

**METRO
FEDERAL GRANT PROGRAMS
INDEPENDENT AUDITOR'S REPORTS
AND
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

JUNE 30, 2009

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009	*
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1 - 2
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	3 - 5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6 - 9
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	11 - 14

* Incorporated by reference only

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Metro Council and Metro Auditor
Portland, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metro as of and for the year ended June 30, 2009, which collectively comprise Metro's basic financial statements and have issued our report thereon dated December 7, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Oregon Zoo Foundation, a discretely presented component unit, as described in our report on Metro's financial statements. The financial statements of the Oregon Zoo Foundation were not audited in accordance with *Governmental Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Metro's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS* – (continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metro's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee; management; the Council; the Secretary of State, Divisions of Audits, of the State of Oregon; 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.

Moss Adams, LLP

Eugene, Oregon
December 7, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

Metro Council and Metro Auditor
Portland, Oregon

Compliance

We have audited the compliance of Metro with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Metro's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Metro's management. Our responsibility is to express an opinion on Metro's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metro's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of 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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-01 and 2009-02.

Internal Control Over Compliance

The management of Metro is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control over compliance.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS – (continued)**

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and another that we consider to be a material weakness.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-01 and 2009-02 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we considered item 2009-01 to be a material weakness.

Metro's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Metro's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metro as of and for the year ended June 30, 2009, which collectively comprise Metro's basic financial statements and have issued our report thereon dated December 7, 2009. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements of the Oregon Zoo Foundation, a discretely presented component unit, as described in our report on Metro's financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS – (continued)**

This report is intended solely for the information and use of the audit committee; management; the Council; the Secretary of State, Divisions of Audits, of the State of Oregon; 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.

Moss Adams, LLP

Eugene, Oregon
January 19, 2010
(Except for the schedule of expenditures of federal
awards, to which the date is December 7, 2009)

METRO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2009

<u>Grantor and program title</u>	<u>Federal CFDA number</u>	<u>Grant number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Agriculture</u>			
Natural Resources Conservation Service-			
Wetlands Reserve Program-Forest Grove Habitat	10.072	66-0436-8-060	\$ 51,018
Wetlands Reserve Program-Lovejoy Restoration	10.072	66-0436-3-026	59,447
Wetlands Reserve Program-Lovejoy Restoration	10.072	unknown	7,928
Subtotal Wetlands Reserve Program			<u>118,393</u>
Wildlife Habitat Incentives Program	10.914	7204365C165	106,812
Wildlife Habitat Incentives Program	10.914	7204366B517	11,294
Mt Hood National Forest	10.914	7204360714R	7,000
Subtotal Wildlife Habitat Incentives Program			<u>125,106</u>
Forest Service-			
UNO Program	10.XXX	06-CS-11062200-007	15,000
Total U. S. Department of Agriculture			<u>258,499</u>
<u>U.S. Department of Defense</u>			
Passed through Washington Department of Fish & Wildlife			
Water Resources Development Act	12.110	WDFW # 06-1337	19,000
Water Resources Development Act	12.110	WDFW # 07-1660	10,000
Subtotal Planning Assistance to States program			<u>29,000</u>
Total U.S. Department of Defense			<u>29,000</u>
<u>U. S. Department of the Interior</u>			
Bureau of Land Management-			
Federal Land Policy and Management Act (FLPMA)	15.XXX	HAA059Q00	40,000
U. S. Fish and Wildlife -			
National Fish and Wildlife Service			
National Fish & Wildlife Foundation	15.XXX	N/A	95,510
Passed through Oregon Department of Fish and Wildlife			
Sport Fish Restoration Program (Fish & Wildlife cluster)	15.605	SFR F-111-D-262	300,000
Passed through The Department of State Lands:			
Cooperative Endangered Species Conservation Fund	15.615	USFWS Sec 6 grant E6-43	10,000
Cooperative Endangered Species Conservation Fund	15.615	USFWS Sec 6 grant E6-52	6,189
Subtotal Cooperative Endangered Species Conservation Fund			<u>16,189</u>

METRO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2009

Passed through Oregon State Marine Board:			
Clean Vessel Act Program	15.616	N/A	675
Clean Vessel Act Program	15.616	1311	112,500
Subtotal Clean Vessel Act Program			<u>113,175</u>
Sporting and Boating Safety Act	15.622	1311	<u>820,800</u>
Passed through Washington Department of Fish & Wildlife			
State Wildlife Grants Competitive Grant Program	15.634	08-1424	24,330
Passed through Oregon Department of Fish & Wildlife			
Oregon Conservation Strategy Grant	15.634	T-16, E-56	<u>31,320</u>
Subtotal State Wildlife Grants Competitive Grant Program			<u>55,650</u>
Passed through United States Geological Survey			
US Geological Survey - Digital Ortho-Imagery Grant	15.808	08WRAG0019	<u>70,000</u>
Total U. S. Department of the Interior			<u>1,511,324</u>

U. S. Department of Transportation

Federal Transit Administration			
Federal Highway Administration			
Highway Planning and Construction (Highway Planning and Construction Cluster):			
Direct programs			
FHWA - Transims II	20.205	DTFH61-02-X-0006	444
Passed through Oregon Department of Transportation			
2009 Planning Fund	20.205	ODOT # 25039	1,618,640
2007 STP Carryover funds	20.205	ODOT # 25039	227,821
2009 STP funds	20.205	ODOT # 25039	649,556
2009 Additional STP for PL Carryforward	20.205	ODOT # 25039	193,200
2007 STP Next Corridor Carryforward	20.205	ODOT # 25039	250,000
2009 STP Next Corridor	20.205	ODOT # 25039	500,748
2009 STP Freight	20.205	ODOT # 25039	75,000
Transportation Options Mass Marketing Campaign	20.205	ODOT # 22211	672,369
I-5 / 99W Connector Project	20.205	ODOT # 22445	29,459
RTO Vanpool	20.205	ODOT # 24352	110,352
Columbia River Crossing Loaned Executive	20.205	ODOT # 25288	31,010
Oregon Hwy 212 / Damascus Project	20.205	ODOT # 25218	14,841

METRO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2009

Passed through Washington Department of Transportation Columbia River Crossing II	20.205	GCA-5744	301,453
Passed through Multnomah County, Oregon Sellwood Bridge IGA	20.205	4600006289	25,445
Passed through Clackamas County, Oregon Sunrise Corridor EIS	20.205	Metro # 925507	26,494
Subtotal Highway Planning and Construction			<u>4,726,832</u>
Federal Transit Metropolitan Planning Grants			
Passed through Oregon Department of Transportation - 2008 Technical Studies (Sec 5303)	20.505	ODOT # 24249	96,806
2009 Technical Studies (Sec 5303)	20.505	ODOT # 24986	351,694
Subtotal Federal Transit Metropolitan Planning Grants			<u>448,500</u>
Federal Transit - Formula Grants (Federal Transit Cluster)			
Direct programs			
Federal Surface Transportation Program Milwaukie Light Rail EIS	20.507	OR95-X012	47
Congestion Mitigation & Air Quality Improvement Program (CMAQ) Regional Travel Options	20.507	OR95-X010	779,937
Passed through Clark County Public Transportation Benefit Area (C-TRAN) Vanpool Services Funding Agreement	20.507	Metro IGA # 929262	294,335
Passed through Tri-County Metropolitan Transportation District of Oregon (TriMet) Lake Oswego-Portland - DEIS Support - Task 1	20.507	GH090495TL	118,471
Subtotal Federal Transit Cluster			<u>1,192,790</u>
Alternative Analysis			
Direct program			
Streetcar/Eastside/LO-PDX (Sec 5339)	20.522	OR39-0002-01	290,400
Travel Forecasting Model Improvement (Sec 5339)	20.522	OR39-0004	13,698
Subtotal Alternative Analysis Grants			<u>304,098</u>
Total U.S. Department of Transportation			<u>6,672,220</u>

METRO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2009

U.S. Department of Education

Institute of Museum and Library Services - Museums for America	45.301	MA-04-08-0266-08	67,181
Total U.S. Department of Education			<u>67,181</u>

U.S. Environmental Protection Agency

Direct Program			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96044701	113,379
Brownfields Assessment and Cleanup Cooperative Agreements II	66.818	BF-96072301	2,000
Subtotal Brownfields Assessment Grants			<u>115,379</u>
Passed through Oregon DEQ: Nonpoint Source Implementation Grants	66.460	C9-000451-07	32,203
Total U.S. Environmental Protection Agency			<u>147,582</u>

U.S. Department of Health & Human Services

National Institute of Health			
National Institute of Environmental Health Sciences (NIEHS)			
Passed through Oregon Dept of Human Services			
Public Health Hazards	93.113	# 122132	6,172
Passed through Oregon Research Institute			
Biometry and Risk Est Health Risks from Enviro Exposure	93.113	R01 ES014252	4,968
Subtotal Environmental Health Programs			<u>11,140</u>
Passed through Oregon Health Sciences University			
Neighborhood Design and Obesity in Women	93.866	GPHPM0136A	9,123
S.W.E.A.T. Observation Project	93.866	AG024978	105
Subtotal Aging Research programs			<u>9,228</u>
Total U.S. Department of Health & Human Services			<u>20,368</u>
Total Expenditures of Federal Awards			<u>\$ 8,706,174</u>

METRO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

NOTE 1 - ACCOUNTING POLICIES

General - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Metro. Metro's financial reporting entity is described 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 in the accompanying schedule.

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.

Relationship to basic financial statements - Federal assistance revenues are reported in Metro's basic financial statements included with revenues from federal and state sources, as described in note 3 to Metro's basic financial statements.

METRO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

YEAR ENDED JUNE 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Consolidated financial statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	<u>X</u> no
Significant Deficiency(es) identified		
not considered to be material weaknesses?	_____ yes	<u>X</u> none reported
Noncompliance material to consolidated financial statements		
noted?	_____ yes	<u>X</u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u>X</u> yes	_____ no
Significant Deficiency(es) identified		
Not considered to be material weaknesses?	<u>X</u> yes	_____ none reported

Type of auditor's report issued on compliance for major programs:	Unqualified	
Audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u>X</u> yes	_____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
15.605	U.S. Department of the Interior – U.S. Fish and Wildlife Sport Fish Restoration Program
15.622	Sporting and Boating Safety Act
20.205	U.S. Department of Transportation Highway Planning and Construction
20.507	Federal Transit Cluster Federal Transit – Formula Grants
20.505	Federal Transit – Metropolitan Planning Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2009

Year Ended June 30, 2009

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

Finding 2009-01 – Preparation of the Schedule of Expenditures of Federal Awards (SEFA) – Material Weakness in Internal Controls.

Federal Program: General—Schedule of Expenditures of Federal Awards

Federal Agency: US Department of the Interior, US Fish and Wildlife

Award Year: 2008-2009

Criteria: OMB Circular A-133, Section 300, requires a recipient of Federal awards to identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Additionally, Section 310 requires recipients to prepare a Schedule of Expenditures of Federal Awards for the period covered by the organization's financial statements.

Condition: Our testing of the schedule of expenditures of federal awards (SEFA) revealed that two additional grants were federal awards required to be audited under OMB Circular A-133, that were not properly identified by departmental staff as federal awards, and were initially omitted from the SEFA. Central accounting staff responsible for SEFA preparation rely on departmental information and the correct coding of federal awards in the general ledger. The existing processes and controls were insufficient to catch this error by Metro staff in the normal course of performing their accounting and reporting functions. Upon discovery of this, the SEFA was corrected to include these two programs.

Questioned Costs: None

Perspective Information: It was noted for one specific project that departmental staff did not appropriately identify the funding sources and report the federal portion on the SEFA. The subsequent identification of funding sources resulted in additional federal programs being reported on the SEFA.

Effect: The lack of identification of funding sources could under-state or over-state the amounts reported on the SEFA, and could result in the incorrect determination of major programs requiring testing under the Single Audit Act.

