collected on solid waste disposal. The funds are used for community enhancement projects in the areas around various solid waste disposal facilities and for administration of the enhancement program.

Debt Service Fund

The *General Obligation Bond Debt Service Fund* accounts for payments of general obligation bond principal and interest to bondholders. The principal resource is investment income.

(Continued)

Major Governmental Funds, continued

Capital Projects Funds

Open Spaces Fund

This fund accounts for the activities to acquire and protect regional open spaces, parks, trails, and streams. The principal resource is investment income.

Regional Parks Capital Fund

This fund accounts for all major capital development projects and renewal and replacement of the regional parks infrastructure. The principal source of revenue is grants and excise tax transferred through the General and Regional Parks funds

Permanent Fund

The *Cemetery Perpetual Care Fund* accounts for amounts provided to build a permanent investment of principal for which the earnings will be used to provide care for Pioneer Cemeteries under Metro's management. The principal resource is a cemetery revenue surcharge.

METRO

Balance Sheet
Governmental Funds

June 30, 2005

	General	Special Revenue: Planning	Special Revenue: Parks	Special Revenue: Rehabilitation and Enhancement
Assets				
Equity in internal cash and investment pool	$ 4,010,737	8,536,806	6,955,824	1,980,684
Investments	-	-	-	-
Receivables:				
Property taxes	-	-	-	-
Trade	1,827	36,732	287,307	-
Other	542,231	54	-	-
Interest	8,139	16,684	15,929	4,348
Grants	-	1,435,464	354,624	-
Other assets	325	7,282	-	-
Total assets	$ 4,563,259	10,033,022	7,613,684	1,985,032
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 26,663	454,133	286,608	95,013
Salaries, withholdings and payroll taxes payable	92,699	331,893	182,957	-
Contracts payable	-	37,658	12,553	-
Deferred revenue	-	-	-	-
Unearned revenue	-	5,602,557	10,000	-
Deposits payable	-	2,241	23,717	-
Total liabilities	119,362	6,428,482	515,835	95,013
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Perpetual care	-	-	-	-
Unreserved, reported in:				
General fund	4,443,897	-	-	-
Special revenue funds	-	3,604,540	7,097,849	1,890,019
Capital projects funds	-	-	-	-
Total fund balances	4,443,897	3,604,540	7,097,849	1,890,019
Total liabilities and fund balances	$ 4,563,259	10,033,022	7,613,684	1,985,032

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.

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

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.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Net assets of governmental activities

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

	Capital Projects		Permanent	Total
Debt Service	Open Spaces	Regional Parks Capital	Cemetery Perpetual Care	Governmental Funds
1,837,628	199,007	1,474,886	150,796	25,146,368
8,048,154	2,975,073	-	-	11,023,227
781,478	-	-	-	781,478
-	12,678	-	150	338,694
-	-	-	-	542,285
12,985	734	3,112	342	62,273
-	-	-	-	1,790,088
-	-	-	-	7,607
10,680,245	3,187,492	1,477,998	151,288	39,692,020
15,263	67,973	136,516	-	1,082,169
-	32,472	-	-	640,021
-	-	15,216	-	65,427
660,539	-	-	-	660,539
-	-	-	-	5,612,557
-	-	-	-	25,958
675,802	100,445	151,732	-	8,086,671
10,004,443	-	-	-	10,004,443
-	-	-	151,288	151,288
-	-	-	-	4,443,897
-	-	-	-	12,592,408
-	3,087,047	1,326,266	-	4,413,313
10,004,443	3,087,047	1,326,266	151,288	31,605,349
10,680,245	3,187,492	1,477,998	151,288	
				148,256,822
				660,539
				6,230,432
				(148,660,744)
				$ 38,092,398

METRO

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

For the year ended June 30, 2005

	General	Special Revenue: Planning	Special Revenue: Parks	Special Revenue: Rehabilitation and Enhancement
Revenues:				
Property taxes	$ -	-	-	-
Excise taxes	13,577,891	-	-	-
Cemetery revenue surcharge	-	-	-	-
Local government shared revenues	-	29,610	511,080	-
Investment income	50,442	106,655	150,401	39,236
Government fees	22	349,876	2,297	-
Culture and recreation fees	-	-	1,125,860	-
Other fees	-	290,566	1,116,308	-
Internal charges for services	-	459,831	274,837	-
Miscellaneous revenue	2,571	114,804	17,679	-
Grants	-	6,266,361	438,521	-
Government contributions	-	-	46,865	-
Contributions and donations	-	19,000	1,605,463	-
Total revenues	13,630,926	7,636,703	5,289,311	39,236
Expenditures:				
Current:				
General government operations	3,358,704	-	-	-
Regional planning and development	-	11,130,810	-	493,699
Recreation and development	-	-	7,412,410	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	875,175	-
Total expenditures	3,358,704	11,130,810	8,287,585	493,699
Revenues over (under) expenditures	10,272,222	(3,494,107)	(2,998,274)	(454,463)
Other financing sources (uses):				
Refunding bonds issued	-	-	-	-
Premium on refunding bonds issued	-	-	-	-
Transfers in	-	4,141,845	4,186,119	368,289
Payment to refunded bond escrow agent	-	-	-	-
Transfers out	(8,390,244)	-	(1,609,822)	-
Total other financing sources (uses)	(8,390,244)	4,141,845	2,576,297	368,289
Net change in fund balances	1,881,978	647,738	(421,977)	(86,174)
Fund balances - July 1, 2004	2,561,919	2,956,802	7,519,826	-
Fund reclassification	-	-	-	1,976,193
Fund balances - June 30, 2005	$ 4,443,897	3,604,540	7,097,849	1,890,019

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

	Capital Projects		Permanent	Total
Debt Service	Open Spaces	Regional Parks Capital	Cemetery Perpetual Care	Governmental Funds
17,653,137	-	-	-	17,653,137
-	-	-	-	13,577,891
-	-	-	25,270	25,270
-	-	-	-	540,690
177,871	87,280	10,571	2,734	625,190
-	-	-	-	352,195
-	-	-	-	1,125,860
-	32,055	-	-	1,438,929
-	-	55,554	-	790,222
-	100,730	-	-	235,784
-	-	166,219	-	6,871,101
-	-	-	-	46,865
-	10,000	-	-	1,634,463
17,831,008	230,065	232,344	28,004	44,917,597
182,715	-	-	-	3,541,419
-	-	-	-	11,624,509
-	1,393,360	279,910	-	9,085,680
10,640,155	-	-	-	10,640,155
7,534,732	-	-	-	7,534,732
-	1,314,593	235,990	-	2,425,758
18,357,602	2,707,953	515,900	-	44,852,253
(526,594)	(2,477,888)	(283,556)	28,004	65,344
18,085,000	-	-	-	18,085,000
1,230,005	-	-	-	1,230,005
-	-	1,609,822	-	10,306,075
(19,112,101)	-	-	-	(19,112,101)
-	-	-	-	(10,000,066)
202,904	-	1,609,822	-	508,913
(323,690)	(2,477,888)	1,326,266	28,004	574,257
10,328,133	5,564,935	-	123,284	29,054,899
-	-	-	-	1,976,193
10,004,443	3,087,047	1,326,266	151,288	31,605,349

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, 2005

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

Net change in fund balances-total governmental funds		$	574,257
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	3,466,043		
Less current year depreciation	(804,705)		2,661,338
In the statement of activities, only the loss on the disposal of capital assets is reported, while in governmental funds, the entire proceeds from sales increase financial resources. The change in net assets differs from the change in fund balance by the book values of the assets disposed.			(17,361)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Property taxes			(107,485)
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.			79,353
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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These are the effects of these differences in the treatment of long-term debt and related items.			
Bond proceeds	(18,085,000)		
Principal payments	10,640,155		
Deferred amount on refunding-premium and costs	(1,047,290)		
Payment to refunded bond escrow agent	19,112,101		10,619,966
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	8,104		
Amortization of deferred amounts on refunding	214,893		
Accrued interest on long-term debt	483,601		706,598
Change in net assets of governmental activities		$	14,516,666

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

Fund Financial Statements

Proprietary Funds

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, 2005

	Business-type Activities-Enterprise Funds			Governmental Activities-Internal Service Funds
Assets	Solid Waste	Zoo	Total	
Current assets:				
Equity in internal cash and investment pool	$ 20,258,137	13,521,597	33,779,734	10,952,724
Receivables:				
Property taxes	-	389,388	389,388	-
Trade	3,777,018	503,334	4,280,352	-
Other	1,218,456	86,999	1,305,455	27,690
Interest	74,562	30,362	104,924	26,574
Inventories	465,505	88,403	553,908	-
Prepaid items	2,267,768	-	2,267,768	-
Other assets	25,000	450,377	475,377	41,653
Total current assets	28,086,446	15,070,460	43,156,906	11,048,641
Noncurrent assets:				
Restricted equity in internal cash and investment pool	13,867,384	-	13,867,384	-
Restricted investments	1,233,266	-	1,233,266	351,967
Capital assets, net	34,091,590	57,260,733	91,352,323	15,836,154
Total noncurrent assets	49,192,240	57,260,733	106,452,973	16,188,121
Total assets	77,278,686	72,331,193	149,609,879	27,236,762
Liabilities				
Current liabilities:				
Accounts payable	3,277,932	973,580	4,251,512	720,868
Salaries, withholdings and payroll taxes payable	475,385	712,023	1,187,408	374,959
Accrued interest payable	57,881	48,318	106,199	286,318
Accrued self-insurance claims	-	-	-	987,535
Bonds payable-current	2,230,000	290,000	2,520,000	835,000
Loans payable-current	-	-	-	28,055
Compensated absences-current	416,948	455,272	872,220	363,317
Other liabilities	-	374,387	374,387	9,673
Total current liabilities	6,458,146	2,853,580	9,311,726	3,605,725

(Continued)

METRO

Statement of Net Assets, Continued
Proprietary Funds

June 30, 2005

Liabilities, continued	Business-type Activities-Enterprise Funds: Solid Waste	Business-type Activities-Enterprise Funds: Zoo	Total	Governmental Activities-Internal Service Funds
Noncurrent liabilities:				
Payable from restricted assets:				
Contracts payable	$ 105,000	-	105,000	-
Post-closure costs payable	3,733,810	-	3,733,810	-
Arbitrage payable	-	17,724	17,724	-
Environmental impairment liability	-	-	-	5,225,000
Bonds payable (net of unamortized discount and deferred amount on refunding)	7,101,529	3,251,568	10,353,097	16,188,638
Loans payable	-	-	-	54,495
Compensated absences	47,732	118,401	166,133	93,586
Total non-current liabilities	10,988,071	3,387,693	14,375,764	21,561,719
Total liabilities	17,446,217	6,241,273	23,687,490	25,167,444
Net Assets				
Invested in capital assets, net of related debt	24,760,061	53,719,165	78,479,226	(1,270,034)
Restricted for:				
Renewal and replacement	6,661,086	-	6,661,086	-
Landfill closure	3,372,488	-	3,372,488	-
Debt service	1,233,265	-	1,233,265	-
Unrestricted	23,805,569	12,370,755	36,176,324	3,339,352
Total net assets	$ 59,832,469	66,089,920	125,922,389	2,069,318
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				
Current year			404,364	
Cumulative prior years			(1,321,792)	
Net assets of business-type activities			$ 125,004,961	

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, 2005

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal
	Solid Waste	Zoo	Total	Service Funds
Operating revenues:				
Charges for services	$ 51,548,293	13,184,305	64,732,598	1,007,639
Internal charges for services	26,630	-	26,630	17,570,091
Total operating revenues	51,574,923	13,184,305	64,759,228	18,577,730
Operating expenses:				
Payroll and fringe benefits	8,411,840	12,194,168	20,606,008	7,201,493
Depreciation and amortization	1,664,985	2,263,033	3,928,018	903,117
Administrative expenses	3,263,317	2,171,857	5,435,174	641,250
Facility operating expenses	7,473,228	7,465,072	14,938,300	-
Disposal fees	11,884,801	-	11,884,801	-
Waste transport costs	7,316,924	-	7,316,924	-
Special waste disposal fees	888,068	-	888,068	-
Recycling credits	600,000	-	600,000	-
Consulting services	1,911,787	-	1,911,787	-
Charges for services	342,201	-	342,201	-
Payments to other governments	541,447	-	541,447	306,081
Insurance expense	-	-	-	5,652,626
Claims expense	-	-	-	971,265
Actuarial claims expense	-	-	-	(2,946)
Other materials and services	1,890,365	-	1,890,365	1,788,472
Total operating expenses	46,188,963	24,094,130	70,283,093	17,461,358
Operating income (loss)	5,385,960	(10,909,825)	(5,523,865)	1,116,372
Non-operating revenues (expenses):				
Grants	2,344	131,192	133,536	49,636
Contributions and donations	-	1,262,770	1,262,770	-
Property taxes	-	8,941,517	8,941,517	-
Investment income	658,552	256,948	915,500	214,160
Loss on disposal of capital assets	-	(2,446)	(2,446)	-
Waste reduction grants	(1,235,594)	-	(1,235,594)	-
Interest expense	(592,640)	(145,780)	(738,420)	(843,266)
Total non-operating revenues (expenses)	(1,167,338)	10,444,201	9,276,863	(579,470)
Income (loss) before contributions and transfers	4,218,622	(465,624)	3,752,998	536,902
Capital contributions	-	786,534	786,534	-
Transfers in	-	62,280	62,280	-
Transfers out	(368,289)	-	(368,289)	-
Change in net assets	3,850,333	383,190	4,233,523	536,902
Total net assets - July 1, 2004	55,982,136	65,706,730		1,532,416
Total net assets - June 30, 2005	$ 59,832,469	66,089,920		2,069,318
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			404,364	
Change in net assets of business-type activities			$ 4,637,887	

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, 2005

	Business-type Activities-Enterprise Funds			Governmental Activities-Internal Service Funds
	Solid Waste	Zoo	Total	
Cash flows from operating activities:				
Receipts from customers	$ 51,471,985	13,373,130	64,845,115	6,432,791
Receipts from interfund services provided	-	-	-	12,131,344
Other operating receipts	93,608	87,448	181,056	29,439
Payments to suppliers for goods and services	(31,706,525)	(7,769,172)	(39,475,697)	(7,405,008)
Payments for claims	-	-	-	(971,265)
Payments to other governments	(541,447)	-	(541,447)	(306,081)
Payments to employees for services	(8,409,099)	(12,282,331)	(20,691,430)	(7,224,936)
Payments for interfund services used	(3,263,317)	(2,171,857)	(5,435,174)	(641,250)
Net cash provided by (used in) operating activities	7,645,205	(8,762,782)	(1,117,577)	2,045,034
Cash flows from noncapital financing activities:				
Grants received	2,344	127,926	130,270	39,394
Contributions and donations	-	1,262,770	1,262,770	-
Property taxes	-	8,977,350	8,977,350	-
Transfers from other funds	-	62,280	62,280	-
Grants to others	(1,235,594)	-	(1,235,594)	-
Transfers to other funds	(368,289)	-	(368,289)	-
Net cash provided by (used in) noncapital financing activities	(1,601,539)	10,430,326	8,828,787	39,394
Cash flows from capital and related financing activities:				
Principal payment on revenue bonds	(1,135,000)	(200,000)	(1,335,000)	(815,000)
Interest payments	(121,558)	(122,834)	(244,392)	(701,296)
Capital contributions	-	786,534	786,534	-
Acquisition and construction of capital assets	(935,757)	(804,535)	(1,740,292)	(126,143)
Principal payments on loans	-	(97,407)	(97,407)	(24,294)
Net cash used in capital and related financing activities	(2,192,315)	(438,242)	(2,630,557)	(1,666,733)
Cash flows from investing activities:				
Investment income	693,248	269,901	963,149	231,071
Proceeds from sale of investments	9,565,179	-	9,565,179	347,156
Purchase of investments	(10,674,863)	-	(10,674,863)	(351,967)
Net cash provided by (used in) investing activities	(416,436)	269,901	(146,535)	226,260
Net increase in cash including restricted amounts	3,434,915	1,499,203	4,934,118	643,955
Cash at beginning of year including restricted amounts	30,690,606	12,022,394	42,713,000	10,308,769
Cash at end of year including restricted amounts	$ 34,125,521	13,521,597	47,647,118	10,952,724

(Continued)

METRO

Statement of Cash Flows, Continued
Proprietary Funds

For the year ended June 30, 2005

	Business-type Activities-Enterprise Funds: Solid Waste	Business-type Activities-Enterprise Funds: Zoo	Total	Governmental Activities-Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 5,385,960	(10,909,825)	(5,523,865)	1,116,372
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,664,985	2,263,033	3,928,018	903,117
Change in assets and liabilities:				
Trade/other accounts receivable	(9,330)	193,655	184,325	20,278
Inventory	(48,625)	19,194	(29,431)	-
Other assets	596,287	(87,445)	508,842	(29,305)
Accounts payable	241,259	(194,362)	46,897	63,243
Salaries, withholdings and payroll taxes payable/compensated absences	2,741	(88,163)	(85,422)	(23,445)
Accrued self-insurance claims	-	-	-	(2,946)
Contracts payable	(26,563)	(41,487)	(68,050)	-
Deposits payable	-	(10,057)	(10,057)	-
Other liabilities	-	92,675	92,675	(2,280)
Post-closure costs payable	(161,509)	-	(161,509)	-
Total adjustments	2,259,245	2,147,043	4,406,288	928,662
Net cash provided by (used in) operating activities	$ 7,645,205	(8,762,782)	(1,117,577)	2,045,034

Noncash investing, capital, and financing activities:

	Solid Waste	Zoo	Total	Internal Service Funds
Investment income relating to the change in the fair value of investments	$ 68,412	26,538	94,950	35,099

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, 2005

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 voters.

The Metro Council is the governing body and consists of six part-time councilors; each elected on a nonpartisan basis from a single district within the Metro area. The Council President, who both administers the agency and presides over the policy-making of the Council, is elected from the Metro area at large. A Chief Operating Officer, appointed by the Council President and confirmed by the Council, is responsible for day-to-day administration of Metro, under the guidance of the Council President and the full Council. The Metro Auditor is elected at large, and that office performs financial and performance audits and makes reports to the Council and Chief Operating 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 Council President and confirmed by the Council.

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 component units – MERC, an entity for which Metro is considered to be financially accountable, and the Oregon Zoo Foundation (OZF), a legally separate non-profit organization whose sole purpose is to provide support and significant additional funding for Metro's Oregon Zoo. These discretely presented component units are reported in separate columns in the government-wide financial statements (see description below) to emphasize that they are legally separate from Metro. Disclosures accompanying Metro's financial statements have generally been limited to those regarding MERC and not OZF due to the significance of MERC as a component unit compared with OZF.

Discretely Presented Component Units

MERC - Unless noted otherwise in this report, the accounting policies of this 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 Portland Metropolitan Exposition Center (Expo). 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.

OZF - The OZF exists exclusively for the support and benefit of the Zoo. It is a public benefit corporation organized and operated under Section 501(c)(3) of the Internal Revenue Code of 1986. The OZF conducts fundraising efforts on behalf of the Zoo, receiving donations from both individuals and corporations that are provided as financial support to the Zoo. The OZF is included in Metro's report under provisions of GASB Statement No. 39. Complete financial statements for OZF can be obtained from the Finance Manager at 4001 SW Canyon Road, Portland, OR 97221-2799.

2. BASIC FINANCIAL STATEMENTS

Government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the 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 its legally separate component units.

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 and proprietary funds. 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 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 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, cemetery revenue surcharges, 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 two broad fund categories: governmental and proprietary.

Metro reports the following major governmental funds:

General Fund – This fund accounts for all activities not required to be accounted for in another fund: Metro's Council Office/Public Affairs functions and special appropriations.

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 (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.

Rehabilitation and Enhancement Fund - This fund accounts for special fees collected on solid waste disposal. The funds are used for community enhancement projects in the areas around various solid waste disposal facilities and for administration of the enhancement program.

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

Capital Projects Funds - 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 funds are:

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

Regional Parks Capital Fund – This fund accounts for all major capital development projects and renewal and replacement of the regional parks infrastructure.

Permanent Fund - This fund type is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. Metro's permanent fund is:

Cemetery Perpetual Care Fund – This fund accounts for amounts provided to build a permanent investment of principal for which the earnings will be used to provide care for Pioneer Cemeteries under Metro's management.

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 type:

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:

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 Finance and Administrative Services, Human Resources, Public Affairs/Creative Services, Office of Metro Attorney, 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.

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 enterprise 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 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. 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 OR EQUITY

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.

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."

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 2005 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 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; and amounts for customer deposits in the MERC Component Unit Enterprise Fund.

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:

Asset	Years
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 straight-line or 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 premium received on issuance is reported as other financing sources. Discounts on issuance are reported as other financing uses. Issuance costs are reported as materials and services expenditures.

Liability for Compensated Absences

Accumulated unpaid vacation benefits are accrued as earned in government-wide and proprietary 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 statements, 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. Elements of that reconciliation explain that "capital assets used in governmental activities are not financial resources and therefore are not reported in the funds," and 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 these differences are as follows:

	Capital assets	Long-term liabilities
Capital assets	$153,051,428	-
Accumulated depreciation	(4,794,606)	-
Bonds payable (net of unamortized premium and deferred amount on refunding)	-	(145,361,215)
Accrued interest payable	-	(2,568,765)
Compensated absences	-	(730,764)
Net adjustment to fund balance-total governmental funds to arrive at net assets-governmental activities	$148,256,822	(148,660,744)

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

DEFICIT FUND EQUITY

The Building Management Fund had a deficit in total net assets of $274,431 as of June 30, 2005. Metro plans to cover the deficit through normal operations in future years.

FUND RECLASSIFICATION

A fund reclassification is reported as an adjustment to beginning equity on the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds to reflect the change in presentation of the Rehabilitation and Enhancement Fund. In previous years, the fund was reported as a Private Purpose Trust Fund in the Fiduciary Fund category, but has been reclassified as a Special Revenue Fund beginning in fiscal year 2005.

DETAILED NOTES ON ALL FUNDS

1. CASH AND INVESTMENTS

Deposits

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 U.S. government agencies, U.S. Government Sponsored Enterprises (USGSE), the U.S. Treasury, time certificates of deposit, repurchase agreements, money market investments, bankers' 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 Oregon Revised Statutes and the Oregon Short Term Fund Board (OSTFB).

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

As of June 30, 2005, Metro had the following investments and maturities. Except for $992,226 of Bankers' Acceptances and $11,264,267 of USGSE held by individual funds, all investments are in an internal investment pool.

		Investment Maturities (in months)		
Investment Type	Fair Value	Less than 3	3-17	18-59
Bankers' Acceptances	$ 4,554,871	992,226	3,562,645	-
U.S. Government securities - USGSE	56,397,045	25,159,969	31,237,076	-
State Treasurer's investment pool	37,219,134	37,219,134	-	-
Total	$98,171,050	63,371,329	34,799,721	-

Equity in internal cash and investment pool on the Statement of Activities includes pooled investments of $85,512,590 reported above. The MERC component unit participates in the internal investment pool of Metro; the OZF component unit does not.

Interest Rate Risk - As a means of limiting its exposure to fair value losses resulting from rising interest rates, Metro's investment policy allows only the purchase of investments that can be held to maturity. Investments cannot be made predicated upon selling the security prior to maturity. Metro avoids purchasing callable investments unless liquidity needs can be met without relying on the call being exercised.

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. Metro's investment policy has been reviewed by the OSTFB.

Metro limits investment maturities as follows:

Maturity	Minimum to mature
Under 3 months	25% minimum
Under 18 months	75% minimum
Under 60 months	100% minimum

Credit Risk - Neither Oregon Revised Statutes nor Metro Investment Policy limits investments as to credit rating for securities purchased from U.S. Government Agencies or from USGSE. Metro's Investments in USGSE were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The State Investment Pool is unrated.

Oregon Revised Statutes require bankers' acceptances to be guaranteed by and carried on the books of, a qualified financial institution, eligible for discount by Federal Reserve System, and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

Concentration of Credit Risk - To avoid incurring unreasonable risks inherent in over-investing in specific instruments or in individual financial institutions, Metro's investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2005 Metro was in compliance with all percentage restrictions.

Oregon Revised Statutes require no more than 25 percent of the moneys of a local government to be invested in bankers' acceptances of any qualified financial institution.

More than 5 percent of Metro's total investments are in securities by the following issuers:

Issuer	Percentage of Total Investments (Total Entity Concentration)	Policy Allowed Maximum	Fund Concentrations Exceeding Total Entity Concentration: Debt Service Fund	Fund Concentrations Exceeding Total Entity Concentration: Open Spaces Fund
Federal Home Loan Bank (FHLB)	17.0%	40.0%	29.5%	31.3%
Federal Home Loan Mortgage Corporation (FHLMC)	5.1%	40.0%	-	31.2%
Federal Farm Credit Bank (FFCB)	6.7%	40.0%	-	-
Federal National Mortgage Association (FNMA)	24.3%	40.0%	52.7%	-

2. CAPITAL ASSETS

Primary Government

Capital asset activity for fiscal year 2005 was as follows:

	Balance July 1, 2004	Increases	Decreases	Transfers	Balance June 30, 2005
Governmental activities:					
Capital assets, non-depreciable:					
Land	$ 137,763,683	2,396,245	(4,049)	-	140,155,879
Total non-depreciable	137,763,683	2,396,245	(4,049)	-	140,155,879
Capital assets, depreciable:					
Buildings	24,414,995	1,010,570	(12,585)	(126,485)	25,286,495
Improvements	7,370,772	59,228	(6,575)	126,485	7,549,910
Equipment	1,162,068	-	(992)	-	1,161,076
Office furniture/equipment	3,928,049	126,143	-	-	4,054,192
Total depreciable	36,875,884	1,195,941	(20,152)	-	38,051,673
Accumulated depreciation:					
Buildings	(7,474,593)	(785,609)	3,775	4,598	(8,251,829)
Improvements	(1,574,996)	(442,537)	2,519	(4,598)	(2,019,612)
Equipment	(840,406)	(100,220)	546	-	(940,080)
Office furniture/equipment	(2,523,599)	(379,456)	-	-	(2,903,055)
Total accumulated depreciation	(12,413,594)	(1,707,822)	6,840	-	(14,114,576)
Total capital assets, depreciable, net	24,462,290	(511,881)	(13,312)	-	23,937,097
Governmental activities capital assets, net	$ 162,225,973	1,884,364	(17,361)	-	164,092,976

	Balance July 1, 2004	Increases	Decreases	Transfers	Balance June 30, 2005
Business-type activities:					
Capital assets, non-depreciable:					
Land	$ 6,623,293	-	-	-	6,623,293
Total non-depreciable	6,623,293	-	-	-	6,623,293
Capital assets, depreciable:					
Buildings and exhibits	112,039,024	1,631,976	(204)	10,839	113,681,635
Improvements	6,191,334	59,522	-	(10,839)	6,240,017
Equipment	5,151,965	48,794	(2,646)	-	5,198,113
Office furniture/equipment	222,731	-	-	-	222,731
Railroad equipment/facilities	11,404,989	-	-	-	11,404,989
Total depreciable	135,010,043	1,740,292	(2,850)	-	136,747,485
Accumulated depreciation:					
Buildings and exhibits	(31,184,540)	(3,224,996)	7	-	(34,409,529)
Improvements	(2,755,537)	(174,480)	-	-	(2,930,017)
Equipment	(2,955,735)	(432,403)	397	-	(3,387,741)
Office furniture/equipment	(178,212)	(20,003)	-	-	(198,215)
Railroad equipment/facilities	(11,016,817)	(76,136)	-	-	(11,092,953)
Total accumulated depreciation	(48,090,841)	(3,928,018)	404	-	(52,018,455)
Total capital assets, depreciable, net	86,919,202	(2,187,726)	(2,446)	-	84,729,030
Business-type activities capital assets, net	$ 93,542,495	(2,187,726)	(2,446)	-	91,352,323

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, 2005.

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

Governmental Activities:	
Regional planning and development	$ 94,620
Recreation and development	710,085
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	903,117
Total depreciation expense - governmental activities	$ 1,707,822
Business-type activities:	
Solid Waste	$ 1,664,985
Zoo	2,263,033
Total depreciation expense - business-type activities	$ 3,928,018

Discretely Presented Component Unit - MERC

Capital asset activity for the MERC component unit for fiscal year 2005 was as follows:

	Balance July 1, 2004	Increases	Decreases	Transfers	Balance June 30, 2005
Capital assets, non-depreciable:					
Land	$ 15,279,942	-	-	-	15,279,942
Total non-depreciable	15,279,942	-	-	-	15,279,942
Capital assets, depreciable:					
Buildings	233,901,694	173,521	-	-	234,075,215
Improvements	2,712,899	103,059	-	-	2,815,958
Equipment	3,217,470	301,059	(56,491)	-	3,462,038
Office furniture/equipment	4,761,330	208,819	-	-	4,970,149
Total depreciable	244,593,393	786,458	(56,491)	-	245,323,360
Accumulated depreciation:					
Buildings	(45,093,999)	(8,093,826)	-	-	(53,187,825)
Improvements	(374,167)	(106,517)	-	-	(480,684)
Equipment	(1,891,382)	(193,592)	8,474	-	(2,076,500)
Office furniture/equipment	(3,981,590)	(164,024)	-	-	(4,145,614)
Total accumulated depreciation	(51,341,138)	(8,557,959)	8,474	-	(59,890,623)
Total capital assets, depreciable, net	193,252,255	(7,771,501)	(48,017)	-	185,432,737
MERC capital assets, net	$ 208,532,197	(7,771,501)	(48,017)	-	200,712,679

Capital assets for the MERC component unit 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.

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, 2005 were:

	Deferred	Unearned
Delinquent property taxes-Debt Service Fund	$660,539	$ -
Grant and contract drawdowns prior to meeting all eligibility requirements-Planning Fund	-	5,602,557
Prepaid sponsorships -Parks Fund	-	10,000
	$660,539	$5,612,557

4. DEFERRED COMPENSATION PLAN

Metro offers its employees a 401(k) deferred compensation plan in accordance with Internal Revenue Code provisions. The 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 certain hardship conditions. In accordance with authoritative guidance, the plan is not included in Metro's financial statements.

5. PENSION PLAN

Defined Benefit Plan Description

Substantially all full-time employees, and other employees who meet certain eligibility requirements, 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 Oregon Public Employees Retirement System, P.O. Box 23700, Portland, Oregon 97281-3700 or by calling 1-888-320-7377.

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 7.14% of covered employees' salaries. This rate increased to 11.8% effective July 1, 2005 based on the 2003 valuation, but subsequent actions taken by Metro with regard to funding PERS decreased this rate to 7.76% later in fiscal year 2006 (see Note 16). 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 most employees in conformance with its personnel policies; however, some Metro and MERC union employees are required to pay the 6% contribution in accordance with the collective bargaining agreements covering those employees. It is Metro's policy to recognize pension expenditures or expenses as currently funded.

Annual Pension Cost

For fiscal year 2005, Metro's annual pension cost of $2,764,971 was equal to Metro's required and actual contribution. In addition, Metro paid $1,933,374 for the 6% employee contribution as described above. The required employer contribution was determined as part of an actuarial valuation at December 31, 2001 using the actuarial entry age cost method. Significant actuarial assumptions used in the valuation include:

- 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:

Fiscal year ended June 30:	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	$3,243,554	100%	$ 0
2004	$2,605,657	100%	0
2005	$2,764,971	100%	0

Schedule of funding progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Percent	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/99	$ 67,001,296	$ 61,083,893	$ (5,917,403)	110%	$32,447,840	(18)%
12/31/01	210,706,140	184,602,570	(26,103,570)	114	34,576,920	(75)
12/31/03	212,975,816	231,052,379	18,076,563	92	36,057,250	50

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 24 years as a level percentage of projected annual payroll.