Recommendation: Moss Adams recommends that Metro develop and implement policies to ensure the preparation of the SEFA is complete and thorough. Such a policy should include mechanisms for the timely and accurate identification of federal funds received from all sources.

METRO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2009

Views of Responsible Officials (unaudited): The primary and initial source for recording grant revenues is the responsibility of the operating department which receives the funds and is aware of the specific contract and grant requirements. Finance and Regulatory Services provides chart of accounts and consultative assistance and written definitions for department staff to classify transactions correctly. For the FY 2009 transactions that led to this recommendation, Parks and Environmental Services staff found it necessary to contact the granting entity to ascertain the specific source of funding as it was unclear from the grant award documents. Upon receiving confirmation from the grantor agency, the classification was corrected in Metro's reporting. Any open contracts related to these grants were amended to incorporate the necessary federal contract language. Management will work with staff to assure funding sources are more clearly identified in contract documents to enable the initial recording of transactions to be correct. Parks and Environmental Services has implemented steps to ensure that state agencies are contacted at the beginning of the grant process for the correct identification of the sources of funds.

Finding 2009-02 Procurement, Suspension and Debarment – Significant Deficiency in Internal Control and Instances of Noncompliance (Unresolved Finding 2008-02)

Federal Program: Sport Fish Restoration Program, passed through the Oregon Department of Fish and Wildlife (Federal CFDA number 15.605) and Sporting and Boating Safety Act, passed through the Oregon State Marine Board (Federal CFDA number 15.622)

Federal Agency: US Department of the Interior, US Fish and Wildlife

Award Year: 2008-2009

Criteria: As noted in the A-102 Common Rule, Section 36, governmental subrecipients of States, shall use the same policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Per 43 CFR, Part 12 Section 76 (i) Contract provisions, a grantee's and subgrantee's contracts must contain provisions in paragraph (i) .43 CFR Subpart E requires Buy America compliance and Appendix A of Subpart F of 43 CFR Part 12 (8) requires debarment and suspension certifications in the contract provisions.

Condition: During our testing of procurement, we noted two instances in eleven contracts tested where a contract did not include any of the required federal clauses and certifications. The costs paid by the grant were allowable per the scope of the grant. Metro implemented a review process in the current year and uses a checklist for new and amended contracts to ensure all proper language is included for Planning department projects. However, this change appears to only be effectively implemented for projects applicable to the Planning department. The two instances noted in fiscal year 2009 were related to the Parks department.

Questioned Costs: None as discussed below.

Perspective Information: The procured contractor's contracts were not identified as being sourced with federal funds. This resulted in the contracts not being negotiated with the federal clauses and certifications.

METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2009

Effect: Federal funds were expended in procurement contracts missing required certifications and/or evidence of the Agency following established procurement procedures.

Recommendation: Moss Adams recommends Metro implement an agency wide tracking and review process of contracts to ensure appropriate language is included for all contracts that are receiving federal funds.

Views of Responsible Officials (unaudited): The contract process checklist developed and used by the Planning Department for contracts using federal funds has worked successfully this year and will be offered to other departments who utilize federal grants. This will also be incorporated into contract training classes offered by Finance and Regulatory Services. The specific instances arose because Parks and Environmental Services contracts were not initially classified as using federal funding grants (see Recommendation above). Once correcting this misclassification, the checklist will become effective. Parks and Environmental Services has also has implemented new procedures for federal grant compliance to ensure that correct language is associated with contracts using federal grants.

Section IV – Summary Schedule of Prior Federal Award Findings

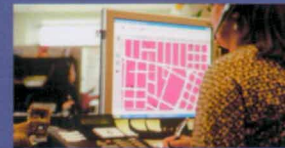
FINDING 2008-02 – Procurement, Suspension and Debarment

Condition: During our testing of procurement, we noted five instances in fifteen contracts tested where a contract did not include any of the required federal clauses and certifications. Of those five contracts it was noted that two of the contracts did not go through an established procurement process.

Recommendation: Moss Adams recommends Metro implement a tracking and review process of contracts to ensure appropriate language is included for contracts that are receiving federal funds. Additionally, the review should include review of contract terms to ensure the contract is still current.

Current Status: The See Finding 2009-02.

www.oregonmetro.gov



600 NE Grand Ave.
Portland, Oregon
97232-2736

CAFR

Comprehensive Annual Financial Report
For the year ended June 30, 2009



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

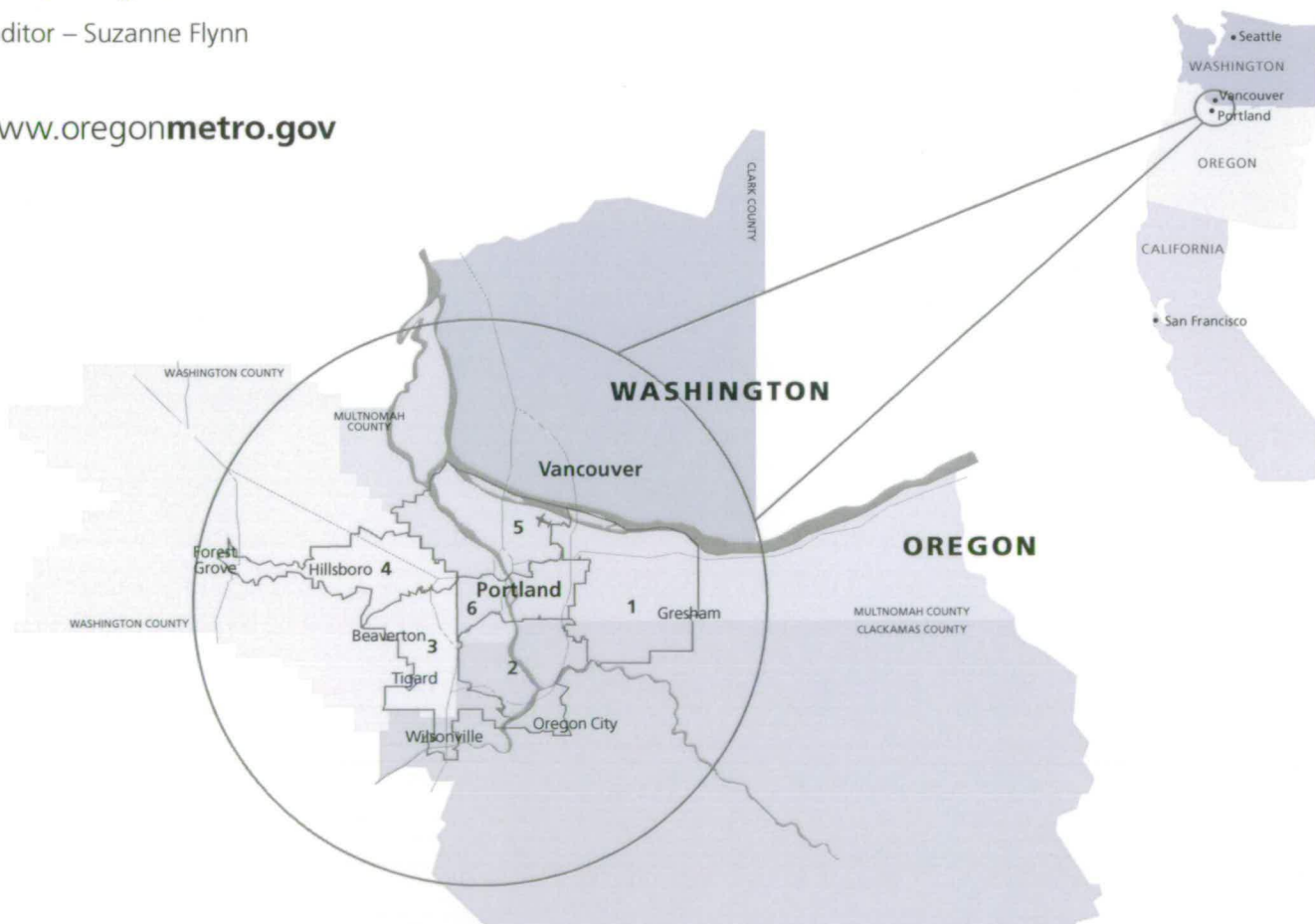
Your Metro representatives

Metro Council President – David Bragdon

Metro Councilors – Rod Park, District 1; Carlotta Collette, District 2; Carl Hosticka, District 3; Kathryn Harrington, District 4; Rex Burkholder, District 5; Robert Liberty, District 6.

Auditor – Suzanne Flynn

www.oregonmetro.gov



Metro CATER

Comprehensive Annual Financial Report

For the year ended June 30, 2009

Finance and Regulatory Services Department

Director of Finance and Regulatory Services
Margaret Norton

Prepared by
Accounting Services Division

Accounting Compliance Officer
Donald R. Cox Jr., CPA, CGFM

Financial Reporting Supervisor
Karla J. Lenox, CPA



Metro | *People places. Open spaces.*

600 NE Grand Ave., Portland, Oregon 97232

METRO

Comprehensive Annual Financial Report

For the year ended June 30, 2009

Table of Contents

Table of Contents	i
-------------------------	---

INTRODUCTORY SECTION

Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	8
Elected and Appointed Officials	9
Organizational Structure	10

FINANCIAL SECTION

Letter from Metro Auditor	11
Independent Auditor's Report	13
Management's Discussion and Analysis	15

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements

Statement of Net Assets	35
Statement of Activities	38

Fund Financial Statements

Governmental Funds:

Balance Sheet	42
Statement of Revenues, Expenditures and Changes in Fund Balances	44
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	46

Proprietary Funds:

Statement of Net Assets	48
Statement of Revenues, Expenses and Changes in Fund Net Assets	50
Statement of Cash Flows	52

Notes to the Financial Statements	55
---	----

SUPPLEMENTARY INFORMATION:

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting): General Fund	85
Schedule of Funding Progress: Other Postemployment Benefits	87
Notes to Required Supplementary Information	88

Other Supplementary Information

Combining Statements:

Nonmajor Governmental Funds:

Combining Balance Sheet	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	94

Table of Contents, *continued*

Budgetary Comparison Schedules:

Other Major Governmental Funds:

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual (Non-GAAP Basis of Budgeting):

General Obligation Bond Debt Service Fund	98
Zoo Infrastructure and Animal Welfare Fund	99
Natural Areas Fund	100

Nonmajor Governmental Funds:

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual (Non-GAAP Basis of Budgeting):

Smith and Bybee Lakes Fund	102
Rehabilitation and Enhancement Fund	103
Open Spaces Fund	104
Metro Capital Fund	105
Cemetery Perpetual Care Fund	106

Proprietary Funds:

Enterprise Funds:

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual (Non-GAAP Basis of Budgeting):

Solid Waste Revenue Fund	108
MERC Fund	110

Reconciliation of Enterprise Fund Revenues and Expenditures

(Basis of Budgeting) to Statement of Revenues, Expenses and Changes
in Fund Net Assets (GAAP Basis)

111

Internal Service Fund:

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual (Non-GAAP Basis of Budgeting):

Risk Management Fund	112
----------------------------	-----

Other Budgetary Funds:

General Revenue Bond Fund:

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual (Non-GAAP Basis of Budgeting)

114

Schedule of Revenues, Expenditures and Changes in Fund Balance -

(Non-GAAP Basis of Budgeting)

115

General Renewal and Replacement Fund:

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual (Non-GAAP Basis of Budgeting)

116

Capital Assets Used in the Operation of Governmental Funds:

Schedule by Source	118
Schedule by Function and Activity	119
Schedule of Changes by Function and Activity	120

Other Financial Schedules:

Schedule of Property Tax Transactions and Outstanding Receivable	123
Schedule of Future Bonded Debt Service Requirements:	
General Obligation Bonds	124
Full Faith and Credit and Pension Obligation Bonds	126
Schedule of Long-term Bonded Debt Transactions:	
General Obligation Bonds	127
Revenue, Full Faith and Credit and Pension Obligation Bonds	128