The actuarial value of assets and actuarial accrued liability in the above trend information includes the employer's, employees' and retirees' information. Beginning January 1, 2000, Metro elected to participate with other Oregon state and local governments in a PERS rate pool as created by the Legislature.

There is current litigation involving PERS benefits, and there will likely be litigation over PERS benefits in the future. The most important of the current actions involves the sustainability of the 2003 PERS Reform Legislation, which will be reviewed by the Oregon Supreme Court. If the Supreme Court voids all or part of the 2003 legislation, it could have a significant impact on the actuarial information reported above.

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 $17. 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. $2,267,768 of this payment is unamortized at June 30, 2005 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 privately contracted through March 31, 2010. The agreement sets an annual payment for a fixed number of tons and a per ton price above the fixed tonnage for each facility. For Metro South, the fixed amount is $1,815,600 per year based on 17,000 tons of waste received each month and a price of $8.46 per ton in excess of 17,000 tons per month. For Metro Central these figures are $2,030,400 per year for 18,000 tons per month and $8.93 per ton. 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.

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

Fiscal year ending June 30:	Columbia Ridge Landfill Variable payment based on tons	Waste Transport Variable payment based on loads	Metro South Variable payment based on tons	Metro Central Variable payment based on tons
2006	$ 10,421,835	7,014,081	3,106,554	3,634,071
2007	10,788,175	7,413,361	3,248,134	3,804,097
2008	11,249,550	7,885,356	3,456,198	4,071,731
2009	11,693,537	8,383,641	3,663,914	4,334,401
2010	12,100,776	4,425,417	2,866,505	3,475,558
Thereafter	65,356,995	-	-	-
Total	$121,610,868	35,121,856	16,341,305	19,319,858

Construction Projects

Metro is committed under a number of contracts for construction services. The amount of uncompleted contracts totals $658,799 in the primary government, and $221,199 in the MERC component unit at June 30, 2005.

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 $11,184 per month.

The future minimum lease payments are as follows:

Fiscal year ending June 30:		Fiscal year ending June 30:		Fiscal year ending June 30:	
2006	$134,214	2021-25	$671,070	2056-60	$ 671,070
2007	134,214	2026-30	671,070	2061-65	671,070
2008	134,214	2031-35	671,070	2066-70	671,070
2009	134,214	2036-40	671,070	2071-75	671,070
2010	134,214	2041-45	671,070	2076-80	671,070
2011-15	671,070	2046-50	671,070	2081-84	447,380
2016-20	671,070	2051-55	671,070		
				Total	$10,513,430

8. BONDS PAYABLE

Governmental Activities

Open Spaces Program 1995 Series B General Obligation Bonds

In prior years, Metro issued Open Spaces Program General Obligation Bonds, of which the Series A and C bonds have been refunded. The 1995 Series B (Capital Appreciation) bonds, originally issued in the amount $5,219,923, remain on their original redemption schedule. 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 on the remaining Series B bonds range from 4.9% to 5.5%.

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

Fiscal year ending June 30:	Principal	Interest
2006	$ 308,037	193,963
2007	288,945	211,055
2008	271,585	228,415
2009	254,775	245,225
2010	238,540	261,460
2011	223,356	277,644
	$1,585,238	1,417,762

2002 Series General Obligation Refunding Bonds

In prior years, Metro sold $92,045,000 of General Obligation Refunding Bonds, 2002 Series to refund all callable outstanding maturities of Open Spaces Program 1995 Series A and C General Obligation Bonds. The defeased bonds have been called and paid and the escrow account for the defeasance is closed.

The 2002 bonds are to be repaid with proceeds of Metro's ad valorem property tax levied each year. The bonds have interest rates ranging from 4.0% to 5.25%.

Bond principal and interest outstanding at June 30 and the corresponding maturities on the 2002 Series are as follows:

Fiscal year ending June 30:	Principal	Interest
2006	$ 5,795,000	4,157,212
2007	6,040,000	3,890,313
2008	6,350,000	3,580,562
2009	6,685,000	3,254,688
2010	7,030,000	2,911,812
2011-15	43,120,000	8,511,250
2016	10,155,000	266,569
	$85,175,000	26,572,406

The above principal amounts are reported on the statement of net assets net of ($6,553,980) in unamortized costs and premium, and $4,391,046 in deferred amount on refunding.

2001 Series A General Obligation Refunding Bonds

In prior years, 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 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 4.0% to 5.0%.

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

Fiscal year ending June 30:	Principal	Interest
2006	$ 3,695,000	1,621,664
2007	3,870,000	1,473,863
2008	4,065,000	1,309,389
2009	4,270,000	1,131,545
2010	4,525,000	918,045
2011-13	15,110,000	1,442,335
	$35,535,000	7,896,841

Metro Washington Park Zoo Oregon Project 1996 Series A General Obligation Bonds and 2005 Series General Obligation Refunding 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.

On May 12, 2005, Metro sold $18,085,000 of General Obligation Refunding Bonds, 2005 Series to refund all callable outstanding Metro Washington Park Zoo Oregon Project 1996 Series A General Obligation Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent until the bonds' optional redemption date of January 15, 2007. At June 30, 2005, $18,265,000 of the refunded bonds were outstanding.

As a result of these actions, the callable portion of 1996 Series A bonds are considered defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The refunding resulted in future debt service savings of $1,740,936 and an economic gain of $1,427,412.

The 1996 Series A and 2005 Series Refunding bonds are to be repaid with proceeds of Metro's ad valorem property tax levied each year. Both the remaining portion of the 1996 Series A bonds which were not defeased and the 2005 Series Refunding bonds mature serially each January 15 (through 2007 and 2017 respectively). Interest is payable semiannually on January 15 and July 15. The interest rate on the remaining maturities of the 1996 Series A bonds is 6.0% and interest rates range from 3.0% to 5.0% on the 2005 Series Refunding bonds.

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

	1996 Series A		2005 Series Refunding	
Fiscal year ending June 30:	Principal	Interest	Principal	Interest
2006	$1,275,000	157,200	$ 280,000	556,284
2007	1,345,000	80,700	20,000	815,725
2008	-	-	1,435,000	815,125
2009	-	-	1,480,000	772,075
2010	-	-	1,555,000	698,075
2011-15	-	-	9,010,000	2,363,750
2016-17	-	-	4,305,000	281,550
	$2,620,000	237,900	$18,085,000	6,302,584

The above principal amounts are reported on the statement of net assets net of ($1,036,068) in unamortized costs and premium, and $838,025 in deferred amount on refunding.

Full Faith and Credit Refunding Bonds 2003 Series

In prior years, Metro sold $24,435,000 of Full Faith and Credit Refunding Bonds, 2003 Series to refund all outstanding maturities of Metro Regional Center Project 1993 Series A General Revenue Refunding Bonds and to prepay the callable portions of the outstanding 1995 and 1996 Oregon Economic and Community Development Department's (OECDD) Special Public Works Fund loans.

The bonds are payable from all legally available taxes and other revenues of Metro. Interest rates on the bonds range from 2.0% to 4.4%.

The portion of bonds attributable to the refunding of the Metro Regional Center bonds is reported below. The portion of bonds attributable to the prepayment of the Zoo OECDD loans is reported in the *Business-type Activities* section of the note that follows.

Bond principal and interest outstanding at June 30 and the corresponding maturities on the 2003 Series pertaining to Metro Regional Center are as follows:

Fiscal year ending June 30:	Principal	Interest
2006	$ 835,000	678,814
2007	840,000	662,064
2008	865,000	642,311
2009	885,000	619,342
2010	905,000	595,848
2011-15	4,970,000	2,534,058
2016-20	6,010,000	1,538,586
2021-23	4,255,000	282,400
	$19,565,000	7,553,423

The above principal amounts are reported on the statement of net assets net of $132,205 in unamortized costs and discount, and $2,409,157 in deferred amount on refunding.

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, 2005.

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

Certain maturities of outstanding Waste Disposal System Revenue Bonds 1990 Series A were advance refunded in prior years by Waste Disposal System Refunding Revenue Bonds 1993 Series A. Also in prior years, Metro used a combination of available funds and the issuance of $4,990,000 of Waste Disposal System Refunding Revenue Bonds, 2003 Series to defease certain additional maturities of the 1990 and 1993 bonds and to refund all callable maturities of the 1993 bonds. The funds were used to purchase U.S. government securities that were deposited in an irrevocable trust with an escrow agent to provide for future debt service. As a result of these actions, the 1993 bonds and certain maturities of the 1990 bonds were considered defeased and the liability for those bonds was removed from the government-wide statement of net assets. During fiscal year 2005, the remaining defeased bonds were redeemed and the escrow account was closed.

Both the remaining maturities of the Waste Disposal System Revenue Bonds 1990 Series A (zero-coupon bonds) which were not defeased and the 2003 Series Refunding Revenue Bonds mature serially each January 1 and July 1 (through 2008 and 2010 respectively). Interest is payable semiannually on July 1 and January 1. Interest rates range from 7.05% to 7.1% on the remaining 1990 Series A bonds and from 2.0% to 2.5% on the 2003 Series Refunding Revenue bonds.

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

	1990 Series A		2003 Series Refunding	
Fiscal year ending June 30:	Principal	Interest	Principal	Interest
2006	$2,140,000	-	90,000	114,862
2007	2,140,000	-	95,000	113,013
2008	1,070,000	-	155,000	110,512
2009	-	-	2,265,000	83,481
2010	-	-	2,320,000	29,000
	$5,350,000	-	4,925,000	450,868

The above principal amounts are reported on the statement of net assets net of $117,734 in unamortized costs and discount, $552,078 in deferred amount on refunding, and $273,659 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 were to mature on July 1, 2011. US Bank secured the bonds through an irrevocable direct-pay letter of credit. That letter of credit was secured by another letter of credit drawn on the National Australia Bank Limited. During fiscal year 2005, National Australia Bank Limited declined to renew its letter of credit in favor of US Bank, and US Bank notified the Trustee of the bonds that it would not renew its letter of credit in favor of Riedel Oregon Compost Company. These events triggered a formal Event of Default under the Reimbursement Agreement under which the US Bank letter of credit was issued. The Trustee drew on the letter of credit and effected a mandatory tender for repurchase of the bonds on June 1, 2005. Metro was not obligated to make payment on the bonds as they were issued as non-recourse to Metro, and the bonds payable and loan receivable related to these bonds have been removed from the statement of net assets.

Full Faith and Credit Refunding Bonds 2003 Series

The Full Faith and Credit Refunding Bonds 2003 Series are fully described in the *Governmental Activities* section of this Bonds Payable note above. The portion of the bond issue attributable to prepayment of the callable portions of the Zoo's outstanding 1995 and 1996 Oregon Economic and Community Development Department's (OECDD) Special Public Works Fund loans is reported here. The bonds are payable from all legally available taxes and other revenues of Metro. Interest rates on the bonds range from 2.0% to 4.4%.

Bond principal and interest outstanding at June 30 and the corresponding maturities on the 2003 Series pertaining to the Zoo are as follows:

Fiscal year ending June 30:	Principal	Interest
2006	$ 290,000	113,064
2007	300,000	107,164
2008	305,000	100,161
2009	310,000	92,089
2010	320,000	83,820
2011-15	1,760,000	261,747
2016-17	570,000	17,282
	$3,855,000	775,327

The above principal amounts are reported on the statement of net assets net of $33,695 in unamortized costs and discount, and $279,737 in deferred amount on refunding.

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. The outstanding balance at June 30, 2005 was $82,550.

Oregon Economic and Community Development Department Loans

In prior years, Metro borrowed funds through the OECDD's 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 callable portions of these outstanding 1995 and 1996 loans were prepaid when Metro issued Full Faith and Credit

Refunding Bonds, 2003 Series. The remaining outstanding balance on the 1996 loan was paid during fiscal year 2005.

In prior years, Metro obtained a loan for MERC from the OECDD to pay for the construction of a new building to replace the existing Hall D at the Expo Center. The original 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 of 5.245% for infrastructure improvements. Expo Center revenues will be used to repay the loan in annual installments through December 1, 2024. The outstanding balance at June 30, 2005 was $14,445,436.

Local Improvement District Assessment Loan

In prior years, 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 5.32% and will be repaid by MERC in semi-annual installments through January 13, 2022. The outstanding balance at June 30, 2005 was $174,750.

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

	Primary Government		**MERC Component Unit**			
	Governmental Activities					
Fiscal year ending June 30:	Energy Loan Payable		OECDD 2000 Loan Payable		LID Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	$28,055	4,429	420,670	794,464	10,279	9,166
2007	27,603	2,777	438,068	772,379	10,279	8,619
2008	26,892	796	465,591	749,380	10,279	8,072
2009			483,248	724,937	10,279	7,525
2010	-	-	516,043	699,566	10,279	6,979
2011-15	-	-	3,013,903	3,050,887	51,398	26,690
2016-20	-	-	3,944,787	2,126,172	51,398	13,018
2021-25	-	-	5,163,126	902,583	20,559	1,379
	$82,550	8,002	14,445,436	9,820,368	174,750	81,448

10. CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following changes occurred during fiscal year 2005 in long-term liabilities:

		Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Governmental activities:						
Bonds payable:						
General obligation bonds	$	153,820,393	18,085,000	(28,905,155)	143,000,238	11,353,037
Revenue bonds		20,380,000	-	(815,000)	19,565,000	835,000
Less deferred amounts:						
For issuance costs and premium or discount		7,058,690	1,047,290	(648,137)	7,457,843	-
On refunding		(7,373,134)	(847,101)	582,007	(7,638,228)	-
Total bonds payable		173,885,949	18,285,189	(29,786,285)	162,384,853	12,188,037
Environmental impairment liability		5,225,000	-	-	5,225,000	-
Loans payable		106,844	-	(24,294)	82,550	28,055
Compensated absences		1,190,424	1,187,667	(1,190,424)	1,187,667	953,316
Governmental activity Long-term liabilities	$	180,408,217	19,472,856	(31,001,003)	168,880,070	13,169,408
Business-type activities:						
Bonds payable:						
Revenue bonds	$	20,465,000	-	(6,335,000)	14,130,000	2,520,000
Less deferred amounts:						
For accretion		(583,083)	-	309,424	(273,659)	-
For issuance costs and premium or discount		(183,814)	-	32,385	(151,429)	-
On refunding		(994,337)	-	162,522	(831,815)	-
Total bonds payable		18,703,766	-	(5,830,669)	12,873,097	2,520,000
Post-closure costs payable		3,895,319	-	(161,509)	3,733,810	-
Loans payable		97,407	-	(97,407)	-	-
Compensated absences		1,094,355	1,038,353	(1,094,355)	1,038,353	872,220
Business-type activity Long-term liabilities	$	23,790,847	1,038,353	(7,183,940)	17,645,260	3,392,220

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. For governmental activities, compensated absences are generally liquidated by the specific fund to which the wages of the employee earning the leave are charged.

Discretely Presented Component Unit - MERC

The following changes occurred during fiscal year 2005 in long-term liabilities:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Loans payable	$ 15,023,856	-	(403,670)	14,620,186	430,949
Compensated absences	505,432	516,216	(505,432)	516,216	426,635
Component unit activity Long-term liabilities	$ 15,529,288	516,216	(909,102)	15,136,402	857,584

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, 2005, 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 $161,509 in closure costs as the closure process continued ($37,660,091 cumulative to date), reducing the remaining estimated liability to $3,733,810 at June 30, 2005. Metro has accumulated $7,106,298 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.

13. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2005 consisted of:

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary Government-governmental activities	MERC Component Unit	$3,243,686

Interfund transfers for the fiscal year were:

	Transfers in					
Transfers out	Planning Fund	Parks Fund	Rehabilitation/ Enhancement Fund	Regional Parks Capital Fund	Zoo Fund	Total
General Fund	$4,141,845	4,186,119	-	-	62,280	8,390,244
Parks Fund	-	-	-	1,609,822	-	1,609,822
Solid Waste Fund	-	-	368,289	-	-	368,289
Total	$4,141,845	4,186,119	368,289	1,609,822	62,280	10,368,355

The transfers detailed above are transfers of resources from one fund to another that are not based upon a cost allocation plan or any expectation of a payment for services provided, but rather to provide resources for other uses. The majority of the transfers represent General Fund excise tax transferred to support programs in other funds.