STATISTICAL SECTION (UNAUDITED)

Introduction	129
Financial Trends Information:	
Net Assets by Component - Last Eight Fiscal Years	130
Changes in Net Assets - Last Eight Fiscal Years	132
Fund Balances, Governmental Funds - Last Eight Fiscal Years	136
Changes in Fund Balances, Governmental Funds - Last Eight Fiscal Years	138
Revenue Capacity Information:	
Solid Waste Tonnage by Waste Type and Destination - Last Ten Fiscal Years	143
Solid Waste Disposal Rates - Last Ten Fiscal Years	144
Principal Solid Waste Fee Payers - Current Year and Seven Years Ago	145
Debt Capacity Information:	
Ratios of Outstanding Debt by Type - Last Eight Fiscal Years	146
Ratios of Net General Bonded Debt Outstanding - Last Ten Fiscal Years	149
Direct and Overlapping Governmental Activities Debt as of June 30, 2009	150
Legal Debt Margin Information - Last Ten Fiscal Years	152
Pledged Revenue Coverage - Last Ten Fiscal Years	154
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Fiscal Years	155
Principal Employers - Current Year and Nine Years Ago	156
Operating Information:	
Full-Time Equivalent Employees by Function/Program - Last Ten Fiscal Years	157
Operating Indicators by Function/Program - Last Eight Fiscal Years	158
Capital Asset Statistics by Function/Program - Last Eight Fiscal Years	162
Additional Information:	
Property Tax Levies and Collections - Last Ten Fiscal Years	165
Assessed and Real Market Value of Taxable Property - Last Ten Fiscal Years	166
Principal Property Tax Taxpayers Within the District by County - June 30, 2009	168

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Introduction	169
Independent Auditor's Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit of Financial Statements Performed In Accordance With <i>Oregon Auditing Standards</i>	171





Metro | People places. Open spaces.

December 7, 2009

To the Council and Citizens of the Metro Region:

In accordance with ORS 297.425, Metro's Finance and Regulatory Services, Accounting Services Division is pleased to submit the Comprehensive Annual Financial Report of Metro, for the year ended June 30, 2009, together with the report of Metro's independent auditors, Moss Adams, LLP.

The Comprehensive Annual Financial Report (CAFR) presents the financial position of Metro as of June 30, 2009, 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 by management 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 Oregon Secretary of State.

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 as noted in the table of contents, including a section with 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 Moss Adams, LLP. The objective of the audit is to provide reasonable assurance that the financial statements of Metro, for the year ended June 30, 2009, are free of material misstatement. The auditor issued an unqualified ("clean") opinion on Metro's financial statements for the year ended June 30, 2009, and their report on these financial statements is located in the Financial Section of the CAFR on pages 13 -14. The independent audit of the financial statements was performed in accordance with *Government Auditing Standards*, which require the independent auditor to express an opinion on whether the entity complied with laws, regulations and provisions of contracts or grant agreements that could have a direct and material effect on each major program. Often referred to as the "Single Audit," these federally required 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 463 square miles of the urban portions of Clackamas, Multnomah and Washington counties in northwestern Oregon and serves more than 1.6 million residents. There are 25 cities in the Metro region; Portland, Gresham, Hillsboro, Beaverton, Tigard, Lake Oswego and Oregon City are the largest.

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 potential additional powers. The District was organized under a grant of authority by the Oregon Legislature and incorporated in 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 1980s, 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 solid waste transfer station. In November 1986, voters approved general obligation bond funding for the Oregon Convention Center (OCC), 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 (PCPA).

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 being the nation's only directly elected regional government organized under a home-rule charter approved by voters. In 1994 Metro assumed management responsibility for the Multnomah County parks system and the Portland Exposition Center (Expo). Ownership of these facilities was transferred to Metro on July 1, 1996.

Metro is responsible for a broad range of public services. According to the home-rule charter, Metro has primary responsibility for regional land use and transportation planning, and is further empowered to address any other issue of "metropolitan concern." The centerpiece of this responsibility is the 2040 Growth Concept, which guides management of the Urban Growth Boundary, efficient use of land, protection of farmland and natural areas, a balanced transportation system, a healthy economy and diverse housing options. Metro has emerged as a leader of regional initiatives – a collaborative partner, facilitator, technical assistance provider, process manager and advocate.

Metro provides a rich mix of the region's public spaces where people are invited to gather and enjoy recreation, education and entertainment. Metro owns and operates the world class Oregon Zoo, providing for conservation and education. The Metropolitan Exposition Recreation Commission (MERC), a department of Metro, operates public assembly facilities including the Oregon Convention Center, Portland Center for the Performing Arts and Portland Expo Center which host hundreds of events each year, drawing millions of people.

Metro has been a leading player in preserving and expanding the natural areas available to the people of our region. This includes an interconnected system of parks, trails and greenways – including the Smith and Bybee Wetlands Natural area (a 2,000-acre freshwater wetland in North Portland) and Oxbow Regional Park (a 1,200-acre forested natural area on the Sandy River east of Gresham).

Metro also manages the region's solid waste system, which includes a renowned curbside residential recycling program. The agency owns and operates two solid waste transfer and recycling stations, both of which have hazardous waste facilities, as well as a latex paint recycling facility. Metro offers a toll-free recycling hotline, which helps people learn to recycle everything from yard debris to old paint.

Comprehensive Annual Financial Report

Metro - Letter of Transmittal

December 7, 2009

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 at which expenditures cannot legally exceed appropriations. Appropriations that have not been expended at year-end lapse, and subsequent actual expenditures are charged against the ensuing year's appropriations. Unexpected additional resources and budget revisions may be added to the budget by use of a supplemental budget or, under certain conditions, by an ordinance passed by the Council amending the budget. The original and any supplemental budgets require 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. 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 OZF are included in this report as a discretely presented component unit.

Factors Affecting Financial Condition

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

Local economy. The Portland metropolitan region (i.e., the Portland-Beaverton-Vancouver, OR-WA Primary Metropolitan Statistical Area) is home to more than 2.2 million residents, 1.6 million of those served by Metro. The "economic region" is comprised of five counties in Oregon and two other counties in Washington. The Portland metropolitan area is the financial, trade, transportation and service center for Oregon, southwest Washington and the Columbia River basin.

Population growth during much of this decade had been relatively strong despite two national economic downturns, earlier in 2001 and more recently in 2008. The region saw population growth fall from a peak of 2.6 percent annually in 2001 to a low point of 1.0 percent in 2004 before rebounding up to 2.0 percent annually during the last recovery phase. Growth is once again slowing due to the current recession. However, through all of the economic turmoil, the regional population has been surprisingly resilient. The region has consistently seen its average population growth exceed that of statewide and national averages.

As Metro issues this report, the region has an estimated nonfarm wage and salary employment total of 986,600 jobs. The current unemployment rate in the region is 11.6 percent, above the national average. From peak to the current trough, the Portland metropolitan economy has lost over 6.25 percent of its jobs since the beginning of the current recession (December 2007). Portland remains an attractive spot for alternative energy research and manufacturing and establishing itself now could pay dividends for a long time in the future.

Outlook. According to local economists, Portland's economy started 2009 in dismal shape and is expected to worsen before improving. The substantial job losses of recent record will be followed by further losses through most of the year. Large local employers across the spectrum of industries have announced significant job cuts in the near future. The semiconductor industry and related high-tech industries are set to cut thousands of jobs this year, with the

Comprehensive Annual Financial Report

Metro - Letter of Transmittal

December 7, 2009

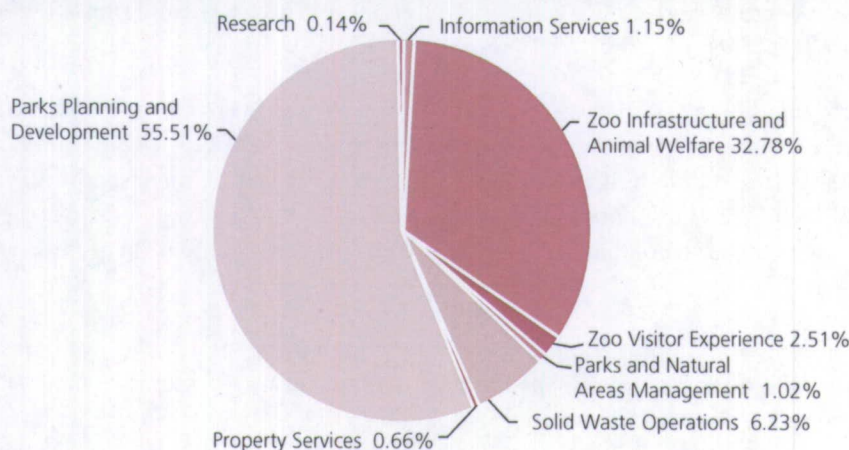
largest being Intel's closing of one of its Hillsboro facilities. There are announced layoffs in education too, one of the strongest sectors in the local economy. According to HIS Global Insight, a leader in economic and financial analysis and forecasting, weakness will persist into 2010, but the local economy will begin to recover mid-year. Pent-up demand for services, in particular, will help propel the Portland economy to a strong rebound. The Metro area is forecast to average 2.4 percent annual job growth during 2011-14, a strong performance compared to the nation, which will average only 1.8 percent growth.

Within Metro, the solid waste disposal tonnage began to fall in early 2008, then fell precipitously in late 2008; by mid-2009 declines at both Metro and private waste disposal transfer stations had begun to show smaller year-over-year decreases, signaling the end of the descent and a leveling off. For 2010 the forecast remains conservative with some small uptick by the end of 2010. Studies show a positive correlation between economic activity and garbage waste.

Long-term financial planning. Metro prepares a five-year Capital Budget with annual updates as part of its financial planning responsibilities. In 2001, the Metro Council adopted Capital Asset Management policies which are reviewed annually as part of the budget process. In June 2008, the Metro Council increased the capital projects threshold to \$100,000, consistent with the State of Oregon's definition of "public improvement," and this change will be effective for fiscal year 2010.

The adopted Capital Budget for Metro for fiscal year 2010 through fiscal year 2014 includes 76 capital projects at an estimated total cost of \$317.5 million. This amount is an increase of \$87.8 million over the prior year's Capital Budget, which comes primarily from the planned spending for Zoo Infrastructure and Animal Welfare bond projects approved by voters in November 2008, offset some by the expected spend down of the Natural Areas land acquisition bond proceeds. The chart below shows the percent of expenditures by Metro program area. The largest two programs, Parks Planning and Development and the Zoo Infrastructure and Animal Welfare, are the programs expending the proceeds of bonds mentioned above. The next highest expenditures are to the Solid Waste Operations program, which includes new Solid Waste projects, landfill remediation and renewal and replacement projects.

Capital expenditures by budget program



The financing sources for these capital projects vary by project and center (department). Care for most of Metro's facilities is now consolidated in Parks and Environmental Services including all existing parks, the Metro Regional Center and solid waste operations. Parks and Metro Regional Center projects are renewal and replacement in nature and funded by the designated renewal and replacement reserves in the General Fund's fund balance. Solid waste operations generally rely on similar reserves in the Solid Waste Fund's fund balance.

Comprehensive Annual Financial Report

Metro - Letter of Transmittal

December 7, 2009

The Capital Budget contains a projection from each program on the net impact on operating costs resulting from each capital project. Three projects are expected to produce positive cash flows, the Nature and Golf Learning Center at Blue Lake Park, and the Zoo's two projects, *Predators of the Serengeti* and *Red Ape Reserve*. Metro, overall, forecasts a net contribution to operations of approximately \$278,500 to \$1,575,000 per year from these projects due to increased attendance and revenue at the facilities.

Financial policies. Comprehensive financial policies are reviewed annually 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 were last reviewed by the Metro Council on June 25, 2009, as published in its 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.