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 MERC 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 $445,172,791 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 December 2003. 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 $987,535 reported as accrued self-insurance claims in the Risk Management Fund at June 30, 2005 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 that have been incurred but not reported. A portion of the loss reserves have been discounted, with the actuary using a discount factor of .971 for liability and .987 for workers' compensation and an assumed investment rate of 1.5% 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:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2003-2004	$911,015	928,698	849,232	990,481
2004-2005	$990,481	968,319	971,265	987,535

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. 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. SUBSEQUENT EVENTS

On September 23, 2005, Metro, along with certain other Oregon cities, counties and special districts (collectively, the "Series 2005 Issuers") issued limited tax pension bonds (the "Series 2005 Pension Bonds"). The proceeds of Metro's Series 2005 Pension Bond were paid to PERS on September 30, 2005 to finance Metro's PERS UAAL (discussed in Note 5).

The supplemental payment made by Metro is equal to the estimated UAAL as of September 30, 2005 on a fair value basis. This fair value basis is calculated as the actual UAAL as of the December 31, 2003 actuarial valuation, projected to September 30, 2005, based on the actuarial assumptions used in and the employer rates in effect since that valuation. Gains or losses since the last valuation are not factored into the projection. The payment resulted in a new employer contribution rate of 7.76% for Metro beginning October 1, 2005.

Principal and interest requirements to maturity for the new bonds are:

Fiscal year ending June 30:	Principal	Interest
2006	$ -	825,907
2007	-	1,198,898
2008	160,000	1,198,898
2009	220,000	1,191,973
2010	290,000	1,182,339
2011-15	2,645,000	5,633,427
2016-20	5,315,000	4,754,366
2021-25	9,165,000	3,092,222
2026-28	6,495,000	598,728
	$24,290,000	19,676,758

Supplementary Information

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

Major Governmental Funds
Required Supplementary Information

General Fund

Special Revenue Funds

Planning Fund

Regional Parks Fund
Smith and Bybee Lakes Fund
Regional Parks Special Accounts Fund

Rehabilitation and Enhancement 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, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
Program revenues:				
Charges for services:				
Government fees	$ -	-	22	22
Miscellaneous revenue	-	-	2,571	2,571
General revenues:				
Taxes:				
Excise taxes	12,083,153	12,083,153	13,577,891	1,494,738
Investment income	25,000	25,000	50,442	25,442
Total revenues	12,108,153	12,108,153	13,630,926	1,522,773
Expenditures:				
Council Office/Public Affairs:				
Operating expenses	2,101,192	2,101,192	1,935,505	165,687
Special appropriations:				
Operating expenses	265,000	265,000	134,744	130,256
Contingency	1,212,615	310,335	-	310,335
Total expenditures	3,578,807	2,676,527	2,070,249	606,278
Revenues over expenditures	8,529,346	9,431,626	11,560,677	2,129,051
Other financing sources (uses):				
Transfers in	291,550	291,550	257,526	(34,024)
Transfers out	(9,542,038)	(10,444,318)	(9,936,225)	508,093
Total other financing sources (uses)	(9,250,488)	(10,152,768)	(9,678,699)	474,069
Revenues and other sources over (under) expenditures and other uses	(721,142)	(721,142)	1,881,978	2,603,120
Beginning fund balance available for appropriation - July 1, 2004	2,035,545	2,035,545	2,561,919	526,374
Unappropriated ending fund balance - June 30, 2005	$ 1,314,403	1,314,403	4,443,897	3,129,494

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, 2005

	Budgeted Amounts		Actual	Variance with final budget positive
	Original	Final	Amounts	(negative)
Revenues:				
Program revenues:				
Charges for services:				
Government fees	$ 50,000	50,000	349,876	299,876
Other fees	142,588	142,588	290,566	147,978
Internal charges for services	55,000	55,000	15,167	(39,833)
Miscellaneous revenue	31,000	31,000	114,804	83,804
Operating grants and contributions:				
Grants	13,270,145	13,420,145	6,266,361	(7,153,784)
Contributions and donations	-	-	19,000	19,000
General revenues:				
Local government shared revenue	-	-	29,610	29,610
Investment income	-	-	106,655	106,655
Total revenues	13,548,733	13,698,733	7,192,039	(6,506,694)
Expenditures:				
Operating expenses	15,662,444	15,910,346	9,048,356	6,861,990
Capital outlay	47,000	47,000	-	47,000
Contingency	786,840	1,024,938	-	1,024,938
Total expenditures	16,496,284	16,982,284	9,048,356	7,933,928
Revenues under expenditures	(2,947,551)	(3,283,551)	(1,856,317)	1,427,234
Other financing sources (uses):				
Transfers in	4,599,990	4,935,990	4,586,509	(349,481)
Transfers out	(2,189,991)	(2,189,991)	(2,082,454)	107,537
Total other financing sources (uses)	2,409,999	2,745,999	2,504,055	(241,944)
Revenues and other sources over (under) expenditures and other uses	(537,552)	(537,552)	647,738	1,185,290
Beginning fund balance available for appropriation - July 1, 2004	627,552	627,552	2,956,802	2,329,250
Unappropriated ending fund balance - June 30, 2005	$ 90,000	90,000	3,604,540	3,514,540

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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, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
Program revenues:				
Charges for services:				
Government fees	$ 1,500	1,500	2,297	797
Culture and recreation fees	1,331,432	1,331,432	1,124,696	(206,736)
Other fees	1,281,403	1,281,403	1,116,123	(165,280)
Miscellaneous revenue	11,500	11,500	17,679	6,179
Operating grants and contributions:				
Grants	196,200	464,118	176,619	(287,499)
Government contributions	40,300	55,300	36,865	(18,435)
Contributions and donations	-	1,314,000	1,284,263	(29,737)
General revenues:				
Local government shared revenue	403,975	403,975	511,080	107,105
Investment income	60,000	60,000	71,203	11,203
Total revenues	3,326,310	4,923,228	4,340,825	(582,403)
Expenditures:				
Operating expenses	4,879,860	6,566,908	6,271,557	295,351
Contingency	493,908	394,503	-	394,503
Total expenditures	5,373,768	6,961,411	6,271,557	689,854
Revenues under expenditures	(2,047,458)	(2,038,183)	(1,930,732)	107,451
Other financing sources (uses):				
Transfers in	4,189,269	4,189,269	4,282,444	93,175
Transfers out	(2,902,040)	(2,902,040)	(2,757,146)	144,894
Total other financing sources (uses)	1,287,229	1,287,229	1,525,298	238,069
Revenues and other sources under expenditures and other uses	(760,229)	(750,954)	(405,434)	345,520
Beginning fund balance available for appropriation - July 1, 2004	3,700,311	3,700,311	3,478,901	(221,410)
Unappropriated ending fund balance - June 30, 2005	$ 2,940,082	2,949,357	3,073,467	124,110

Reconciliation to GAAP basis:	
Smith and Bybee Lakes Fund budgetary fund balance from page 93	3,606,760
Regional Parks Special Accounts Fund budgetary fund balance from page 94	417,622
Parks Fund fund balance as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds	7,097,849

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, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
Program revenues:				
Charges for services:				
Culture and recreation fees	$ 1,800	1,800	1,164	(636)
Other fees	-	-	185	185
Operating grants and contributions:				
Grants	261,902	261,902	261,902	-
Government contributions	60,000	60,000	10,000	(50,000)
Contributions and donations	190,000	510,000	321,200	(188,800)
General revenues:				
Investment income	54,118	54,118	70,874	16,756
Total revenues	567,820	887,820	665,325	(222,495)
Expenditures:				
Operating expenses	20,148	20,148	5,490	14,658
Capital outlay	801,349	1,121,349	875,175	246,174
Contingency	822	822	-	822
Total expenditures	822,319	1,142,319	880,665	261,654
Revenues under expenditures	(254,499)	(254,499)	(215,340)	39,159
Other financing sources (uses):				
Transfers in	265,749	265,749	190,512	(75,237)
Transfers out	(25,000)	(25,000)	-	25,000
Total other financing sources (uses)	240,749	240,749	190,512	(50,237)
Revenues and other sources under expenditures and other uses	(13,750)	(13,750)	(24,828)	(11,078)
Beginning fund balance available for appropriation - July 1, 2004	3,607,895	3,607,895	3,631,588	23,693
Unappropriated ending fund balance - June 30, 2005	$ 3,594,145	3,594,145	3,606,760	12,615

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, 2005

		Budgeted Amounts		Actual	Variance with final budget positive
		Original	Final	Amounts	(negative)
Revenues:					
General revenues:					
Investment income	$	6,519	6,519	8,324	1,805
Total revenues		6,519	6,519	8,324	1,805
Expenditures:					
Operating expenses		225	225	39	186
Total expenditures		225	225	39	186
Revenues over expenditures		6,294	6,294	8,285	1,991
Other financing uses:					
Transfers out		(70,000)	(70,000)	-	70,000
Revenues over (under) expenditures and other uses		(63,706)	(63,706)	8,285	71,991
Beginning fund balance available for appropriation - July 1, 2004		434,570	434,570	409,337	(25,233)
Unappropriated ending fund balance - June 30, 2005	$	370,864	370,864	417,622	46,758

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, 2005

	Budgeted Amounts		Actual	Variance with final budget positive
	Original	Final	Amounts	(negative)
Revenues:				
General revenues:				
Investment income	$ 28,590	28,590	39,236	10,646
Total revenues	28,590	28,590	39,236	10,646
Expenditures:				
Operating expenses	534,151	534,151	467,069	67,082
Contingency	300,000	300,000	-	300,000
Total expenditures	834,151	834,151	467,069	367,082
Revenues under expenditures	(805,561)	(805,561)	(427,833)	377,728
Other financing sources (uses):				
Transfers in	398,185	410,185	368,289	(41,896)
Transfers out	(26,630)	(26,630)	(26,630)	-
Total other financing sources (uses)	371,555	383,555	341,659	(41,896)
Revenues and other sources under expenditures and other uses	(434,006)	(422,006)	(86,174)	335,832
Beginning fund balance available for appropriation - July 1, 2004	1,916,992	1,916,992	1,976,193	59,201
Unappropriated ending fund balance - June 30, 2005	$ 1,482,986	1,494,986	1,890,019	395,033

METRO

Notes to Required Supplementary Information

For the Year Ended June 30, 2005

BUDGETARY INFORMATION

1. BUDGETS

A budget is prepared for each 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 including those for the MERC component unit 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 combined), capital outlay, debt service, interfund transfers and contingency are the established legal level of control in these funds:

Primary Government
- Planning Fund
- Regional Parks Fund
- Smith and Bybee Lakes Fund
- Regional Parks Special Accounts Fund
- Rehabilitation and Enhancement Fund
- General Obligation Bond Debt Service Fund
- Open Spaces Fund
- Regional Parks Capital Fund
- Cemetery Perpetual Care Fund
- Zoo Operating Fund
- Zoo Capital Fund
- Building Management Fund
- Risk Management Fund

MERC Component Unit
- MERC Operating Fund
- Convention Center Project Capital Fund
- MERC Pooled Capital Fund

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

Primary Government
- 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.

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, with approval of the Council. Management may amend the budget within the appropriated levels of control without Council approval.

Metro adopted 16 budget amendments during the year ended June 30, 2005. Three amendments were significant: one remedied a potential budget law violation concerning the recognition of new revenue sources prior to budget adoption, another recognized $1.6 million in new funds for restoration projects in Parks, and the third was a supplemental budget to recognize $2.5 million in additional revenue and expenses in the MERC Operating Fund.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2005, expenditures exceeded appropriations in the General Obligation Bond Debt Service Fund due to the refunding of Metro Washington Park Zoo Oregon Project bonds. Oregon Local Budget Law (ORS 294.483) provides an exemption for overexpenditures in this situation.

Expenditures for operating expenses exceeded appropriations by $10,077 in the MERC Pooled Capital Fund.

3. RECONCILIATION OF BASIS OF BUDGETING TO GAAP BASIS

Oregon Local 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 for presentation in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. The accounting for the reclassification of interfund transfers as operating 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. Other reconciliations as necessary are presented on the face of the budgetary schedules.

Internal Service Funds

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 Finance and Administrative Services, Human Resources, Public Affairs/Creative Services, Office of Metro Attorney, 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, 2005

Assets	Building Management Fund	Support Services Fund	Risk Management Fund	Total
Current assets:				
Equity in internal cash and investment pool	$ 2,372,830	2,443,140	6,136,754	10,952,724
Other receivables	17,113	335	10,242	27,690
Interest receivable	5,830	6,998	13,746	26,574
Other assets	-	41,653	-	41,653
Total current assets	2,395,773	2,492,126	6,160,742	11,048,641
Noncurrent assets:				
Restricted investments	-	-	351,967	351,967
Capital assets, net	14,795,688	1,040,466	-	15,836,154
Total noncurrent assets	14,795,688	1,040,466	351,967	16,188,121
Total assets	17,191,461	3,532,592	6,512,709	27,236,762
Liabilities				
Current liabilities:				
Accounts payable	53,178	511,276	156,414	720,868
Salaries, withholdings and payroll taxes payable	15,808	352,062	7,089	374,959
Accrued interest payable	286,318	-	-	286,318
Accrued self-insurance claims	-	-	987,535	987,535
Bonds payable-current	835,000	-	-	835,000
Loans payable-current	28,055	-	-	28,055
Compensated absences-current	-	363,317	-	363,317
Other liabilities	4,400	5,273	-	9,673
Total current liabilities	1,222,759	1,231,928	1,151,038	3,605,725
Noncurrent liabilities:				
Environmental impairment liability	-	-	5,225,000	5,225,000
Bonds payable (net of unamortized discount and deferred amount on refunding)	16,188,638	-	-	16,188,638
Loans payable	54,495	-	-	54,495
Compensated absences	-	93,586	-	93,586
Total noncurrent liabilities	16,243,133	93,586	5,225,000	21,561,719
Total liabilities	17,465,892	1,325,514	6,376,038	25,167,444
Net Assets				
Invested in capital assets, net of related debt	(2,310,500)	1,040,466	-	(1,270,034)
Unrestricted	2,036,069	1,166,612	136,671	3,339,352
Total net assets	$ (274,431)	2,207,078	136,671	2,069,318

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, 2005

	Building Management Fund	Support Services Fund	Risk Management Fund	Total
Operating revenues:				
Charges for services	$ 570,106	428,686	8,847	1,007,639
Internal charges for services	1,908,307	8,895,039	6,766,745	17,570,091
Total operating revenues	2,478,413	9,323,725	6,775,592	18,577,730
Operating expenses:				
Payroll and fringe benefits	293,529	6,773,342	134,622	7,201,493
Depreciation and amortization	550,639	352,478	-	903,117
Administrative expenses	-	641,250	-	641,250
Payments to other governments	-	306,081	-	306,081
Insurance expense	-	-	5,652,626	5,652,626
Claims expense	-	-	971,265	971,265
Actuarial claims expense	-	-	(2,946)	(2,946)
Other materials and services	598,197	1,055,472	134,803	1,788,472
Total operating expenses	1,442,365	9,128,623	6,890,370	17,461,358
Operating income (loss)	1,036,048	195,102	(114,778)	1,116,372
Non-operating revenues (expenses):				
Grants	-	5,000	44,636	49,636
Investment income	49,066	44,214	120,880	214,160
Interest expense	(843,266)	-	-	(843,266)
Total non-operating revenues (expenses)	(794,200)	49,214	165,516	(579,470)
Change in net assets	241,848	244,316	50,738	536,902
Total net assets - July 1, 2004	(516,279)	1,962,762	85,933	1,532,416
Total net assets - June 30, 2005	$ (274,431)	2,207,078	136,671	2,069,318