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. In fiscal year 2008, the Metro Council moved strategically to strengthen its financial policies and make significant investments in the future by using a disciplined "pay yourself first" rule to assure that all funds maintain appropriate reserves to safeguard against dips in the economic climate and to protect the public's investment in Metro's physical assets. Metro policy provides that it will assign fund balance amounts that are appropriate to the needs of each fund and that targeted assignment 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 has assigned fund balance amounts within the General Fund for Recovery Rate Stabilization; for potential additional PERS pension liabilities, and for future debt service on the full faith and credit bonds issued to refinance Metro Regional Center. This fund balance also includes assignments for cash flow and fund stabilization. Based upon a historical analysis, Metro's revised policies call for a minimum of 7.0 percent of operating revenues be assigned for either contingency or stabilization to guard against unexpected downturns in revenues and stabilize resulting budget actions. The target provides a 90 percent confidence level that revenues would only dip below this amount once every ten years.

Metro's cash management and investment policy is included as part of Metro Code, which is 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 on June 25, 2009. 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 pooled cash portfolio does not include bond related investments, which are restricted in terms of maturity and yield.

Comprehensive Annual Financial Report

Metro - Letter of Transmittal

December 7, 2009

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 followed these policies during the year ended June 30, 2009.

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 2009-10 Adopted Budget*.

Major initiatives. The 2010 year will continue to be a particularly challenging year in the nation, in Oregon and in the region. Despite these challenges, Metro is well positioned to lead the region in making fair and equitable choices that support vibrant communities, economic prosperity, safe and reliable transportation options, and a healthy and sustainable environment

The fiscal year 2010 adopted budget reflects the next steps in the implementation of the Sustainable Metro Initiative (SMI), an agency project to transform Metro into a modern, mission-driven organization equipped to fulfill its promise as the leader in regional conservation and civic innovation. SMI creates collaborative centers and services to achieve Metro's mission and goals. Implementing these organizational changes positions Metro to meet the increasingly complex challenges of the future and to attract, retain and foster talented staff.

The economic downturn has reduced solid waste system revenues and, in turn, general excise tax revenues resulting in a dip into assigned fund balance. The adopted fiscal year 2010 budget restores and fully funds these assigned fund balance amounts in accordance with Council policy. Metro's disciplined actions position the agency to withstand the downturn, provide more time to make strategic adjustments, if necessary, and allow Metro to maintain steady momentum in areas critical to the region's future.

In fiscal year 2010, the Council will be working closely with individuals and groups throughout the region to take actions to implement local and regional goals in a way that creates vibrant, healthy and sustainable communities consistent with Metro's 2040 goals. The "Making the Greatest Place" initiative, funded with strategic reserves for the past three years, will require active encouragement for local communities to invest in ways that leverage private development. The Council has directed Metro to re-tool from planning to "on the ground" implementation. As part of this re-tooling, Planning and Development will implement a new \$500,000 Development Opportunity program to support on-the-ground implementation of the 2040 framework plan, as well as implementing an \$850,000 loan program to help build housing, including mixed use and mixed income projects, in 2040 Centers and Corridors for families with below average incomes. The Council increased funding for Climate Change activities including the development of a regional Greenhouse Gas calculator and the development of specific climate change indicators. The Council set the stage for continuing Metro participation in the regional Connecting Green project, now known as *The Intertwine*, a project to create an exemplary system of parks, trails and natural areas. Voter confidence has allowed Metro to lead in the acquisition of targeted natural areas, fueling Metro's greatest capital spending. In 2008, Metro opened the 184 acre Mount Talbert Nature Park; in 2009, the 256 acre Cooper Mountain Nature Park. In 2010 Metro will complete construction of the 250 acre Graham Oaks Nature Park. Mindful of the stresses arising from the economic downturn, Metro froze executive salaries and limited non-represented salary increases in late 2009, capturing salary roll-up savings for 2010. The Council also used uncommitted Solid Waste Revenue fund balances to constrain the rate of increase in the waste disposal tipping fee.

Comprehensive Annual Financial Report

Metro - Letter of Transmittal

December 7, 2009

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, 2008. This was the seventeenth 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.

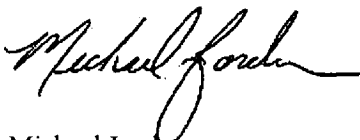
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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, 2008. 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 eleventh consecutive year that Metro received this award.

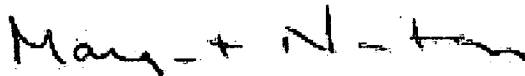
Acknowledgements

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 Regulatory Services Department. We especially acknowledge Karla J. Lenox, CPA, Financial Reporting and Control Supervisor, and Donald R. Cox, Jr., CPA, CGFM, Accounting Compliance Officer, for their efforts in the preparation of this report. We wish to acknowledge the professional and technical assistance of the audit staff of Moss Adams LLP. Finally, we acknowledge the cooperation received from other Metro staff in providing information required to fairly present Metro's financial information. We also extend our appreciation to the Metro Auditor and Metro Council for their support.

Respectfully submitted,



Michael Jordan
Chief Operating Officer



Margaret Norton
Director of Finance and Regulatory Services

GFOA Award

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, 2008

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the seventeenth consecutive year that the government has achieved this prestigious award.

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

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

Elected Officials

Council President

David Bragdon
Term expires December 2010

Auditor

Suzanne Flynn, CIA
Term expires December 2010

Councilors

Rod Park
District 1
Term expires December 2010

Carlotta Collette
District 2
Term expires December 2012

Carl Hosticka
District 3
Term expires December 2012

Kathryn Harrington
District 4
Term expires December 2010

Rex Burkholder
District 5
Term expires December 2012

Robert Liberty
District 6
Term expires December 2012

Appointed Officials

Michael Jordan
Chief Operating Officer

Daniel B. Cooper
Metro Attorney

Margaret Norton
Director of Finance and Regulatory
Services

Mary Rowe
Human Resources Director

Jim Middaugh
Communications Director

Rachel Coe
Information Services Director

Mike Keele
Oregon Zoo Director (Interim)

Robin McArthur
Planning and Development Director

Michael Hoglund
Research Center Director

Teri Dresler
Parks and Environmental Services
Director

James Desmond
Sustainability Center Director

Cheryl Twete
Metropolitan Exposition Recreation
Commission
Chief Executive Officer (interim)

Registered Agent

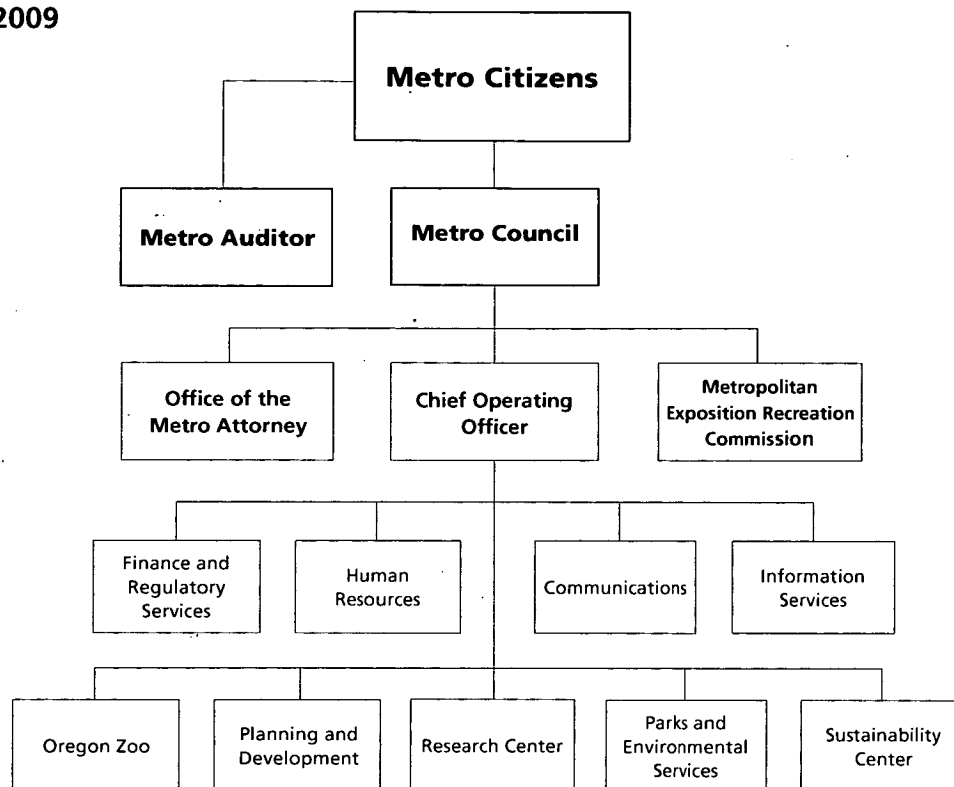
Daniel B. Cooper

Address of Registered and Administrative Office

600 NE Grand Ave.
Portland, OR 97232-2736

Organizational structure

as of June 30, 2009



METRO ELECTED OFFICIALS

Council President, David Bragdon; District 1– Rod Park; District 2– Carlotta Collette ; District 3– Carl Hosticka; District 4– Kathryn Harrington; District 5– Rex Burkholder; District 6– Robert Liberty;

Metro Auditor– Suzanne Flynn

ADMINISTRATIVE AND SUPPORT SERVICES

Council Office and Chief Operating Officer: Staff supports the councilors, Chief Operating Officer and Metro Policy Advisory Committee.

Metro Attorney: Provides agency legal services, research, evaluation, analysis, and advice, contract review and negotiations and assistance on legislative matters.

Finance and Regulatory Services: Office of the Director, financial planning, budget management, accounting services, procurement of goods and services and risk management.

Human Resources: Labor relations, benefits and compensation, and recruitment and retention.

Communications: Manages public and government affairs, office of citizen involvement, communication and web design.

Information Services: Supplies technology-based leadership and solutions.

OPERATING DEPARTMENTS

Oregon Zoo: Conservation and education, visitor services, animal and facility management.

Planning and Development: Land use and transportation planning.

Research Center: Provide accurate and reliable data, information, mapping and technical services to support public policy and regulatory compliance.

Parks and Environmental Services: Parks management, property services and solid waste operations.

Sustainability Center: Recycling and hazardous waste education programs, parks, natural resources planning, open spaces, natural areas acquisition.

Metropolitan Exposition Recreation Commission (MERC): MERC chief executive officer reports directly to Metro Council. MERC operates the Oregon Convention Center, Portland Center for the Performing Arts and the Portland Expo Center.





METRO

Suzanne Flynn
Metro Auditor

600 NE Grand Ave
Portland, OR 97232-2736
TEL 503 797 1892
FAX 503 797 1831

December 7, 2009

To the Metro Council and Residents of the Metro Region:

Oregon State law requires an annual audit of Metro's financial records and transactions by independent certified public accountants. The Metro Auditor is required by Metro Code to appoint certified public accountants to conduct this audit. After completing a competitive process, I appointed Moss Adams LLP to conduct the audit of Metro. My office coordinated and monitored this audit.

Following this letter is the independent auditor's report on Metro's financial statements as of June 30, 2009. 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 the Schedule of Expenditures of Federal Awards for the year ended June 30, 2009 have been issued under separate cover.

Respectfully submitted,

Suzanne Flynn
Metro Auditor

INDEPENDENT AUDITOR'S REPORT

Metro Council and Metro Auditor
Portland, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Metro as of and for the year ended June 30, 2009, 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 represents 1.05% and 5.13% of total assets and total revenues, respectively, 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 other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Oregon Zoo Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metro, as of June 30, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009 on our consideration of Metro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison, and schedule of funding progress for other post employment benefits on pages 15 through 34, and 85 through 87 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 to the management's discussion and analysis and the schedule of funding progress for other post employment benefits on pages 15 through 34, and page 87 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. The schedules of revenues, expenditures, and changes in fund balance – budget and actual, on pages 85 and 86 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Metro's, basic financial statements. The introductory section, other supplementary information, capital assets, other financial schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, capital assets, and other financial schedules have 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 information 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.



For Moss Adams LLP
Eugene, Oregon
December 7, 2009

METRO

Management's Discussion and Analysis

For the year ended June 30, 2009

The management of Metro provides readers of Metro's financial statements this narrative overview and analysis of the financial activities of Metro for the year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 7 of this report. This information is based upon currently known facts, decisions or conditions.

FINANCIAL HIGHLIGHTS

- During fiscal year 2009, Metro acquired ownership of approximately 312 acres from willing sellers in four different target areas and 17 separate land transactions from the proceeds of the Natural Areas general obligation bonds. The total capitalized cost for the property acquired and stabilized in the current fiscal year under this program was \$16,296,859 and is reflected in governmental activities capital assets. This amount included a \$4,311,793 donation of land.
- The Construction Excise Tax (CET) collected \$1,734,579 during the fiscal year ended June 30, 2009. As noted later in this analysis regarding next year's rates, the Council extended the CET to September 30, 2014. The cumulative total of CET revenues raised since inception is \$6,023,728 at the end of fiscal year 2009. Of the amount collected in fiscal year 2009, \$1,121,875 was provided by agreement to other local governments for specified planning activities. This brings the cumulative total of CET funds provided to local governments since the inception of the program to \$4,328,206.
- Metro's total debt decreased \$26,778,333 during the current fiscal year. The key factors in this decrease were the scheduled payments of principal maturities on outstanding bonds, the defeasance in December 2008 of the Waste Disposal System Refunding Bonds 2003 series, and the early call of the Transit-Oriented Development (TOD) property loan, paid in full in March 2009. In addition, Metro issued a \$5,000,000 Oregon Zoo General Obligation Bond, 2008 Series on December 22, 2008 to finance the initial phases of work under a voter approved \$125 million general obligation bond measure.
- Metro implemented Governmental Accounting Standards Board (GASB) Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, accruing a total of \$1,838,000 for the associated liability in business-type activities and restating beginning net assets as required by the statement for these obligations. The implementation of this statement also resulted in removing the prior environmental impairment liability of \$5,225,000 and restating beginning net assets in governmental activities.
- Metro's net assets total \$476,671,066 at June 30, 2009, which reflects an increase of 5.6 percent (\$25,417,456) over the prior year (net of the restatement of prior year net assets for the implementation of GASB Statement 49 noted earlier). Governmental activities' net assets increased by \$29,793,194, resulting from revenues of \$111,792,265 (up 0.3 percent) and expenses of \$82,119,726 (down 1.1 percent) in governmental activities.
- Revenues of Metro's business-type activities (Solid Waste and Metropolitan Exposition Recreation Commission (MERC) operations) totaled \$93,999,399, down 4.6 percent (\$4,537,032). Total expenses increased \$591,578 to a total of \$98,254,482. As a result, operations of business-type activities reflected a decrease in net assets of \$4,375,738, for the fiscal year ended June 30, 2009.
- The General Fund reflected an increase of \$7,282,815 in fund balance from its operations, to a total of \$44,979,243 at June 30, 2009, primarily due to a one-time transfer of \$7,444,289 from the Metro Capital Fund for renewal and replacement reserves now accounted for within the General Fund under requirements of generally accepted accounting principles. Of this total fund balance, \$8,518,324 is reserved for assets held for resale, \$621,707 for long-term loans receivable of the TOD program and \$321,991 for prepaid items. Unreserved fund balance in the General Fund stood at \$35,517,221 at June 30, 2009, representing 56.1 percent of total fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Metro's comprehensive annual financial 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 financial 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, and on a different basis of accounting, 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.

The following table 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.

Major Features and Perspectives of Metro's Financial Statements

Statement Element	Government-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire Metro government	The activities of Metro that are not proprietary, such as regional planning, parks, zoo and policy development	Activities Metro operates similar to businesses - • Solid Waste • MERC
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, changes in fund net assets • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during the fiscal year, regardless of when cash is received or paid	Revenues for which cash is received during, or generally within 60 days of year end; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the fiscal year, regardless of when cash is received or paid

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2009

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 taxes and assessed value, 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.

Each government-wide financial statement is 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 office, regional transportation and land use planning, regional parks and greenspaces, operation of the Oregon Zoo, 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. In fiscal year 2009 these activities consisted of the operation of the solid waste system and MERC operations.

Component unit – Metro includes The Oregon Zoo Foundation (OZF) as a discretely presented component unit. OZF is considered a component unit in accordance with GASB Statement No. 39, 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 local budget law requirements. 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 the comparative level of 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 understand better the long-term impact of Metro's near-term financing decisions. A reconciliation that follows the governmental funds statements explains the differences between the two statements.

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2009

Metro maintains nine individual governmental funds, four of which are presented by Metro as a "major fund" in accordance with professional standards, and include the General, General Obligation Bond Debt Service, Zoo Infrastructure and Animal Welfare, and Natural Areas funds. 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 required by GASB Statement No. 34. Data from the other five governmental funds (Smith and Bybee Lakes, Rehabilitation and Enhancement, Open Spaces, Metro Capital and Cemetery Perpetual Care) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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, a portion of one budgetary fund (the General Revenue Bond Fund) and one additional entire budgetary fund (General Renewal and Replacement Fund) are allocated to the General Fund and combined with those operating activities for reporting in conformance with generally accepted accounting principles, in the governmental fund financial statements. The remaining portion of the budgetary General Revenue Bond Fund is allocated to the MERC Fund for proprietary fund presentation noted below.

The governmental fund financial statements can be found on pages 41 - 46 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 MERC operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among Metro's various functions. Metro uses an internal service fund to account for its risk management operations. The revenues and expenses of the internal service fund 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, including cash flows. The proprietary fund financial statements provide separate information for the Solid Waste Fund, MERC Fund, and Risk Management Fund, which are considered major funds of Metro.

The proprietary fund financial statements can be found on pages 47 - 53 of this report.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 55 - 81 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 \$476,671,066 at June 30, 2009, which reflects an increase of 5.6 percent (\$25,417,456) over the prior year. The following table reflects the condensed Government-wide Statement of Net Assets.

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2009

Metro's Net Assets

	Governmental Activities		Business-type Activities		Total - Primary Government	
	2009	2008 (as restated)	2009	2008 (as restated)	2009	2008 (as restated)
Current and other assets	\$ 194,689,288	213,544,930	70,969,790	76,731,500	265,659,078	290,276,430
Capital assets	294,237,729	267,697,757	210,771,273	215,945,266	505,009,002	483,643,023
Total assets	488,927,017	481,242,687	281,741,063	292,676,766	770,668,080	773,919,453
Long-term debt outstanding	249,679,282	271,486,124	13,008,460	17,979,951	262,687,742	289,466,075
Other liabilities	16,315,462	16,617,484	14,993,810	16,582,284	31,309,272	33,199,768
Total liabilities	\$ 265,994,744	288,103,608	28,002,270	34,562,235	293,997,014	322,665,843
Net assets						
Invested in capital assets, net of related debt	142,681,077	101,632,452	197,896,445	198,109,226	320,942,522	299,741,678
Restricted	41,383,007	27,246,181	14,548,959	16,295,656	55,931,966	43,541,837
Unrestricted	38,868,189	64,260,446	41,293,389	43,709,649	99,796,578	107,970,095
Total net assets	\$ 222,932,273	193,139,079	253,738,793	258,114,531	476,671,066	451,253,610

Metro's business-type activities account for the most significant portion of total net assets – totaling \$253,738,793 (53.2 percent), whereas governmental activities account for \$222,932,273 (46.8 percent). Of Metro's total net assets, 67.3 percent of the total reflects its investment in capital assets, net of related debt, up from 66.9 percent of net assets 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.

The amount invested in capital assets (net of related debt) for business-type activities, \$197,896,445, includes capital assets for the MERC enterprise, specifically the Oregon Convention Center (OCC), that were financed through the issuance of general obligation bonds. The amount of debt related to OCC is reflected in unrestricted net assets in governmental activities as the amount of long-term debt outstanding on these bonds is a liability of the governmental activities in which repayment of the bonds occurs. The amount stated as the total for invested in capital assets net of related debt in the Total – Primary Government column (\$320,942,522) brings this related debt together with those capital assets to reflect this net amount for Metro as a whole. Metro's investment in its headquarters offices, zoo exhibits, open spaces property and other significant assets is reflected in the governmental activities investment in capital assets, net of related debt. Overall, the increase in the amount invested in capital assets (net of related debt) for governmental activities reflects a net increase in capital assets of \$26,539,972 and a decrease in capital related long-term debt outstanding from principal payments on debt primarily associated with Open Spaces and Natural Areas acquisitions. Amounts invested in capital assets net of related debt for business-type activities changed primarily due to the amount of increase in accumulated depreciation exceeding capital asset additions, while related long-term debt declined.

In addition, 11.7 percent of net assets are 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 \$12,390,129 (28.5 percent) from the amount at June 30, 2008. The most significant increase in restricted net assets is the increase in amount for capital projects (up \$14,232,209), which is primarily

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2009

due to the amounts related to the Natural Areas unspent bond proceeds and the transfer of completed capital asset acquisitions in this program and its related debt to the investments in capital assets, net of related debt classification. The remaining \$99,796,578 is unrestricted, with 38.9 percent (\$38,868,189) of this amount attributable to Metro's governmental activities. Unrestricted net assets decreased \$25,392,257 (39.5 percent) in governmental activities and decreased \$2,416,260 (5.5 percent) in business-type activities. Unrestricted net assets may be used to meet Metro's ongoing obligations to citizens and creditors.

Current and other assets (composed of cash and investments, receivables, inventories, prepaid items and other assets) decreased 8.5 percent (\$24,617,352) on a government-wide basis. The decrease is primarily attributed to the spending for acquisitions and local share grants of the Natural Areas bond program, which accounted for a decrease of \$16,016,683, which was offset by additional cash and investments for the Zoo Infrastructure and Animal Welfare projects of \$4,623,206, both reflected in governmental-activities restricted assets. Unrestricted cash and investments decreased \$10,549,860 or 9.6 percent, mostly due to spending on *Predators of the Serengeti* and *Red Ape Reserve* projects. Unrestricted cash and investments decreased \$3,550,538 from the prior year in business-type activities with a decrease of \$2,264,422 attributable to MERC operations and a \$1,286,116 decrease in Solid Waste operations. This decrease was accompanied by a decrease of \$768,794 in prepaid items primarily resulting from the expensing of an advance contractual payment made in a prior year to the solid waste transport contractor whose contract expired during the year.

Other liabilities (consisting of accounts payable, accrued compensation, accrued interest payable, and other current liabilities) of Metro's business-type activities decreased 9.6 percent (\$1,588,474) from June 30, 2008, primarily attributable to the decrease in unearned revenue (\$1,683,199) as MERC recognized revenue for services provided and a decrease of \$623,518 in post-closure costs payable in Solid Waste operations as Metro continued implementing its closure plan for the St. Johns Landfill. These decreases were offset by the recording of a pollution remediation obligation of \$1,838,000 (mostly attributable to Solid Waste operations) under the newly implemented GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This newly implemented standard established new measurement criteria and obligating events for such liabilities.

Other liabilities in the governmental activities decreased \$302,022 or 1.8 percent overall, which is net of the restatement for the elimination of the previously recorded environmental impairment liability of \$5,225,000 under the new requirements of GASB Statement 49, as many previously recorded liabilities did not meet the new obligating event criteria and additional recent information enabled Metro to update its estimate of obligations. The decrease in other liabilities is reflective of a decrease in accounts payable and payroll benefits payable due to payment timing differences from the prior year, which was offset by an increase in unearned revenues and in the liability for other postemployment benefits (OPEB) in fiscal year 2009. This later liability increased \$214,869 in governmental activities, while also increasing \$186,815 in the business-type activities for a total government-wide increase in OPEB liabilities of \$401,684 for the associated liability arising from implicit rate subsidies.