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, 2005

	Building Management Fund	Support Services Fund	Risk Management Fund	Total
Cash flows from operating activities:				
Receipts from customers	$ 590,533	403,511	5,438,747	6,432,791
Receipts from interfund services provided	1,908,307	8,895,039	1,327,998	12,131,344
Other operating receipts	-	20,592	8,847	29,439
Payments to suppliers for goods and services	(590,234)	(1,006,865)	(5,807,909)	(7,405,008)
Payments for claims	-	-	(971,265)	(971,265)
Payments to other governments	-	(306,081)	-	(306,081)
Payments to employees for services	(293,631)	(6,788,053)	(143,252)	(7,224,936)
Payments for interfund services used	-	(641,250)	-	(641,250)
Net cash provided by (used in) operating activities	1,614,975	576,893	(146,834)	2,045,034
Cash flows from noncapital financing activities:				
Grants received	-	5,000	34,394	39,394
Net cash provided by noncapital financing activities	-	5,000	34,394	39,394
Cash flows from capital and related financing activities:				
Principal payment on revenue bonds	(815,000)	-	-	(815,000)
Interest payments	(701,296)	-	-	(701,296)
Acquisition and construction of capital assets	-	(126,143)	-	(126,143)
Principal payments on loans	(24,294)	-	-	(24,294)
Net cash used in capital and related financing activities	(1,540,590)	(126,143)	-	(1,666,733)
Cash flows from investing activities:				
Investment income	52,746	45,924	132,401	231,071
Proceeds from sale of investments	-	-	347,156	347,156
Purchase of investments	-	-	(351,967)	(351,967)
Net cash provided by investing activities	52,746	45,924	127,590	226,260
Net increase in cash	127,131	501,674	15,150	643,955
Cash at beginning of year	2,245,699	1,941,466	6,121,604	10,308,769
Cash at end of year	$ 2,372,830	2,443,140	6,136,754	10,952,724

(Continued)

METRO

Combining Statement of Cash Flows, Continued
Internal Service Funds

For the year ended June 30, 2005

	Building Management Fund	Support Services Fund	Risk Management Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 1,036,048	195,102	(114,778)	1,116,372
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	550,639	352,478	-	903,117
Change in assets and liabilities:				
Trade/other accounts receivable	20,427	(149)	-	20,278
Other assets	932	(30,237)	-	(29,305)
Accounts payable	7,032	76,691	(20,480)	63,243
Salaries, withholdings and payroll taxes payable/compensated absences	(103)	(14,712)	(8,630)	(23,445)
Accrued self-insurance claims	-	-	(2,946)	(2,946)
Other liabilities	-	(2,280)	-	(2,280)
Total adjustments	578,927	381,791	(32,056)	928,662
Net cash provided by (used in) operating activities	$ 1,614,975	576,893	(146,834)	2,045,034
Noncash investing, capital, and financing activities:				
Investment income relating to the change in the fair value of investments	$ 6,336	5,191	23,572	35,099

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

Budgetary Comparison Schedules

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 supplemetary information. Budgetary comparisons for all other funds are displayed in the following pages.

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

Other Major Governmental Funds

Debt Service Fund

General Obligation Bond Debt Service Fund.

Capital Projects Funds

Open Spaces Fund
Regional Parks Capital Fund

Permanent Fund

Cemetery Perpetual Care 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, 2005

	Budgeted Amounts		Actual	Variance with final budget positive
	Original	Final	Amounts	(negative)
Revenues:				
General revenues:				
Taxes:				
Property taxes	$ 17,480,653	17,480,653	17,653,137	172,484
Investment income	200,000	200,000	177,871	(22,129)
Total revenues	17,680,653	17,680,653	17,831,008	150,355
Expenditures:				
Materials and services	-	-	182,715	(182,715)
Debt service:				
Principal	10,640,155	10,640,155	10,640,155	-
Interest	7,534,732	7,534,732	7,534,732	-
Total expenditures	18,174,887	18,174,887	18,357,602	(182,715)
Revenues under expenditures	(494,234)	(494,234)	(526,594)	(32,360)
Other financing sources (uses):				
Refunding bonds issued	-	-	18,085,000	18,085,000
Premium on refunding bonds issued	-	-	1,230,005	1,230,005
Payment to refunded bond escrow agent	-	-	(19,112,101)	(19,112,101)
Total other financing sources (uses)	-	-	202,904	202,904
Revenues and other sources under expenditures and other uses	(494,234)	(494,234)	(323,690)	170,544
Beginning fund balance available for appropriation - July 1, 2004	10,308,427	10,308,427	10,328,133	19,706
Unappropriated ending fund balance - June 30, 2005	$ 9,814,193	9,814,193	10,004,443	190,250

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, 2005

		Budgeted Amounts		Actual	Variance with final budget positive
		Original	Final	Amounts	(negative)
Revenues:					
Program revenues:					
Charges for services:					
Other fees	$	55,000	55,000	32,055	(22,945)
Miscellaneous revenue		-	-	100,730	100,730
Operating grants and contributions:					
Grants		200,000	200,000	-	(200,000)
Contributions and donations		-	-	10,000	10,000
General revenues:					
Investment income		91,600	91,600	87,280	(4,320)
Total revenues		346,600	346,600	230,065	(116,535)
Expenditures:					
Operating expenses		1,764,532	1,764,532	1,065,821	698,711
Capital outlay		3,096,940	3,096,940	1,063,896	2,033,044
Contingency		174,735	174,735	-	174,735
Total expenditures		5,036,207	5,036,207	2,129,717	2,906,490
Revenues under expenditures		(4,689,607)	(4,689,607)	(1,899,652)	2,789,955
Other financing uses:					
Transfers out		(608,749)	(608,749)	(578,236)	30,513
Revenues under expenditures and other uses		(5,298,356)	(5,298,356)	(2,477,888)	2,820,468
Beginning fund balance available for appropriation - July 1, 2004		6,678,356	6,678,356	5,564,935	(1,113,421)
Unappropriated ending fund balance - June 30, 2005	$	1,380,000	1,380,000	3,087,047	1,707,047

METRO

Regional Parks 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, 2005

	Budgeted Amounts		Actual	Variance with final budget positive
	Original	Final	Amounts	(negative)
Revenues:				
Program revenues:				
Operating grants and contributions:				
Grants	$ 300,000	633,749	166,219	(467,530)
Contributions and donations	-	33,991	-	(33,991)
General revenues:				
Investment income	-	-	10,571	10,571
Total revenues	300,000	667,740	176,790	(490,950)
Expenditures:				
Operating expenses	620,000	620,000	279,910	340,090
Capital outlay	661,500	1,029,240	235,990	793,250
Contingency	58,500	58,500	-	58,500
Total expenditures	1,340,000	1,707,740	515,900	1,191,840
Revenues under expenditures	(1,040,000)	(1,040,000)	(339,110)	700,890
Other financing sources:				
Transfers in	1,804,822	1,804,822	1,665,376	(139,446)
Revenues and other sources over expenditures	764,822	764,822	1,326,266	561,444
Beginning fund balance available for appropriation - July 1, 2004	-	-	-	-
Unappropriated ending fund balance - June 30, 2005	$ 764,822	764,822	1,326,266	561,444

METRO

Cemetery Perpetual Care Fund

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

For the year ended June 30, 2005

		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:					
General revenues:					
Taxes:					
Cemetery revenue surcharge	$	18,090	18,090	25,270	7,180
Investment income		1,500	1,500	2,734	1,234
Total revenues		19,590	19,590	28,004	8,414
Expenditures:					
Operating expenses		-	-	-	-
Total expenditures		-	-	-	-
Revenues over expenditures		19,590	19,590	28,004	8,414
Beginning fund balance available for appropriation - July 1, 2004		113,583	113,583	123,284	9,701
Unappropriated ending fund balance - June 30, 2005	$	133,173	133,173	151,288	18,115

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

Proprietary Funds

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, 2005

	Budgeted Amounts		Actual	Variance with final budget positive
	Original	Final	Amounts	(negative)
Revenues:				
Program revenues:				
Charges for services:				
Government fees	$ 610,950	610,950	609,366	(1,584)
Culture and recreation fees	3,800	3,800	17,946	14,146
Solid waste fees	48,022,102	48,022,102	50,419,458	2,397,356
Other fees	328,000	328,000	130,586	(197,414)
Miscellaneous revenue	365,000	365,000	177,209	(187,791)
Operating grants and contributions:				
Grants	-	-	2,344	2,344
General revenues:				
Investment income	433,084	433,084	658,552	225,468
Total revenues	49,762,936	49,762,936	52,015,461	2,252,525
Expenditures:				
Operating Account:				
Operating expenses	41,994,564	43,448,564	41,568,966	1,879,598
Landfill Closure Account:				
Operating expenses	178,800	178,800	48,214	130,586
Capital outlay	401,900	401,900	113,295	288,605
Total Landfill Closure Account	580,700	580,700	161,509	419,191
Recycling Business Assistance Account:				
Operating expenses	700,000	700,000	-	700,000
Renewal and Replacement Account:				
Capital outlay	1,514,000	1,514,000	196,516	1,317,484
General Account:				
Capital outlay	961,000	961,000	739,241	221,759

(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, 2005

	Budgeted Amounts			Variance with final budget positive
	Original	Final	Actual Amounts	(negative)
Expenditures, continued:				
Master Project Account:				
Debt service	$ 350,000	350,000	83,602	266,398
Debt Service Account:				
Debt service	1,251,412	1,251,412	1,251,412	-
Contingency	13,695,368	12,229,368	-	12,229,368
Total expenditures	61,047,044	61,035,044	44,001,246	17,033,798
Revenues over (under) expenditures	(11,284,108)	(11,272,108)	8,014,215	19,286,323
Other financing sources (uses):				
Transfers in	26,630	26,630	26,630	-
Transfers out	(4,308,854)	(4,320,854)	(3,973,807)	347,047
Total other financing sources (uses)	(4,282,224)	(4,294,224)	(3,947,177)	347,047
Revenues and other sources over (under) expenditures and other uses	(15,566,332)	(15,566,332)	4,067,038	19,633,370
Beginning fund balance available for appropriation - July 1, 2004	30,014,392	30,014,392	32,716,644	2,702,252
Unappropriated ending fund balance - June 30, 2005	$ 14,448,060	14,448,060	36,783,682	22,335,622

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, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
Program revenues:				
Charges for services:				
Culture and recreation fees	$ 13,136,961	13,136,961	12,221,755	(915,206)
Other fees	838,573	838,573	875,102	36,529
Miscellaneous revenue	49,907	49,907	87,448	37,541
Operating grants and contributions:				
Grants	77,000	287,000	131,192	(155,808)
Contributions and donations	912,500	951,320	1,262,470	311,150
General revenues:				
Taxes:				
Real property taxes	8,933,904	8,933,904	8,981,252	47,348
Investment income	90,076	90,076	156,120	66,044
Total revenues	24,038,921	24,287,741	23,715,339	(572,402)
Expenditures:				
Operating expenses	20,655,227	20,856,577	19,707,924	1,148,653
Capital outlay	85,700	285,700	59,602	226,098
Contingency	2,030,595	1,940,345	-	1,940,345
Total expenditures	22,771,522	23,082,622	19,767,526	3,315,096
Revenues over expenditures	1,267,399	1,205,119	3,947,813	2,742,694
Other financing sources (uses):				
Transfers in	-	62,280	62,280	-
Transfers out	(2,790,366)	(2,790,366)	(2,592,099)	198,267
Total other financing sources (uses)	(2,790,366)	(2,728,086)	(2,529,819)	198,267
Revenues and other sources over (under) expenditures and other uses	(1,522,967)	(1,522,967)	1,417,994	2,940,961
Beginning fund balance available for appropriation - July 1, 2004	6,005,062	6,005,062	6,303,382	298,320
Unappropriated ending fund balance - June 30, 2005	$ 4,482,095	4,482,095	7,721,376	3,239,281

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, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
Program revenues:				
Operating grants and contributions:				
Contributions and donations	$ -	-	300	300
Capital grants and contributions:				
Capital contributions and donations	1,100,000	1,100,000	786,534	(313,466)
General revenues:				
Investment income	55,474	55,474	97,285	41,811
Total revenues	1,155,474	1,155,474	884,119	(271,355)
Expenditures:				
Operating expenses	71,083	71,083	61,874	9,209
Capital outlay	3,000,000	3,000,000	683,059	2,316,941
Contingency	505,648	505,648	-	505,648
Total expenditures	3,576,731	3,576,731	744,933	2,831,798
Revenues over (under) expenditures	(2,421,257)	(2,421,257)	139,186	2,560,443
Beginning fund balance available for appropriation - July 1, 2004	3,698,288	3,698,288	4,640,828	942,540
Unappropriated ending fund balance - June 30, 2005	$ 1,277,031	1,277,031	4,780,014	3,502,983

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, 2005

	Solid Waste Fund	Zoo Fund	Total
Excess of revenues and other financing sources over expenditures and other financing uses on the basis of budgeting:			
Solid Waste Revenue Fund	$ 4,067,038	-	4,067,038
Zoo Operating Fund	-	1,417,994	1,417,994
Zoo Capital Fund	-	139,186	139,186
General Revenue Bond Fund - Zoo	-	3,544	3,544
Budget requirements not qualifying as expenses under GAAP:			
Payment of post-closure liability	161,509	-	161,509
Capital assets additions	935,757	804,535	1,740,292
Principal and interest payments on bonds	1,193,531	249,985	1,443,516
Principal and interest payments on loans	-	100,248	100,248
Additional revenues (expenses) required by GAAP:			
Revenue earned but not available	277,329	(39,736)	237,593
Depreciation and amortization	(1,664,985)	(2,263,033)	(3,928,018)
Loss on disposal of capital assets	-	(2,446)	(2,446)
Amortization of bond accretion, discount and costs	(476,877)	(27,454)	(504,331)
Amortization of prepaid item	(592,406)	-	(592,406)
Vacation benefits	7,318	48,685	56,003
Accrued interest on bonds	(57,881)	(48,318)	(106,199)
Change in net assets presented in the statement of revenues, expenses and changes in fund net assets for proprietary funds	$ 3,850,333	383,190	4,233,523

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

Internal Service Funds

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, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
Program revenues:				
Charges for services:				
Culture and recreation fees	$ 69,764	69,764	68,447	(1,317)
Other fees	457,070	457,070	501,659	44,589
General revenues:				
Investment income	25,000	25,000	37,979	12,979
Total revenues	551,834	551,834	608,085	56,251
Expenditures:				
Operating expenses	983,785	983,785	922,002	61,783
Capital outlay	15,000	15,000	-	15,000
Contingency	66,259	66,259	-	66,259
Total expenditures	1,065,044	1,065,044	922,002	143,042
Revenues under expenditures	(513,210)	(513,210)	(313,917)	199,293
Other financing sources (uses):				
Transfers in	2,119,904	2,119,904	1,908,307	(211,597)
Transfers out	(1,607,314)	(1,607,314)	(1,435,314)	172,000
Total other financing sources (uses)	512,590	512,590	472,993	(39,597)
Revenues and other sources over (under) expenditures and other uses	(620)	(620)	159,076	159,696
Beginning fund balance available for appropriation - July 1, 2004	1,659,770	1,659,770	1,684,394	24,624
Unappropriated ending fund balance - June 30, 2005	$ 1,659,150	1,659,150	1,843,470	184,320

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, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
Program revenues:				
Charges for services:				
Government fees	$ -	-	2,689	2,689
Licenses and permits	418,868	418,868	405,405	(13,463)
Miscellaneous revenue	-	-	20,592	20,592
Operating grants and contributions:				
Grants	-	-	5,000	5,000
General revenues:				
Investment income	3,500	3,500	44,214	40,714
Total revenues	422,368	422,368	477,900	55,532
Expenditures:				
Finance and administrative services:				
Operating expenses	5,628,184	5,628,184	5,086,944	541,240
Capital outlay	180,000	198,000	126,143	71,857
Total finance and administrative services	5,808,184	5,826,184	5,213,087	613,097
Human resources:				
Operating expenses	1,077,057	1,077,057	948,179	128,878
Total human resources	1,077,057	1,077,057	948,179	128,878
Public affairs-creative services:				
Operating expenses	541,122	541,122	536,864	4,258
Total public affairs-creative services	541,122	541,122	536,864	4,258
Office of Metro attorney:				
Operating expenses	1,083,292	1,083,292	1,027,067	56,225
Total office of Metro attorney	1,083,292	1,083,292	1,027,067	56,225

(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, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Expenditures, continued:				
Office of the auditor:				
Operating expenses	$ 645,956	645,956	530,495	115,461
Total office of the auditor	645,956	645,956	530,495	115,461
Contingency	1,052,261	1,034,261	-	1,034,261
Total expenditures	10,207,872	10,207,872	8,255,692	1,952,180
Revenues under expenditures	(9,785,504)	(9,785,504)	(7,777,792)	2,007,712
Other financing sources (uses):				
Transfers in	9,679,671	9,679,671	8,895,039	(784,632)
Transfers out	(705,540)	(705,540)	(641,250)	64,290
Total other financing sources (uses)	8,974,131	8,974,131	8,253,789	(720,342)
Revenues and other sources over (under) expenditures and other uses	(811,373)	(811,373)	475,997	1,287,370
Beginning fund balance available for appropriation - July 1, 2004	1,050,873	1,050,873	1,147,517	96,644
Unappropriated ending fund balance - June 30, 2005	$ 239,500	239,500	1,623,514	1,384,014

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, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
Program revenues:				
Charges for services:				
Internal charges for services	$ 5,901,190	5,901,190	5,438,747	(462,443)
Miscellaneous revenue	-	-	8,847	8,847
Operating grants and contributions:				
Grants	10,000	10,000	44,636	34,636
General revenues:				
Investment income	100,912	100,912	120,880	19,968
Total revenues	6,012,102	6,012,102	5,613,110	(398,992)
Expenditures:				
Operating expenses	8,166,381	8,166,381	6,890,370	1,276,011
Contingency	534,547	534,547	-	534,547
Total expenditures	8,700,928	8,700,928	6,890,370	1,810,558
Revenues under expenditures	(2,688,826)	(2,688,826)	(1,277,260)	1,411,566
Other financing sources:				
Transfers in	1,352,998	1,352,998	1,327,998	(25,000)
Revenues and other sources over (under) expenditures	(1,335,828)	(1,335,828)	50,738	1,386,566
Beginning fund balance available for appropriation - July 1, 2004	5,596,030	5,596,030	85,933	(5,510,097)
Unappropriated ending fund balance - June 30, 2005	$ 4,260,202	4,260,202	136,671	(4,123,531)

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, 2005

	Building Management Fund	Support Services Fund	Risk Management Fund	Total
Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting:				
Building Management Fund	$ 159,076	-	-	159,076
General Revenue Bond Fund - Building Management	(63,913)	-	-	(63,913)
Support Services Fund	-	475,997	-	475,997
Risk Management Fund	-	-	50,738	50,738
Budget requirements not qualifying as expenses under GAAP:				
Capital assets additions	-	126,143	-	126,143
Principal and interest payments on bonds	1,108,111	-	-	1,108,111
Principal and interest payments on loans	24,294	-	-	24,294
Additional revenues (expenses) required by GAAP:				
Depreciation and amortization	(550,639)	(352,478)	-	(903,117)
Amortization of bond discount and costs	(148,763)	-	-	(148,763)
Vacation benefits	-	(5,346)	-	(5,346)
Accrued interest on bonds	(286,318)	-	-	(286,318)
Change in net assets presented in combining statement of revenues, expenses and changes in fund net assets for internal service funds	$ 241,848	244,316	50,738	536,902

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

Other Budgetary Funds

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, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
General revenues:				
Investment income	$ 9,614	9,614	14,630	5,016
Total revenues	9,614	9,614	14,630	5,016
Expenditures:				
Debt service account:				
Debt service-Metro Regional Center	1,510,314	1,510,314	1,510,314	-
Debt service-Washington Park Parking Lot	420,242	420,242	420,241	1
Debt service-Expo Center Hall D	1,208,508	1,208,508	1,208,508	-
Project account:				
Capital outlay-Washington Park Parking Lot	178,988	178,988	-	178,988
Contingency	300,000	300,000	-	300,000
Total expenditures	3,618,052	3,618,052	3,139,063	478,989
Revenues under expenditures	(3,608,438)	(3,608,438)	(3,124,433)	484,005
Other financing sources:				
Transfers in	3,236,064	3,236,064	3,064,064	(172,000)
Revenues and other sources under expenditures	(372,374)	(372,374)	(60,369)	312,005
Beginning fund balance available for appropriation - July 1, 2004	764,968	764,968	718,757	(46,211)
Unappropriated ending fund balance - June 30, 2005	$ 392,594	392,594	658,388	265,794

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, 2005

	Building Management	Zoo	Expo	Total
Revenues:				
General revenues:				
Investment income	$ 11,087	3,543	-	14,630
Total revenues	11,087	3,543	-	14,630
Expenditures:				
Debt service account:				
Debt service-Metro Regional Center	1,510,314	-	-	1,510,314
Debt service-Washington Park Parking Lot	-	420,241	-	420,241
Debt service-Expo Center Hall D	-	-	1,208,508	1,208,508
Total expenditures	1,510,314	420,241	1,208,508	3,139,063
Revenues under expenditures	(1,499,227)	(416,698)	(1,208,508)	(3,124,433)
Other financing sources:				
Transfers in	1,435,314	420,242	1,208,508	3,064,064
Revenues and other sources over (under) expenditures	(63,913)	3,544	-	(60,369)
Beginning fund balance available for appropriation - July 1, 2004	542,829	175,928	-	718,757
Unappropriated ending fund balance - June 30, 2005	$ 478,916	179,472	-	658,388

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

Capital Assets Used in the Operation of Governmental Funds

METRO

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

June 30, 2005

Governmental funds capital assets:	
Land	$ 139,567,163
Buildings	4,657,154
Improvements	7,549,910
Equipment	826,232
Office furniture/equipment	450,969
Total governmental funds capital assets	$ 153,051,428
Investments in governmental funds capital assets by source:	
Special Revenue Funds:	
Planning Fund	$ 1,159,177
Regional Parks Fund	13,261,163
Smith and Bybee Lakes Fund	1,895,394
Capital Projects Funds:	
Open Spaces Fund	136,219,794
Regional Parks Capital Fund	515,900
Total governmental funds capital assets	$ 153,051,428

(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, 2005

Function and Activity		Land	Buildings	Improvements	Equipment	Office furniture/ equipment	Total
Regional planning and development	$	-	-	-	708,208	450,969	1,159,177
Recreation and development		139,567,163	4,657,154	7,549,910	118,024	-	151,892,251
Total	$	139,567,163	4,657,154	7,549,910	826,232	450,969	153,051,428

(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, 2005

Function and Activity		Governmental Funds Capital Assets July 1, 2004	Additions	Deductions	Governmental Funds Capital Assets June 30, 2005
Regional planning and development	$	1,159,177	-	-	1,159,177
Recreation and development		148,450,409	3,466,043	(24,201)	151,892,251
Total additions	$	149,609,586	3,466,043	(24,201)	153,051,428

(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.

MERC
Component Unit
Financial Schedules

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
MERC Component Unit

For the year ended June 30, 2005

	MERC Component Unit
Operating revenues:	
Charges for services	$ 27,268,341
Government contributions	900,912
Total operating revenues	28,169,253
Operating expenses:	
Payroll and fringe benefits	13,212,476
Depreciation and amortization	8,557,959
Administrative expenses	1,403,305
Facility operating expenses	3,969,007
Marketing expense	3,776,701
Concessions expense	8,940,856
Total operating expenses	39,860,304
Operating loss	(11,691,051)
Non-operating revenues (expenses):	
Grants	29,390
Contributions and donations	1,448,207
Local government shared revenues	7,683,769
Investment income	280,867
Loss on disposal of capital assets	(4,017)
Contributions to other governments	(740,139)
Interest expense	(812,531)
Total non-operating revenues (expenses)	7,885,546
Change in net assets	(3,805,505)
Adjustment to reflect the consolidation of internal service fund activities related to the MERC component unit	53,185
Change in net assets of the MERC component unit	$ (3,752,320)

Statement of Cash Flows
MERC Component Unit

For the year ended June 30, 2005

	MERC Component Unit
Cash flows from operating activities:	
Receipts from customers	$ 25,648,347
Receipts from other governments	900,912
Other operating receipts	176,158
Payments to suppliers for goods and services	(16,310,750)
Payments to employees for services	(13,176,600)
Payments to primary government for services used	(1,403,305)
Net cash used in operating activities	(4,165,238)
Cash flows from noncapital financing activities:	
Grants received	29,390
Contributions and donations	1,448,207
Local government shared revenues	7,683,769
Net cash provided by noncapital financing activities	9,161,366
Cash flows from capital and related financing activities:	
Interest payments	(824,830)
Acquisition and construction of capital assets	(1,526,597)
Proceeds from sale of capital assets	44,770
Principal payments on loans	(403,670)
Net cash used in capital and related financing activities	(2,710,327)
Cash flows from investing activities:	
Investment income	292,584
Proceeds from sale of investments	11,055
Purchase of investments	(17)
Net cash provided by investing activities	303,622
Net increase in cash including restricted amounts	2,589,423
Cash at beginning of year including restricted amounts	14,484,549
Cash at end of year including restricted amounts	$ 17,073,972

(Continued)

METRO

Statement of Cash Flows, Continued
MERC Component Unit

For the year ended June 30, 2005

	MERC Component Unit
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (11,691,051)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	8,557,959
Change in assets and liabilities:	
Trade/other accounts receivable	(5,244,109)
Other assets	(8,340)
Accounts payable	(121,925)
Salaries, withholdings and payroll taxes payable/compensated absences	35,876
Unearned revenue	3,813,801
Deposits payable	(13,527)
Other liabilities	506,078
Total adjustments	7,525,813
Net cash used in operating activities	$ (4,165,238)
Noncash investing, capital, and financing activities:	
Investment income relating to the change in the fair value of investments	$ 18,950

Acquisiton and construction of capital assets includes $740,139 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, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
Program revenues:				
Charges for services:				
Culture and recreation fees	$21,072,524	23,572,524	24,570,891	998,367
Other fees	2,784,466	2,784,466	2,433,291	(351,175)
Internal charges for services	-	-	21,779	21,779
Miscellaneous revenue	80,000	80,000	75,777	(4,223)
Operating grants and contributions:				
Grants	-	-	22,992	22,992
Government contributions	331,128	331,128	575,456	244,328
General revenues:				
Local government shared revenue	7,000,663	7,000,663	7,683,769	683,106
Investment income	69,503	69,503	207,271	137,768
Total revenues	31,338,284	33,838,284	35,591,226	1,752,942
Expenditures:				
Operating expenses	28,084,378	30,584,378	29,888,256	696,122
Debt service	22,809	22,809	19,992	2,817
Contingency	2,479,849	2,479,849	-	2,479,849
Total expenditures	30,587,036	33,087,036	29,908,248	3,178,788
Revenues over expenditures	751,248	751,248	5,682,978	4,931,730
Other financing sources (uses):				
Transfers in	536,129	536,129	89,268	(446,861)
Transfers out	(3,666,545)	(3,666,545)	(3,477,159)	189,386
Total other financing sources (uses)	(3,130,416)	(3,130,416)	(3,387,891)	(257,475)
Revenues and other sources over (under) expenditures and other uses	(2,379,168)	(2,379,168)	2,295,087	4,674,255
Beginning fund balance available for appropriation - July 1, 2004	10,806,745	10,806,745	10,556,300	(250,445)
Unappropriated ending fund balance - June 30, 2005	$ 8,427,577	8,427,577	12,851,387	4,423,810

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, 2005

	Budgeted Amounts		Actual	Variance with final budget positive
	Original	Final	Amounts	(negative)
Revenues:				
General revenues:				
Investment income	$ -	-	2,763	2,763
Total revenues	-	-	2,763	2,763
Expenditures:				
Operating expenses	-	-	-	-
Total expenditures	-	-	-	-
Revenues over expenditures	-	-	2,763	2,763
Other financing uses:				
Transfers out	(385,000)	(385,000)	(278,259)	106,741
Revenues under expeditures and other uses	(385,000)	(385,000)	(275,496)	109,504
Beginning fund balance available for appropriation - July 1, 2004	385,000	385,000	275,496	(109,504)
Unappropriated ending fund balance - June 30, 2005	$ -	-	-	-

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, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with final budget positive (negative)
Revenues:				
Program revenues:				
Charges for services:				
Culture and recreation fees	$ 88,000	88,000	88,000	-
Miscellaneous revenue	-	-	77,833	77,833
Operating grants and contributions:				
Grants	-	-	6,398	6,398
Government contributions	321,484	321,484	325,456	3,972
Contributions and donations	627,775	627,775	1,448,207	820,432
General revenues:				
Investment income	67,779	67,779	70,833	3,054
Total revenues	1,105,038	1,105,038	2,016,727	911,689
Expenditures:				
Operating expenses	416,287	416,287	426,364	(10,077)
Capital outlay	3,142,350	3,796,350	1,100,234	2,696,116
Contingency	537,581	387,581	-	387,581
Total expenditures	4,096,218	4,600,218	1,526,598	3,073,620
Revenues over (under) expenditures	(2,991,180)	(3,495,180)	490,129	3,985,309
Other financing sources:				
Transfers in	681,106	1,185,106	1,054,337	(130,769)
Sale of capital assets	-	-	44,770	44,770
Transfers out	(354,000)	(354,000)	-	354,000
Total other financing sources (uses)	327,106	831,106	1,099,107	268,001
Revenues and other sources over (under) expenditures and other uses	(2,664,074)	(2,664,074)	1,589,236	4,253,310
Beginning fund balance available for appropriation - July 1, 2004	4,714,622	4,714,622	3,510,684	(1,203,938)
Unappropriated ending fund balance - June 30, 2005	$ 2,050,548	2,050,548	5,099,920	3,049,372

METRO

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

For the year ended June 30, 2005

Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting:		
MERC Operating Fund	$	2,295,087
Convention Center Project Capital Fund		(275,496)
MERC Pooled Capital Fund		1,589,236
General Revenue Bond Fund-Expo		-
Budget resources not qualifying as revenues under GAAP:		
Sale of capital assets		(44,770)
Budget requirements not qualifying as expenses under GAAP:		
Capital assets additions		786,458
Principal and interest payments on loans		883,666
Additional revenues (expenses) required by GAAP:		
Depreciation and amortization		(8,557,959)
Loss on disposal of capital assets		(4,017)
Vacation benefits		(10,012)
Accrued interest on loans		(467,698)
Change in net assets presented in the statement of revenues, expenses and changes in fund net assets for the MERC component unit	$	(3,805,505)

Other Financial Schedules

METRO

Schedule of Property Tax Transactions
and Outstanding Receivable

For the year ended June 30, 2005

Fiscal Year	Original levy or balance of receivable July 1, 2004	Add (deduct) Discounts	Adjustments	Interest	Collections	Property taxes receivable June 30, 2005
2004-05	$ 27,379,364	(666,291)	(152,672)	3,717	(25,852,468)	711,650
2003-04	768,569	-	(50,923)	9,193	(485,531)	241,308
2002-03	283,789	-	(26,774)	6,299	(138,595)	124,719
2001-02	161,744	-	(31,987)	5,359	(79,615)	55,501
2000-01	63,704	-	(17,222)	3,293	(34,670)	15,105
1999-00 & prior	32,698	-	(35,478)	744	24,619	22,583
	$ 28,689,868	(666,291)	(315,056)	28,605	(26,566,260)	1,170,866

Reconciliation to property tax revenue presented in the Statement of Activities:	Governmental Activities	Business-type Activities	Total
Cash collections July 1, 2004 to June 30, 2005	$ 17,607,345	8,958,915	26,566,260
Accrual of receivables:			
July 1, 2004 to August 31, 2004	(117,259)	(55,879)	(173,138)
July 1, 2005 to August 31, 2005	120,939	59,781	180,720
Timing difference between county tax collector and county treasurer	(1,797)	(1,192)	(2,989)
Payments in lieu of property taxes	43,909	19,627	63,536
Taxes earned but not available:			
June 30, 2004	(768,024)	(369,342)	(1,137,366)
June 30, 2005	660,539	329,607	990,146
Property tax revenue per Statement of Activities	$ 17,545,652	8,941,517	26,487,169

Property taxes receivable June 30, 2005	$ 781,478	389,388	1,170,866

METRO

Schedule of Future Bonded Debt Service Requirements
General Obligation Bonds

June 30, 2005

Year of maturity	1995 Series B Open Spaces Program General Obligation Bonds Principal	Interest	2002 Series General Obligation Refunding Bonds Principal	Interest	2001 Series A General Obligation Refunding Bonds Principal	Interest
2005-06	$ 308,037	193,963	5,795,000	4,157,212	3,695,000	1,621,664
2006-07	288,945	211,055	6,040,000	3,890,313	3,870,000	1,473,863
2007-08	271,585	228,415	6,350,000	3,580,562	4,065,000	1,309,389
2008-09	254,775	245,225	6,685,000	3,254,688	4,270,000	1,131,545
2009-10	238,540	261,460	7,030,000	2,911,812	4,525,000	918,045
2010-11	223,356	277,644	7,395,000	2,551,188	4,785,000	691,795
2011-12	-	-	8,265,000	2,159,687	5,035,000	486,040
2012-13	-	-	8,690,000	1,735,813	5,290,000	264,500
2013-14	-	-	9,140,000	1,278,637	-	-
2014-15	-	-	9,630,000	785,925	-	-
2015-16	-	-	10,155,000	266,569	-	-
2016-17	-	-	-	-	-	-
Total	$ 1,585,238	1,417,762	85,175,000	26,572,406	35,535,000	7,896,841

(1) The principal amount of the bonds is reported in governmental activities on the statement of net assets net of unamortized issuance costs, premiums and deferred amounts on refunding.