Long-term debt outstanding decreased 9.3 percent (\$26,778,333). Governmental activity long-term debt decreased \$21,806,842 or 8.0 percent as a result of scheduled debt payments, and business-type activity long-term debt decreased \$4,971,491 or 27.7 percent from June 30, 2008 due to the defeasance of the remaining Solid Waste revenue bonds. A further discussion of the financing activities undertaken during the year is presented later in this analysis.

Changes in net assets. As noted earlier, Metro's total net assets increased 5.6 percent over the prior year. Governmental activities' net assets increased by \$29,793,194 while business-type activities' net assets decreased \$4,375,738. The components of this change in net assets are reflected in the condensed information from Metro's Statement of Activities, which follows.

Program revenues generated directly from Metro's operations, which includes charges for services, increased \$4,487,933 or 3.6 percent from the prior year, while the share of total revenues derived from these sources increased

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2009

from the prior year, from 58.5 percent to 62.1 percent due to a significant increase in capital grants and contributions in governmental activities due primarily to a one time donation of land to Metro's Natural Areas program that totaled \$4,311,793 or 90.3 percent of the increase in this category. A significant portion (50.7 percent) of Metro's revenues come from, or is based upon, its charges for services and, as a percent of revenues (49.9 percent), is up from the prior year due to the decrease in other general revenues from the prior year. Charges for services revenues include charges to customers for use of Metro facilities and services, such as solid waste fees and admission fees. Program revenues from business-type activities decreased 3.5 percent, or \$2,970,026. Governmental activities program revenue increased 19.3 percent (\$7,457,959), with the zoo accounting for an increase of \$1,843,286, whereas regional planning activities program revenues fell \$1,574,347, with the decrease due to lower revenues from operating grants and local government contributions on planning work, down \$1,984,858. Charges for services revenues increased 10.4 percent (\$2,237,890) in governmental activities and declined 3.8 percent (\$3,204,817) in business-type activities. Operating grants and contributions remained relatively unchanged from the prior year in programs other than regional planning, whereas capital grants and contributions revenue grew significantly due to the land donation noted earlier, as well as new capital grants and contributions for the M. James Gleason Boat Ramp project that totaled \$1,784,074.

Changes in Metro's Net Assets

	Governmental Activities		Business-type Activities		Total - Primary Government	
	2009	2008 (as restated)	2009	2008 (as restated)	2009	2008 (as restated)
Revenues:						
Program revenues						
Charges for services	\$ 23,765,845	21,527,955	80,485,462	83,690,279	104,251,307	105,218,234
Operating grants and contributions	13,889,920	14,963,194	830,902	861,851	14,720,822	15,825,045
Capital grants and contributions	8,457,258	2,163,915	265,740	-	8,722,998	2,163,915
General revenues						
Property taxes	45,447,596	46,901,621	-	-	45,447,596	46,901,621
Excise taxes	14,710,735	16,850,546	-	-	14,710,735	16,850,546
Local government shared revenues	500,473	545,550	10,702,508	11,156,012	11,202,981	11,701,562
Other	5,020,438	9,206,228	1,714,787	2,828,289	6,735,225	12,034,517
Total revenues	\$ 111,792,265	112,159,009	93,999,399	98,536,431	205,791,664	210,695,440
Expenses:						
General government operations	14,198,441	14,464,735	-	-	14,198,441	14,464,735
Regional planning and development	13,023,497	15,998,524	-	-	13,023,497	15,998,524
Culture and recreation	13,350,232	12,040,343	-	-	13,350,232	12,040,343
Zoo	29,426,286	27,268,768	-	-	29,426,286	27,268,768
Interest on long-term debt	12,121,270	13,228,648	-	-	12,121,270	13,228,648
Solid Waste	-	-	52,014,903	53,514,858	52,014,903	53,514,858
MERC	-	-	46,239,579	44,148,046	46,239,579	44,148,046
Total expenses	\$ 82,119,726	83,001,018	98,254,482	97,662,904	180,374,208	180,663,922
Increase in net assets before transfers	\$ 29,672,539	29,157,991	(4,255,083)	873,527	25,417,456	30,031,518
Transfers	120,655	275,192	(120,655)	(275,192)	-	-
Increase (decrease) in net assets	\$ 29,793,194	29,433,183	(4,375,738)	598,335	25,417,456	30,031,518
Net Assets, July 1	193,139,079	163,705,896	258,114,531	257,516,196	451,253,610	421,222,092
Net Assets, June 30	\$ 222,932,273	193,139,079	253,738,793	258,114,531	476,671,066	451,253,610

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2009

General revenues are used by Metro to fund expenses not covered by program revenues. The most significant general revenue, property taxes, accounts for 40.7 percent of all governmental activities revenues, down from 41.8 percent in the prior fiscal year due primarily to the reduction in assessments necessary for debt service payments on Metro's outstanding bonds. Property taxes are dedicated to repayment of general obligation bond debt or allocated by the Council in support of General Fund operations (\$34,141,449 and \$10,755,647 respectively). The bonds were originally issued to finance construction of the OCC, construction of the Great Northwest project and the initial phase of the Zoo Infrastructure and Animal Welfare program at the Oregon Zoo, and for acquisition of open spaces and natural areas 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 (\$8.97, which is up from \$8.23 in the prior year) and as a percentage (7.5 percent) of revenues on all other authorized revenues – is used to fund primarily general government and planning functions. An additional \$3.34 per ton (up from \$3.22 per ton in the prior year) of excise tax on solid waste tonnage was allocated during the budget process and was used to support Regional Parks operations and general renewal and replacement and 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. The excise tax provided \$12,976,156 in general revenue, down \$1,391,253 or 9.7 percent from the prior year. This decrease is reflective of the net impact of the change in the tax rates noted earlier and on lower revenues at Metro facilities, including solid waste, as well as an exemption of enterprise revenues at the zoo after September 1, 2008. Excise taxes from Metro non-solid waste facilities accounted for a decrease of \$867,066, with additional decreases in excise taxes from revenue associated with solid waste tonnage at Metro operated facilities (down \$297,818) and from privately owned facilities (down \$226,369).

Beginning July 1, 2006, Metro imposed the CET, which collected \$1,734,579 during the fiscal year ended June 30, 2009, down \$748,558. This tax is imposed on new construction within the region, with limited exceptions, and is intended to raise \$6.3 million over three years to fund concept planning in the new areas recently brought into the Urban Growth Boundary. As noted later in this analysis regarding next year's rates, the Council extended the CET to September 30, 2014. The cumulative total of CET revenues raised since inception is \$6,023,728 at the end of fiscal year 2009. Of the amount collected in fiscal year 2009, \$1,121,875 was provided by agreement to other local governments for specified planning activities and resulted in lower expenses, down \$882,990 from the prior year in general government operations expenses. This brings the cumulative total of CET funds provided to local governments since the inception of the program to \$4,328,206.

Local government shared revenues, primarily lodging taxes received in support of MERC operations, were down \$289,714 or 0.2 percent reflective of the economy and its impacts on lodging revenues. Investment revenues were down \$4,186,691 (45.6 percent) due to continued spending of bond proceeds and because the average yield earned on Metro's pooled cash investments declined with the market in fiscal year 2009, from a high of 3.24 percent in July 2008 to a low of 1.70 percent in June 2009. The average yield for the fiscal year was 2.59 percent compared to 4.50 percent in the prior year.

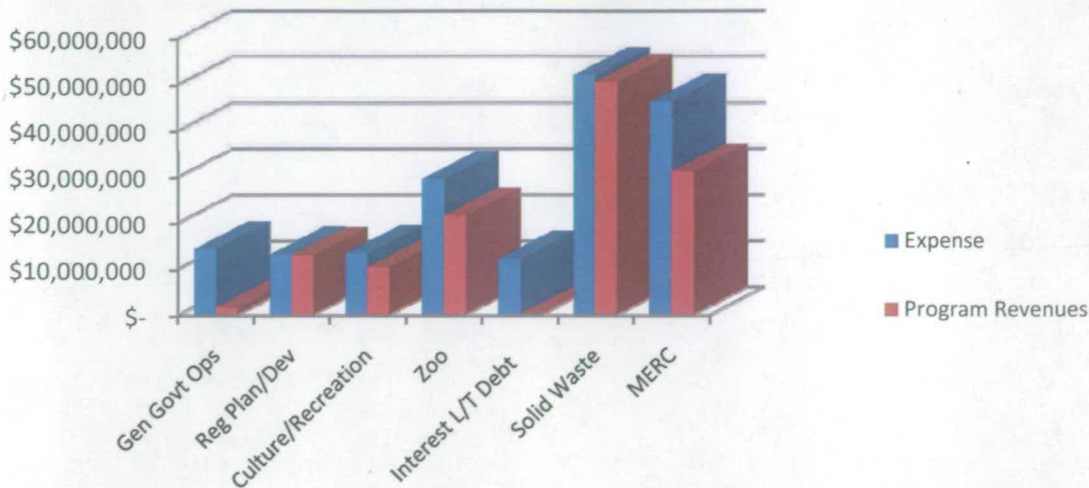
The total cost of all programs and services decreased 0.2 percent (\$289,714) from the prior year to a total of \$180,374,208. Business-type activities, consisting of Solid Waste and MERC programs, represent 54.5 percent of this total, compared to 54.1 percent in the prior year. General government operations reflected 7.9 percent of total costs, compared to 8.0 percent in the prior year. Regional planning and development and culture and recreation (primarily regional parks programs) accounted for 7.2 percent and 7.4 percent of total costs, respectively. The zoo program represented 16.3 percent of total costs for the year. The remainder was primarily interest on long-term debt, which decreased by \$1,107,378 or 8.4 percent from the prior year and totaled \$12,121,270 or 6.7 percent of total costs, down from 7.3 percent in the prior year as a result of scheduled principal payments on bonded debt.

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2009

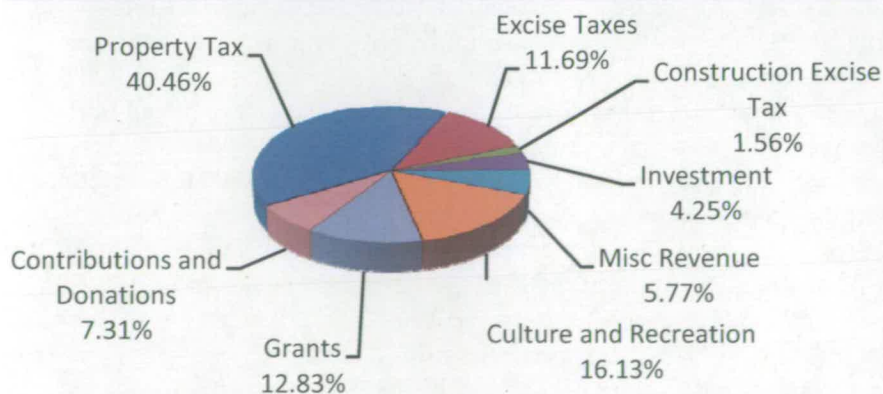
Metro Government-Wide Revenues and Expenses, Fiscal Year 2009



As reflected in the chart above, program revenues in each of the functional and program areas did not cover all costs during the fiscal year. General revenues fund this difference as shown in the Statement of Activities. Each of these areas is described separately in the narrative that follows.