Metro Washington Park Zoo Oregon Project 1996 Series A General Obligation Bonds		2005 Series General Obligation Refunding Bonds		Total	
Principal	Interest	Principal	Interest	Principal (1)	Interest
1,275,000	157,200	280,000	556,284	11,353,037	6,686,323
1,345,000	80,700	20,000	815,725	11,563,945	6,471,656
-	-	1,435,000	815,125	12,121,585	5,933,491
-	-	1,480,000	772,075	12,689,775	5,403,533
-	-	1,555,000	698,075	13,348,540	4,789,392
-	-	1,620,000	643,650	14,023,356	4,164,277
-	-	1,710,000	562,650	15,010,000	3,208,377
-	-	1,795,000	477,150	15,775,000	2,477,463
-	-	1,890,000	387,400	11,030,000	1,666,037
-	-	1,995,000	292,900	11,625,000	1,078,825
-	-	2,095,000	193,150	12,250,000	459,719
-	-	2,210,000	88,400	2,210,000	88,400
2,620,000	237,900	18,085,000	6,302,584	143,000,238	42,427,493

METRO

Schedule of Future Bonded Debt Service Requirements
Revenue Bonds

June 30, 2005

Year of maturity		Solid Waste Enterprise Fund Revenue Bonds: Metro Central Transfer Station 1990 Series A Principal	Metro Central Transfer Station 1990 Series A Interest	Waste Disposal System Refunding Revenue Bonds 2003 Series Principal	Waste Disposal System Refunding Revenue Bonds 2003 Series Interest	Total Solid Waste Enterprise Fund Principal (1)	Total Solid Waste Enterprise Fund Interest
2005-06	$	2,140,000	-	90,000	114,862	2,230,000	114,862
2006-07		2,140,000	-	95,000	113,013	2,235,000	113,013
2007-08		1,070,000	-	155,000	110,512	1,225,000	110,512
2008-09		-	-	2,265,000	83,481	2,265,000	83,481
2009-10		-	-	2,320,000	29,000	2,320,000	29,000
2010-11		-	-	-	-	-	-
2011-12		-	-	-	-	-	-
2012-13		-	-	-	-	-	-
2013-14		-	-	-	-	-	-
2014-15		-	-	-	-	-	-
2015-16		-	-	-	-	-	-
2016-17		-	-	-	-	-	-
2017-18		-	-	-	-	-	-
2018-19		-	-	-	-	-	-
2019-20		-	-	-	-	-	-
2020-21		-	-	-	-	-	-
2021-22		-	-	-	-	-	-
2022-23		-	-	-	-	-	-
Total	$	5,350,000	-	4,925,000	450,868	10,275,000	450,868

(1) 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.

(2) 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.

Full Faith and Credit Refunding Bonds
Refunding Bonds 2003 Series

Zoo		Metro Regional Center	
(Zoo Enterprise Fund)		(Building Management Internal Service Fund)	
Principal (1)	Interest	Principal (2)	Interest
290,000	113,064	835,000	678,814
300,000	107,164	840,000	662,064
305,000	100,161	865,000	642,311
310,000	92,089	885,000	619,342
320,000	83,820	905,000	595,848
330,000	74,670	935,000	569,945
340,000	64,407	960,000	540,920
350,000	53,320	990,000	509,585
360,000	41,245	1,025,000	475,313
380,000	28,105	1,060,000	438,295
395,000	13,957	1,090,000	399,050
175,000	3,325	1,150,000	357,035
-	-	1,210,000	310,985
-	-	1,255,000	261,684
-	-	1,305,000	209,832
-	-	1,360,000	154,520
-	-	1,420,000	95,430
-	-	1,475,000	32,450
3,855,000	775,327	19,565,000	7,553,423

METRO

Schedule of Long-Term Bonded Debt Transactions
General Obligation Bonds

For the year ended June 30, 2005

	Principal				
	Outstanding July 1, 2004	Issued During Year	Matured and Paid During Year	Outstanding June 30, 2005	Interest Expense
Open Spaces Program 1995 Series B General Obligation Bonds with interest rates from 4.9 to 5.5%, final maturity 9/1/10	1,910,393	-	325,155	1,585,238	174,845
2002 Series General Obligation Refunding Bonds with interest rates from 4.0 to 5.25%, final maturity 9/1/15	90,745,000	-	5,570,000	85,175,000	4,384,513
2001 Series A General Obligation Refunding Bonds with interest rates from 4.0 to 5.0%, final maturity 1/1/13	39,065,000	-	3,530,000	35,535,000	1,762,864
Metro Washington Park Zoo Oregon Project 1996 Series A General Obligation Bonds, partially refunded 5/12/05, interest rate 6.0%, final maturity 1/15/07	22,100,000	-	19,480,000	2,620,000	1,212,510
2005 Series General Obligation Refunding Bonds with interest rates from 3.0 to 5.0%, final maturity 1/15/17	-	18,085,000	-	18,085,000	-
Total	$ 153,820,393	18,085,000	28,905,155	143,000,238	7,534,732

METRO

Schedule of Long-Term Bonded Debt Transactions
Revenue Bonds

For the year ended June 30, 2005

	Principal				
	Outstanding July 1, 2004	Issued During Year	Matured and Paid During Year	Outstanding June 30, 2005	Interest Expense
ENTERPRISE FUNDS:					
SOLID WASTE FUND:					
Metro Central Transfer Station					
1990 Series A Solid Waste Disposal Project Revenue Bonds with interest rates from 7.05 to 7.1%, final maturity 7/1/07	$ 6,420,000	-	1,070,000	5,350,000	-
Waste Disposal System					
Refunding Revenue Bonds 2003 Series with interest rates from 2.0 to 2.5%, final maturity 7/1/09	4,990,000	-	65,000	4,925,000	116,412
Metro\Riedel Compost Facility					
1990 Series 1 Solid Waste Disposal Project Revenue Bonds, mandatory tender for repurchase by Trustee effective 6/1/05	5,000,000	-	5,000,000	-	83,602
Subtotal Solid Waste Fund	16,410,000	-	6,135,000	10,275,000	200,014
ZOO FUND:					
Full Faith and Credit (1)					
Refunding Bonds 2003 Series with interest rates from 2.0 to 4.4%, final maturity 8/1/16	4,055,000	-	200,000	3,855,000	117,964
Total	$ 20,465,000	-	6,335,000	14,130,000	317,978
INTERNAL SERVICE FUNDS:					
BUILDING MANAGEMENT FUND:					
Full Faith and Credit (1)					
Refunding Bonds 2003 Series with interest rates from 2.0 to 4.4%, final maturity 8/1/22	20,380,000	-	815,000	19,565,000	695,314
Total	$ 20,380,000	-	815,000	19,565,000	695,314

(1) The Full Faith and Credit bonds are presented by their fund components, but were issued as a single bond issue.

METRO

Schedule of Accountability for Independently Elected Officials

For the year ended June 30, 2005

Oregon Administrative Rules section 162-010-0140 requires a schedule of accountability for each independently elected official collecting or receiving money in the municipal corporation. The schedule is a presentation of the beginning balances, receipts, disbursements, refunds, and turnovers to the appropriate governmental official, reconciled to cash on hand at the beginning of the audit period.

There are no independently elected officials that collect or receive money on behalf of Metro.

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
1996	$ 1,962,173	$13,038,699	$11,100,770	$ 9,474,072	$14,137,150	$ 10,910,449	$ 60,623,313
1997	2,005,267	13,343,436	14,816,259	8,329,607	34,364,694	17,348,950	90,208,213
1998	2,524,722	13,866,883	14,690,941	8,918,822	35,126,447	19,469,296	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
2000	3,464,504	17,981,708	10,683,715	8,390,587	33,626,613	19,710,657	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
2002	3,824,481	-	15,016,781	7,837,607	10,426,457	18,899,413	56,004,739
2003	2,981,919	-	11,134,840	8,892,911	4,407,455	17,669,630	45,086,755
2004	2,625,450	-	10,453,513	7,714,121	3,861,065	19,593,684	44,247,833
2005	3,541,419	-	11,624,509	9,085,680	2,425,758	18,174,887	44,852,253

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

(2) In fiscal year 2002, zoo 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	Excise taxes	Charges for services	Grants	Contributions and donations	Investment and other income	Total (2)
1996	$ 24,666,369	$ 6,996,251	$ 11,149,521	$ 7,758,523	$ 786,188	$ 9,391,255	$ 60,748,107
1997	22,244,865	7,228,573	12,041,342	10,257,407	797,206	13,138,730	65,708,123
1998	25,672,117	7,621,699	10,999,508	10,037,351	806,277	9,867,083	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
2000	24,410,966	7,726,842	14,890,703	6,533,796	1,699,285	4,943,549	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
2002	19,235,074	7,922,160	3,430,418	10,151,521	322,617	2,024,500	43,086,290
2003	16,494,258	9,821,988	3,428,303	6,814,472	340,800	1,226,723	38,126,544
2004	17,536,825	10,506,081	4,037,106	7,061,492	416,801	881,574	40,439,879
2005	17,653,137	13,577,891	3,942,990	6,871,101	1,634,463	1,238,015	44,917,597

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

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

METRO

Property Tax Levies and Collections (1)

for the last ten fiscal years
Unaudited

Fiscal year ended June 30,	Taxes levied by assessor	Current tax collections	Current tax collections as percent of current levy	Delinquent tax collections	Total tax collections	Total collections as percent of current levy	Uncollected taxes	Uncollected taxes as percent of current levy
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
2003	25,461,547	23,932,994	94.0	891,558	24,824,552	97.5	1,397,706	5.5
2004	26,872,963	25,350,559	94.3	743,803	26,094,362	97.1	1,310,504	4.9
2005	27,379,364	25,852,468	94.4	713,792	26,566,260	97.0	1,170,866	4.3

(1) Property tax levies provide additional operating revenue for the Oregon Zoo and debt service for Metro's general obligation bonds.

METRO

Assessed and Real Market Value of Taxable Property

for the last ten fiscal years (1)
Unaudited

Fiscal year ended June 30,	Real property		Personal property		Public utility property		Total		Ratio of total assessed to total real market value
	Assessed value	Real market value	Assessed value	Real market value	Assessed value	Real market value	Assessed value	Real market value	
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
2003	80,537,735,166	119,083,633,530	5,171,288,194	5,260,708,472	4,128,896,729	4,198,202,328	89,837,920,089	128,542,544,330	69.9
2004	83,831,528,669	129,455,074,198	4,953,228,970	5,027,676,572	3,953,101,838	3,972,319,417	92,737,859,477	138,455,070,187	67.0
2005	87,594,182,912	137,358,990,439	4,844,569,951	4,933,679,306	4,047,402,277	4,068,059,926	96,486,155,140	146,360,729,671	65.9

(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									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Direct Government										
Metro	$ 0.37	0.29	0.39	0.36	0.33	0.34	0.32	0.28	0.29	0.28
Overlapping Government										
Multnomah County										
Portland School District #1J	$ 13.25	13.37	6.67	6.32	6.35	7.00	6.97	7.22	7.12	7.18
City of Portland	6.36	6.07	6.78	6.83	6.79	6.90	6.72	6.97	8.19	7.98
Multnomah County	3.88	4.23	4.89	5.39	5.25	5.31	5.21	5.17	5.27	5.28
Reynolds School District #7	10.20	10.40	5.88	5.49	5.34	5.29	6.32	6.02	6.03	6.04
Multnomah County ESD	1.14	1.08	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46
Parkrose School District #3	12.37	11.53	6.68	6.49	6.36	6.28	6.51	6.59	6.91	6.70
David Douglas School District #40	13.82	13.12	5.66	5.53	5.49	5.47	6.71	6.73	6.64	6.59
Portland Community College	0.79	0.73	0.37	0.35	0.36	0.37	0.55	0.49	0.51	0.51
City of Gresham	4.50	3.71	4.04	3.95	3.91	3.92	3.93	3.92	3.79	3.96
Gresham-Barlow School District #10JT	13.01	13.15	7.29	7.31	7.13	7.02	7.38	7.57	7.46	7.43
Washington County										
Beaverton School District #48J	$ 12.07	11.41	6.16	6.17	6.19	6.12	6.37	6.56	8.01	6.60
Tigard-Tualatin School District #23J	14.01	12.85	6.60	6.65	6.31	8.48	8.08	8.11	9.01	8.81
Washington County	2.34	2.51	3.48	3.85	3.85	3.85	4.26	4.19	4.31	4.26
Hillsboro School District #1J (2)	7.02	13.11	7.09	7.00	7.49	7.10	8.34	7.87	7.75	7.85
Tualatin Valley Fire and Rescue	1.66	1.52	1.54	1.53	1.56	1.59	1.83	1.82	1.83	1.83
City of Beaverton	4.01	2.58	3.38	3.66	3.98	3.79	3.32	3.61	3.97	4.10
Forest Grove School District #15	16.71	15.02	8.27	8.08	8.33	6.48	8.30	8.42	8.28	8.24
Hillsboro Elem. School District #7 (2)	7.81	-	-	-	-	-	-	-	-	-
Tualatin Hills Park & Rec. District	1.41	1.37	1.53	1.53	1.56	1.49	1.47	1.46	1.46	1.46
Sherwood School District #88J	11.10	10.87	7.47	7.32	9.01	8.64	8.46	8.40	8.36	8.32
Clackamas County										
North Clackamas School District #12	$ 9.55	8.47	5.23	5.36	7.20	6.41	6.13	6.21	6.24	6.04
Lake Oswego School District #7J	11.57	11.25	6.83	6.23	6.11	6.49	7.42	7.36	7.50	7.29
Clackamas County	3.94	4.31	6.09	6.10	6.10	6.10	6.09	6.10	6.10	6.10
West Linn-Wilsonville School District #3J	11.78	11.17	6.76	8.23	6.81	9.02	8.97	9.15	9.28	9.18
Oregon City School District #62	12.75	11.49	4.97	4.96	4.96	6.79	6.76	6.76	6.78	6.55
Clackamas Community College	1.17	1.09	0.63	0.62	0.62	0.62	0.86	0.76	0.76	0.80
City of Lake Oswego	4.29	4.23	10.35	10.41	10.41	10.37	10.05	10.38	10.51	10.52
Clackamas County ESD	0.76	0.71	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37
Clackamas Rural Fire Protect. District #1	2.52	2.30	2.44	2.48	2.47	2.44	2.57	2.54	2.57	2.59
Canby School District #86	11.56	10.77	6.93	6.80	6.57	8.02	7.91	7.91	7.75	7.70

(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, 2005
Unaudited

True cash value		$ 146,293,892,844
Debt limit (1)		10.0%
		14,629,389,284
Gross bonded debt principal	$ 176,695,238	
Less legal deductions from debt limit:		
Metro Central Transfer Station Project, Solid Waste Disposal System Revenue Bonds	(5,350,000)	
Solid Waste Disposal System Refunding Revenue Bonds	(4,925,000)	
Full Faith and Credit Refunding Bonds Refunding Bonds 2003 Series	(23,420,000)	
Net debt subject to 10% limitation		143,000,238
Legal debt margin		$ 14,486,389,046

(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

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

for the last ten fiscal years
Unaudited

Fiscal year ended June 30,	Population		Assessed valuation		Net bonded debt	Ratio of net bonded debt to assessed valuation			Net bonded debt per capita	
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	1,484,150		86,489,564,017		164,752,527	0.19			111.01	
2003	1,503,900		89,837,920,089		153,071,530	0.17			101.78	
2004	1,522,400		92,737,859,477		143,492,260	0.15			94.25	
2005	N/A	*	96,486,155,140		132,995,795	0.14			N/A	*

* Not available

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

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 June 30,	Principal	Interest	Total debt service (1)	Total general governmental expenditures (2) (3)	Ratio of debt service to total general governmental expenditures
1996	$ 1,860,000	$ 6,853,588	$ 8,713,588	$ 60,623,313	14.37%
1997	6,073,965	10,557,118	16,631,083	90,208,213	18.44
1998	6,978,955	12,142,400	19,121,355	94,597,111	20.21
1999	7,624,050	11,458,222	19,082,272	99,797,428	19.12
2000	8,048,755	11,053,369	19,102,124	93,857,784	20.35
2001	8,483,200	10,641,953	19,125,153	79,520,786	24.05
2002	8,978,625	9,869,646	18,848,271	56,004,739	33.65
2003	9,798,060	7,826,899	17,624,959	45,086,755	39.09
2004	11,543,920	8,004,304	19,548,224	44,247,833	44.18
2005	10,640,155	7,534,732	18,174,887	44,852,253	40.52

(1) Beginning fiscal year 1997, the Open Spaces program and its related debt service is included.