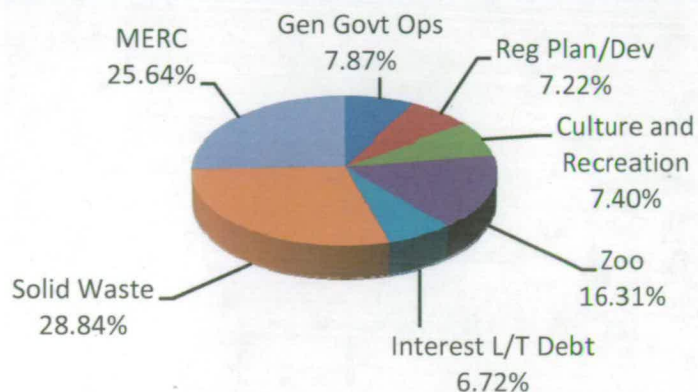
Governmental activities. Revenues for Metro's governmental activities decreased \$366,744 (0.3 percent) to a total of \$111,792,265 with 40.7 percent of this revenue (\$45,447,596) coming from property taxes. Property taxes funded interest expense as noted above and the remainder was used to pay bond principal, reducing outstanding bond liabilities, and to support General Fund operations.

Metro Governmental Activities Sources of Revenue, Fiscal Year 2009



Metro's general government operations accounted for 17.3 percent (\$14,198,441) of Metro's total expenses for governmental activities, which was a decrease of \$266,294 from that reported in the prior year. Reported expenses decreased primarily due to a reduction in amounts expended for CET funding of local governments for their concept planning work as noted earlier. General government operations rely significantly on general revenues, primarily excise taxes and transfers, to offset its net expense of \$12,713,936.

Metro Function/Program Expenses, Fiscal Year 2009



Metro's regional planning and development activities had total costs of \$13,023,497 for the fiscal year ending June 30, 2009, down \$2,975,027 (18.6 percent) from the prior year. Revenues that fund planning activities are primarily from operating grants and contributions (\$11,199,016), which decreased 15.1 percent or \$1,984,858 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, and both were down as the prior year experienced unusually high levels of activity, primarily on the Milwaukie Light Rail and Portland Streetcar projects. The Milwaukie Light Rail project progressed at a much slower pace, resulting in reductions of approximately \$2,000,161 in grant revenue. The total amount expended for TOD program purchases was down \$945,259 from the prior year and totaled \$481,096. This amount did not include any additional purchases of TOD assets held for resale in the current fiscal year, keeping the amount of property assets held for resale at \$8,518,324 (consisting of eight properties) at June 30, 2009. The net expense for regional planning and development of \$142,345 - a decrease of \$1,400,680 from the prior year - is covered by general revenues such as excise taxes.

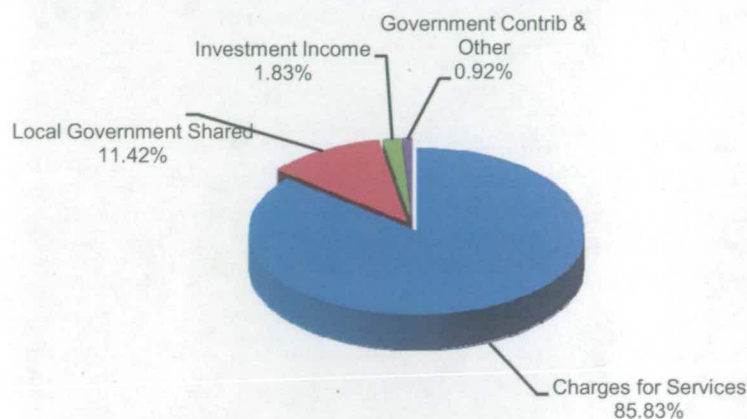
Culture and recreation activities, which include operation of Metro's regional parks and management of natural areas, accounted for total expenses of \$13,350,232, up \$1,309,889 or 10.9 percent from the prior year. The increase is due, in part, to the transfer of staff in the Nature in Neighborhoods program into Parks and Natural Areas and Planning and Development programs, which resulted in higher personal services costs of \$571,509 from the prior year. Local share grant projects funded by the Natural Areas bond program, which totaled \$4,695,708, decreased \$146,617. Program revenues from charges for services (e.g., admission fees, rentals, etc.) totaled \$2,648,864, down 6.2 percent or \$175,274 from the prior year as park admission fees, concession revenues and Glendoveer Golf fees were affected by the weakened economy. Additional support was provided from operating grants and contributions in the amount of \$1,167,357, an increase of \$855,099 from the prior year. The capital grants and contributions amount of \$6,479,450 is primarily the donation of Natural Areas land and the capital grants for the M. James Gleason Boat Ramp project noted earlier. The remaining net expense of this function, \$3,054,561, was funded from general revenues, including local government shared revenues (e.g., marine fuel taxes and recreational vehicle fees from the State of Oregon), excise taxes and interest - as well as the drawing down of net assets provided from the Natural Areas bonds.

Operations of the Oregon Zoo reflected program revenues of \$21,451,695, an increase of \$1,843,286 or 9.4 percent from the prior year. Charges for services revenues (e.g., admission fees, food and retail sales) accounted for 84.1 percent of program revenues, which increased \$2,048,420 or 12.8 percent due to the highest attendance year in the zoo's history (1,621,567 people, up 7.5 percent from the prior year) and higher revenues from spending by zoo visitors (\$11.05 per capita in fiscal year 2009 compared to \$10.56 per capita in the prior year). Strong attendance was driven by a temporary summer dinosaur exhibit and the birth of baby elephant Samudra, which led to the best ever total

for enterprise revenues. Total expenses for zoo operations totaled \$29,426,286, an increase of \$2,157,518 or 7.9 percent over the prior year. Of this amount, payroll and fringe benefit costs increased \$1,126,951 or 7.5 percent, with an increase in costs for education programs such as Zoo Snooze, zoo camps and classes, as well as a move of certain positions from part-time to full-time benefit eligible positions. The resulting net expense of \$7,974,591 (an increase of \$314,232 or 4.1 percent over the prior year) is financed from general revenues, such as excise taxes, property taxes and investment earnings.

Business-type activities. Revenues of Metro's business-type activities (Solid Waste and MERC operations) totaled \$93,999,399, down 4.6 percent (\$4,537,032). Total expenses increased \$591,578 to a total of \$98,254,482. As a result, operations of business-type activities reflected a decrease in net assets of \$4,375,738 for the fiscal year ended June 30, 2009, compared to an increase of \$598,335 in the prior year.

Metro Business-Type Activities Sources of Revenue, Fiscal Year 2009



Solid waste tonnage brought to Metro facilities was down significantly (13.2 percent) from two factors related to economic conditions: the evaporation of construction and demolition debris from both commercial and self haul traffic, and the diversion of waste by integrated haulers to their own facilities as the general decline freed up capacity at those facilities. The decrease in tonnage was offset by an increase in rates charged (Disposal Fees rose to \$49.00 per ton, compared to \$47.09 per ton in the prior year and the Regional System Fee rose to \$16.04 per ton from \$14.08 per ton) resulting in an overall decrease of \$2,760,111 in charges for services revenues. Metro's share of total regional tonnage remained the same at 44 percent for the fiscal year. Expenses were down \$1,499,955, or 2.8 percent, as the reduction in solid waste tonnage handled resulted in a 15.4 percent decrease in tonnage related disposal costs. The decline is not one-to-one to the decrease in tonnage or revenue because Metro's transport and operations contracts specify fixed payments that must be paid regardless of tonnage and also include a sliding price scale. Net expense for the Solid Waste activity was \$1,508,497 for the fiscal year, down from a net expense of \$236,847 in the prior year.

MERC operates the Metro-owned OCC and Portland Exposition Center (Expo). In addition, under terms of an intergovernmental agreement with the City of Portland, MERC operates the city-owned Portland Center for the Performing Arts (PCPA). MERC program revenues remained relatively unchanged, totaling \$31,075,698 in fiscal year 2009, down \$198,421 or 0.6 percent from the prior year. This was reflected primarily in charges for services revenues, which were down \$444,706 (1.5 percent) from the prior fiscal year. Revenue decreases were experienced at Expo due to lower attendance at consumer shows and many exhibitors no longer being in business. OCC experienced similar declines with several corporate events canceling and show managers purchasing fewer services. PCPA revenues increased slightly as the facility experienced stronger food and beverage sales due to 14 weeks of Broadway series performances and a change in the Oregon liquor license allowing patrons to take alcoholic beverages into the theaters.

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2009

Total expenses for MERC were \$46,239,579, up \$2,091,533, or 4.7 percent. The increased expenses were primarily attributable to higher payroll and fringe benefit costs, up \$1,683,041 or 10.8 percent over the prior year. Marketing expenses, primarily incurred through a contractual arrangement with Travel Portland, were up \$415,091. The resulting net expense of MERC operations was \$15,163,881 for the fiscal year ended June 30, 2009, compared to \$12,873,927 in the prior year, a decline in performance of \$2,289,954 or 17.8 percent. General revenues used to support this net expense include local government shared revenues (transient lodging taxes) of \$10,702,508. Investment earnings provided an additional \$1,714,787 towards covering net expense, down \$1,113,502 from the prior year.

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.

Metro completed the fiscal year with its governmental funds reporting *combined* fund balances of \$149,661,362, with the primary decrease from the prior year reflected in the Natural Areas Capital Project Fund that reflected a fund balance of \$77,109,207 at June 30, 2009, down \$16,866,587 as a result of natural area property purchases and local share grants. As noted earlier in this analysis, in accordance with GASB Statement 34, Metro reports certain non-major funds in the Other Governmental Funds column. Total fund balances in these funds declined \$12,469,058, primarily from the expenditures on capital projects and a one-time transfer of \$7,444,289 back to the General Fund from the Metro Capital Fund, which is reflective of amounts previously provided to the Metro Capital Fund for renewal and replacement activities and now accounted for in the General Fund in accordance with generally accepted accounting principles.

The General Fund expended \$12,251,458 for general government operations. These operational expenditures included the general government share of costs for the Council Office, Metro Auditor, Office of Metro Attorney, Public Affairs and Government Relations, Human Resources, Finance and Administrative Services, and Information Technology, as well as special appropriations of \$2,042,369, which included expenditures of \$410,886 for the Nature in Neighborhoods program and the CET funding provided to local governments noted earlier. The General Fund also expended \$2,007,500 for principal payments and \$1,909,629 for the related interest on long-term debt associated with the Metro Regional Center office building.

The General Fund expenditures for regional planning and development totaled \$12,974,517 during fiscal year 2009, down \$2,976,525 or 18.7 percent from the prior year. As noted earlier, the work of this program is primarily funded by federal grants; expenditures were lower in correlation to the decreased revenues on those projects. Personal services expenditures, including fringe benefits, were up \$811,592 or 10.0 percent over prior year as the number of labor hours worked increased 8.0 percent. Contracted and professional services reflected a decrease of \$801,807 or 20.4 percent, primarily related to the work for the Milwaukie Light Rail project which completed the draft environmental impact statement work as Metro awaited federal approval to begin work on the final environmental impact statement phase of the project. Payments to other agencies were down a total of \$1,687,342, due primarily to the completion of the contracted phase of the Eastside Streetcar project. Program purchases in the TOD program also decreased as noted earlier in this analysis.

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2009

The General Fund's culture and recreation expenditures totaled \$6,913,874 during the fiscal year ending June 30, 2009. This was \$998,131 higher (16.9 percent) than the prior year, as personal services expenditures increased \$571,509 or 15.4 percent due primarily to the transfer of 9.17 full time equivalent positions in fiscal year 2009 for the Nature in Neighborhoods, Parks and Natural Areas Management and Parks Planning and Development programs. Higher fuel costs and higher property taxes on properties acquired as part of the Open Spaces and Natural Areas programs were the primary drivers in increasing other materials and services expenditures by \$268,102 (20.6 percent) over the prior year.

As noted earlier, the General Fund's Oregon Zoo had its highest attendance in its 120-year history. Strong attendance, driven by a temporary summer dinosaur exhibit and the birth of baby elephant Samudra, combined with record visitor spending, resulted in best-ever enterprise revenues of \$17,914,674, up \$2,063,497 or 11.5 percent. Admissions revenue was higher by \$514,697 or 8.0 percent, while railroad revenue was up \$233,237 or 31.5 percent attributable to integration of the train loop and package pricing with the Dinosaur exhibit. Food service and retail sales revenues were up \$298,957 (5.9 percent) and \$293,149 (14.8 percent), respectively. Zoo related expenditures totaled \$26,112,124, up \$672,369 or 2.6 percent over the prior year, primarily in personal services expenditures.