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

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

METRO

Schedule of Overlapping Bonded Debt - All Overlapping Governments

June 30, 2005
Unaudited

Overlapping government	Percent within District	Overlapping Gross property tax backed debt	Overlapping Net property tax backed debt
Clackamas County	74.05 %	$ 70,350	$ 70,350
North Clackamas Parks & Rec. District	100.00	7,400,000	-
Oak Lodge Water District 4	100.00	1,935,000	1,935,000
Clackamas County Service District 1	100.00	320,424	-
Clackamas County RFPD 1	81.39	6,510,800	6,510,800
Clackamas County SD 3J (West Linn-Wilsonville)	94.53	135,629,328	135,629,328
Clackamas County SD 7J (Lake Oswego)	100.00	90,795,000	90,795,000
Clackamas County SD 12 (N Clackamas)	98.58	89,730,429	89,730,429
Clackamas County SD 62 (Oregon City)	67.22	43,663,838	43,663,838
Clackamas County SD 115 (Gladstone)	100.00	9,385,000	9,385,000
Clackamas County SD 86 (Canby)	16.11	11,653,395	11,653,395
Clackamas Community College	73.36	45,939,446	45,939,446
City of Lake Oswego	100.00	32,300,000	32,300,000
City of Milwaukie	100.00	2,375,000	2,375,000
City of Oregon City	100.00	3,580,000	3,580,000
City of West Linn	100.00	10,020,000	10,020,000
City of Wilsonville	100.00	3,880,000	730,000
Columbia County SD 1J (Scappoose)	6.52	128,782	128,782
Multnomah County	98.92	87,822,215	71,288,473
Tri-Met	98.07	83,882,891	83,882,891
Multnomah County SD 3 (Parkrose)	100.00	19,550,000	19,550,000
Multnomah County SD 7 (Reynolds)	100.00	61,480,000	61,480,000
Multnomah County SD 28J (Centennial)	100.00	32,544,177	32,544,177
Multnomah County SD 40 (David Douglas)	100.00	49,415,000	49,415,000
Multnomah County SD 51J (Riverdale)	100.00	7,930,000	7,930,000
Multnomah County SD 10J (Gresham-Barlow)	96.12	69,069,038	37,920,445
Multnomah County SD 10J (Orient 6 Bond)	70.72	698,819	698,819
Portland Community College	92.11	155,915,450	75,013,920
City of Fairview	100.00	4,506,000	2,085,000
City of Gresham	100.00	3,032,906	2,795,000
City of Portland	100.00	89,099,465	54,459,673
City of Troutdale	100.00	12,490,000	12,490,000
City of Wood Village	100.00	580,000	255,000
Washington County	93.67	57,247,886	56,711,170
Tualatin Hills Park & Rec. District	99.96	16,599,105	16,599,105
Tualatin Valley Water District	99.96	869,660	869,660
Forest Grove RFPD	11.37	35,254	35,254

(Continued)

METRO

Schedule of Overlapping Bonded Debt -
All Overlapping Governments, Continued

June 30, 2005
Unaudited

Overlapping government	Percent within District	Overlapping: Gross property tax backed debt	Overlapping: Net property tax backed debt
Tualatin Valley Fire & Rescue District	96.93 %	$ 5,156,410	$ 5,156,410
Washington County SD 15 (Forest Grove)	76.76	41,117,921	41,117,921
Washington County SD 23J (Tigard-Tualatin)	99.36	121,321,941	121,321,941
Washington County SD 1J (Hillsboro 7 Bond)	93.01	1,199,819	1,199,819
Washington County SD 48J (Beaverton)	99.77	284,226,909	284,226,909
Washington County SD 88J (Sherwood)	81.61	34,116,183	34,116,183
Washington County SD 1J (Hillsboro)	89.57	118,269,823	118,269,823
Washington County SD 1J (Reedville Bond)	98.57	2,340,933	2,340,933
Washington County SD 1J (Farmington Bond)	0.03	58	58
City of Beaverton	100.00	17,200,000	17,200,000
City of Cornelius	92.93	938,601	938,601
City of Durham	100.00	1,850,000	1,850,000
City of Forest Grove	99.74	4,408,526	4,408,526
City of Sherwood	99.99	9,583,907	9,583,907
City of Tigard	100.00	1,309,569	-
City of Tualatin	100.00	7,665,000	7,665,000
Sunrise Water Authority	100.00	1,470,000	1,470,000
Totals		$ 1,900,260,258	$ 1,721,335,986

Note: "Gross property tax backed debt" includes all general obligation bonds and limited-tax general obligation bonds.
"Net property tax backed debt" is gross property tax backed 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)	Net revenue available for debt service	Debt service requirement (2) (principal & interest)	Debt service coverage
1996	$ 62,517,647	$ 50,920,352	$ 11,597,295	$ 2,694,011	4.30
1997	64,797,003	49,773,711	15,023,292	2,695,200	5.57
1998	57,867,670	48,363,946	9,503,724	2,699,783	3.52
1999	54,758,546	56,023,559	(1,265,013)	2,704,870	-0.47
2000	53,275,735	45,930,547	7,345,188	2,201,898	3.34
2001	50,297,847	43,537,879	6,759,968	2,908,669	2.32
2002	47,291,208	44,642,220	2,648,988	2,644,146	1.00
2003	49,037,072	45,362,166	3,674,906	1,923,981	1.91
2004	50,652,679	44,068,880	6,583,799	374,004	17.60
2005	51,935,277	44,695,266	7,240,011	2,331,553	3.11

(1) Revenue and expense amounts exclude depreciation and amortization 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

Demographic Statistics

for the last ten fiscal years
Unaudited

Fiscal year ended June 30,	Population (1)	Per capita income (2)	Portland metropolitan unemployment rate (2)
1996	1,325,700	$ 26,301	4.3 %
1997	1,341,700	27,672	4.1
1998	1,363,100	28,851	4.2
1999	1,378,450	29,858	4.3
2000	1,444,219	32,123	4.5
2001	1,467,300	32,345	6.1
2002	1,484,150	31,988	7.8
2003	1,503,900	32,152	8.3
2004	1,522,400	N/A *	7.2
2005	N/A *	N/A *	N/A *

* Not available

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

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

Sources: Population Research Center, Portland State University.
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) Units	Value (in thousands)	Bank deposits (amounts in thousands)
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	14,331	2,142,423	23,407,349
2003	16,003	2,331,719	24,926,065
2004	15,859	2,490,144	18,459,415
2005	N/A *	N/A *	17,198,906

* Not available

(1) Portland-Vancouver-Beaverton, OR-WA PMSA.
Information is based upon the calendar year that ended during the fiscal year shown.

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, 2005
Unaudited

Taxpayer account	Type of business		Assessed valuation	Percent of total valuation	
Multnomah County:					
Qwest Corporation	Telephone utility	$	549,474	1.24	%
Portland General Electric Co.	Electric utility		337,046	0.76	
Pacificorp (PP&L)	Electric utility		234,961	0.53	
Wacker Siltronic Corp.	Semiconductor manufacturing		169,330	0.38	
Boeing Company	Aircraft manufacturing		163,457	0.37	
Northwest Natural Gas Co.	Natural gas utility		146,202	0.33	
LC Portland LLC	Commercial rental partnership		134,660	0.30	
United Airlines, Inc.	Air travel		123,407	0.28	
LSI Logic Corp.	Semiconductor manufacturing		118,161	0.27	
Alaska Airlines, Inc.	Air travel		117,000	0.26	
All other taxpayers	-		42,229,445	95.28	
	Total	$	44,323,143	100.00	%
Washington County:					
Intel Corporation	Computer electronics	$	989,832	3.01	%
Nike, Inc.	Athletic apparel		329,849	1.00	
Verizon Northwest, Inc.	Telecommunications		321,408	0.98	
Portland General Electric Co.	Electric utility		249,741	0.76	
Pacific Realty Associates	Real estate		222,324	0.68	
Northwest Natural Gas Co.	Natural gas utility		189,044	0.57	
PS Business Parks LP	Commercial property manager		134,810	0.41	
Novellus Systems Inc.	Semiconductor production equipment manufacturing		128,605	0.39	
Tektronix, Inc.	Computer electronics		128,404	0.39	
Maxim Integrated Products, Inc.	Semiconductor manufacturing		119,068	0.36	
All other taxpayers	-		30,118,516	91.45	
	Total	$	32,931,601	100.00	%
Clackamas County:					
Portland General Electric Co.	Electric utility	$	159,536	0.83	%
Fred Meyer, Inc.	Retailer		132,136	0.69	
General Growth Properties, Inc.	Real estate		118,174	0.61	
Northwest Natural Gas Co.	Natural gas utility		103,654	0.54	
Xerox Corporation	Document management		73,047	0.38	
Qwest Corporation	Telephone utility		69,425	0.36	
PCC Structurals, Inc.	Metal castings and machining		67,207	0.35	
Deloitte & Touche LLP	Professional services		65,520	0.34	
Prime Property Capital Inc.	Apartment owner/manager		48,748	0.25	
Warn Belleview, Inc.	Manufacturing		46,074	0.24	
All other taxpayers	-		18,347,890	95.41	
	Total	$	19,231,411	100.00	%

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

METRO

Insurance in Force

June 30, 2005
Unaudited

Insurance company	Amount of policy	Type of coverage	Expiration date (1)	Premium
FM Global	$ 445,172,791	"All Risk" property coverage includes a wide range of related coverages including earthquake, flood, and boiler and machinery	June 30, 2005	$ 318,990
Insurance Company of State of PA	3,000,000	Excess liability	June 30, 2005	50,500
Lexington Insurance Company	1,000,000	Liquor liability coverage	June 30, 2005	11,052
Hartford Insurance Company	500,000	Crime coverage/employee faithful performance	June 30, 2005	11,415
SAIF Corporation	Statutory	Workers' compensation	June 30, 2005	87,054
American Family Insurance	varies	Property, liability coverage for homes owned by Open Spaces Program	February 14, 2006	5,788
Western World	2,000,000	Liability-Park dwellings	July 8, 2005	18,982

(1) Coverage renewed through June 30, 2006

Source: Metro Finance and Administrative Services Department, Risk Management Division.

METRO

Solid Waste Tonnage by Waste Type and Destination (1)

for the last ten fiscal years
Unaudited

Fiscal year ended June 30,	Waste (2) Metro-Owned Facilities	Percent of Total	Privately-Owned Facilities	Total	Organic (3) Metro-Owned Facilities	ECU (4) Privately-Owned Facilities	Regional Total All Waste Types
1996	755,077	67.9 %	357,618	1,112,695	1,551	23,028	1,137,274
1997	759,683	63.3	440,847	1,200,530	5,936	46,413	1,252,879
1998	744,908	62.1	455,459	1,200,367	6,532	27,089	1,233,988
1999	706,343	58.4	503,008	1,209,351	9,535	31,567	1,250,453
2000	698,535	56.5	538,760	1,237,295	9,478	28,318	1,275,091
2001	641,220	53.9	547,429	1,188,649	13,084	32,180	1,233,913
2002	603,946	50.6	589,111	1,193,057	13,446	45,320	1,251,823
2003	570,165	47.5	628,973	1,199,138	11,888	151,178	1,362,204
2004	564,337	45.6	673,500	1,237,837	13,460	312,587	1,563,884
2005	572,611	44.0	730,127	1,302,738	13,881	225,752	1,542,371

(1) Waste generated in Multnomah, Washington, and Clackamas counties and delivered to solid waste facilities for disposal. The figures represent tons of solid waste from which the Solid Waste Revenue Fund derives revenue.

(2) "Waste" is general mixed waste for which a tip fee is charged, including solid waste surcharges and taxes that fund solid waste programs and Metro general government.

(3) "Organic" is clean, source-separated wood waste, yard debris and compostable food waste for which tip fees or acceptance fees are charged, but which are exempt from solid waste surcharges and taxes.

(4) "ECU" or "Environmental Clean-Up" material is soil and cleanup media contaminated by hazardous substances, though not itself a hazardous waste; including petroleum contaminated soils. Metro charges reduced solid waste surcharges and taxes on ECU.

Source: Metro Solid Waste and Recycling Department.

METRO

Miscellaneous Statistical Data

June 30, 2005
Unaudited

Created by Oregon Legislature	1977
Metro Charter effective date	January 1, 1993
Metro Charter amendment date	January 1, 2003
Metro's form of government:	Elected Council President, elected six member District Council, and elected Auditor
Metro Area - Square miles	461.80
Number of full-time equivalent employees budgeted for fiscal year 2004-05	654.50

Oregon Zoo attendance for last ten fiscal years ended June 30,	Total Attendance
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
2003	1,293,597
2004	1,318,458
2005	1,336,287

Ten largest cities in the Metro District at July 1, 2004	Population
Portland	550,560
Gresham	94,250
Hillsboro	79,940
Beaverton	79,350
Tigard	44,650
Lake Oswego	35,930
Oregon City	28,370
Tualatin	24,940
West Linn	23,970
Milwaukie	20,590

Source: 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.

Grant Thornton

Accountants and Business Advisors

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, Council President and Auditor of Metro
Portland, Oregon

We have audited the basic financial statements of Metro, as of and for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants, 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 basic 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 basic 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 – Our report related to such programs is presented separately under this 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.

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Compliance with Legal or Other Requirements

Accounting Records – Pertaining to the 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 Statues (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 monies available to retire indebtedness.

Insurance - Relating to insurance and fidelity bond coverage.

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

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).

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

The results 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.

Grant Thornton LLP

Portland, Oregon
November 10, 2005

Grant Thornton

Accountants and Business Advisors

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

The Council, Council President and Auditor of Metro
Portland, Oregon

We have audited the basic financial statements of Metro as of and for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants 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 basic 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 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 weaknesses or significant deficiencies.

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Grant Thornton LLP

Portland, Oregon
November 10, 2005