In summary, the General Fund reflected an increase of \$7,282,815 in fund balance from its operations, to a total of \$44,979,243 at June 30, 2009, primarily due to a one-time transfer of \$7,444,289 from the Metro Capital Fund for renewal and replacement reserves described earlier. Of this total fund balance, \$8,518,324 is reserved for assets held for resale, \$621,707 for long-term loans receivable of the TOD program, and \$321,991 for prepaid items. Unreserved fund balance in the General Fund stood at \$35,517,221 at June 30, 2009, representing 56.1 percent of total fund expenditures.

The General Obligation Bond Debt Service Fund accounts for the debt service requirements of Metro's general obligation bonds. During the fiscal year, property tax revenues used to pay debt service totaled \$34,141,449, down \$1,789,820 from the prior year due to the lower assessments required for repayment of the outstanding general obligation bonds. Interest payments on all general obligation bonds totaled \$10,836,183, which was \$2,002,029 lower than the prior year reflecting the decrease in outstanding principal noted above. An additional \$24,439,775 was expended on principal payments, leaving \$13,133,831 in fund balance reserved for debt service at fiscal year end.

The Natural Areas Fund reflected capital outlay expenditures of \$20,003,287, including the acquisition of approximately 312 acres from willing sellers in four different target areas and 17 separate land transactions. Additional expenditures of \$4,695,708 were incurred to fund various local share projects, including staffing and materials to conduct all the projects accounted for in this fund.

Metro established a new capital projects fund in fiscal year 2009, the Zoo Infrastructure and Animal Welfare Fund, to account for the proceeds of the \$125 million in general obligation bonds approved by the voters in fall 2008. During fiscal year 2009, Metro issued a \$5,000,000 bond under this authorization to begin work on the earliest phases of the projects, primarily the zoo's veterinary hospital and quarantine facility. Capital outlay expenditures of \$776,331 were incurred for these projects during the year and resulted in fund balance of \$4,260,056 at June 30, 2009.

Proprietary funds. Metro's proprietary fund statements 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 \$68,398,124 at year-end, down 1.3 percent or \$899,246. (This is after restatement of the prior year's net assets as required by GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which reduced prior year net assets by \$1,760,000). Of this amount in net assets, \$21,121,073 is unrestricted, down 17.8 percent, and represents 42.0 percent of annual operating expenses. Additional net assets are restricted for renewal and replacement (\$8,328,119) and landfill closure (\$4,823,585). In addition to the information already provided in the narrative above on business-type activities, the following additional detailed analysis of solid waste expenses is provided.

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2009

Total operating expenses decreased \$1,652,374 or 3.2 percent from the prior year. Payroll and fringe benefits increased 1.9 percent (\$170,520) due to higher fringe benefit costs and scheduled wage increases, which were offset partially by position vacancies. Facility operating expenses for Metro's two solid waste transfer stations decreased \$1,317,611 or 13.0 percent. Waste disposal fees paid for waste disposal at the Columbia Ridge Landfill in Gilliam County, decreased 12.2 percent (\$1,592,244), with these decreases attributable to lower tonnage as noted earlier. Waste transport costs increased 21.5 percent (\$1,712,790), which included the expensing of the remainder of a prepaid amount for a contractor's capital acquisitions at the expiration of the former waste transport contract, which added \$194,123 in expenses over the prior year. Operating income was \$152,115 in fiscal year 2009, compared to \$1,259,852 in the prior year.

Net assets for MERC totaled \$189,268,438 at June 30, 2009, down \$3,650,890 or 1.9 percent from the prior year, with 86.5 percent of net assets invested in capital assets, net of related debt. (This is after restatement of the prior year's net assets as required by GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which reduced prior year net assets by \$78,000). Of the remaining net assets for MERC, \$24,100,085 is unrestricted, and represents 52.7 percent of annual operating expenses.

MERC operating revenue includes charges for services of \$30,002,429 and government contributions of \$734,709. Charges for services revenue declined \$449,449 or 1.5 percent from the prior year. This revenue drop is due primarily to those factors noted earlier in the government-wide business-type activities discussion. OCC had several corporate events cancel, including Nike, Intel and the Portland Gifts & Accessories Show. PCPA, on the other hand, had an exceptional Broadway season with revenues 24.8% (\$1,460,013) higher than the previous year due to shows such as *Wicked*, *Phantom of the Opera*, *Grease*, *The Color Purple*, *Rent* and *Chorus Line*.

Payroll and fringe benefit costs increased \$1,683,041 or 10.8 percent. Increases in salaries and wages for cost-of-living adjustments and merit increases account for approximately \$615,000 of this increase (plus fringe benefit costs), whereas new positions contributed \$392,548 (plus fringe benefits) and other personnel actions added \$229,924 in expenses. Facility operating costs remained relatively flat, declining only \$98,682 or 1.3 percent, reflecting the level of activity at MERC facilities. Food and beverage costs decreased \$306,812 or 3.1 percent, with the MERC-wide margin between this expense and related food and beverage revenues being 15.5 percent (OCC, 14.7 percent; Expo, 20.2 percent; PCPA, 14.3 percent). The operating loss for MERC totaled \$14,983,545 in fiscal year 2009, an additional loss of \$2,493,432 or 20.0 percent compared to the prior year. Transient Lodging Taxes, included in local government shared revenue on the Statement of Revenues, Expenses and Changes in Fund Net Assets, are used to help cover operating losses and totaled \$10,702,508 during fiscal year 2009, down \$453,504 or 4.1% and reflected the economic impacts felt in the lodging industry.

The Risk Management Fund, an internal service fund that is incorporated in governmental activities for government-wide reporting, had net assets of \$8,301,172 at June 30, 2009. Total assets were \$9,335,841, primarily in equity in Metro's internal cash and investment pool (\$9,183,688). Both of these amounts were relatively unchanged from the prior year. Significant liabilities included the actuarially determined accrued self-insurance claims (\$804,619), down \$49,554 from the prior year. With the implementation of GASB Statement 49, as discussed earlier, the environmental impairment liability of \$5,225,000 reported in the prior year was eliminated in this fund, and beginning net assets were restated accordingly. The pollution remediation obligations are now reflected directly in the Solid Waste and MERC Funds as noted earlier. Risk Management Fund total net assets increased \$613,917 over the prior year as operating revenue, primarily internal charges for services, exceeded expenses (primarily insurance and claims expenses) by \$274,355, supplemented by investment income of \$281,032 and grants of \$62,320.

GENERAL FUND BUDGETARY HIGHLIGHTS

As noted earlier, Metro's General Fund is used to account for general government operations and the programs of Planning, Regional Parks and the Oregon Zoo.

Of the eleven total budget amendments made during fiscal year 2009, ten involved the General Fund, resulting in an additional \$447,843 in appropriations between the adopted and amended budget. The largest amendment, Ordinance 09-1219, authorized \$750,000 in spending on personal services and materials and services for the zoo to support revenue generating activities that would ensure guests received a zoo experience that met their expectations, as well as recognizing donations from IKEA, DEX, Idearc and private parties and the associated expenditure of \$119,924. The \$750,000 increase in zoo appropriations was taken from contingency, resulting in no increase in overall General Fund appropriations for that component.

Other larger amendments during the fiscal year included Ordinance 08-1206, which appropriated \$160,319 in spending authority for the recognition of intergovernmental revenue from the Oregon Department of Transportation and associated expenditures related to the Columbia River Crossing project. The ordinance also created the Strategy Center under Metro's Sustainable Metro Initiative reorganization and adjusted appropriations for implementation of a classification and compensation study, both of which did not have an effect on overall General Fund appropriations. Ordinance 08-1202 provided \$253,951 in increased appropriation in the Council Office and \$115,000 transfer to the Metro Capital Fund. The amount for the Council Office was for the engagement of an organization development firm for work on management values, practices, standards manual and on-going cultural development with the management team, provision of onsite staff development for employee performance management and consulting support for agency wide best practices training. The \$115,000 was added for acquisition of an online learning management system.

Smaller amendments in the General Fund included recognition of \$28,000 in grant funds from the German Marshall Fund, a grant of the Oregon Community Foundation, (Ordinance 08-1203) to be used for expenditures to send a delegation of the Blue Ribbon Committee for Trails to Amsterdam and Copenhagen to study the world renowned bicycle and walking infrastructure of these two cities; the addition of 0.5 FTE for a legal secretary position in the Office of Metro Attorney in the amount of \$26,459 (Ordinance 08-1208); increasing appropriations in the Planning and Development department by \$59,000, which was taken out of contingency, for staffing a 1.0 FTE limited duration position for work on the Integrated Mobility Strategy and reclassifying expenditure from the Planning Department to Debt Service in the amount of \$592,500 to payoff an existing TOD loan; taking \$35,600 from contingency to fund expenditures for an elephant program study funded by the Oregon Zoo Foundation and an animal enrichment program funded from private sources, both for the zoo (Ordinance 09-1212); and recognizing donations and private contributions and the transfer of \$75,000 to the Metro Capital Fund to improve water quality at Blue Lake Park (Ordinance 09-1214).

The General Fund is appropriated by department with separate designations within the fund for debt service, interfund transfers and contingency. Appropriated departments include the Council Office, Finance and Administrative Services, Human Resources, Information Technology, Metro Auditor, Office of Metro Attorney, Oregon Zoo, Planning, Public Affairs and Government Relations, Regional Parks and Greenspaces, in addition to non-departmental expenditures (including a debt service expenditure category). There were no expenditures in excess of appropriations in the General Fund for the fiscal year ended June 30, 2009.

Departments that spent less than 90.0 percent of their General Fund appropriations included the Council Office (89.7 percent), Metro Auditor (89.8 percent), Regional Parks and Greenspaces (81.4 percent), Planning (55.3 percent), Information Technology (88.1 percent) and Finance and Administrative Services (86.9 percent). Planning had work on several large projects deferred until fiscal year 2010, such as land use planning projects (\$1.5 million) and the Milwaukie Light Rail project (\$1.3 million), as well as lower TOD program related expenditures (\$4 million).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Metro's investment in capital assets for its governmental and business type activities amounts to \$505,009,002 (net of accumulated depreciation) as of June 30, 2009. This investment in capital assets includes land, buildings and exhibits, improvements, and various types of equipment. The total increase (including additions and deductions) in Metro's investment in capital assets for the current fiscal year was \$21,365,979 or 4.4 percent, net of accumulated depreciation. Metro reflects an increase of \$26,539,972 or 9.9 percent in capital assets attributable to governmental activities and a decrease of \$5,173,993 or 2.4 percent in business-type activity capital assets (additional capital assets, less increases in accumulated depreciation).

Metro's Capital Assets*(net of accumulated depreciation)*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$196,594,041	\$179,793,373	19,329,786	19,329,786	215,923,827	199,123,159
Buildings and Exhibits	66,334,807	68,431,622	182,131,170	187,425,473	248,465,977	255,857,095
Improvements	13,922,915	13,590,885	1,797,630	2,069,031	15,720,545	15,659,916
Equipment and Vehicles	3,280,887	2,786,266	6,413,548	6,388,070	9,694,435	9,174,336
Office furniture/equip	1,000,055	463,594	1,027,411	649,674	2,027,466	1,113,268
Railroad equip/facilities	7,941	111,321	-	-	7,941	111,321
Construction in Progress	13,097,083	2,520,696	71,728	83,232	13,168,811	2,603,928
Total	\$294,237,729	267,697,757	210,771,273	215,945,266	505,009,002	483,643,023

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

- Metro acquired ownership of approximately 312 acres from willing sellers in four different target areas and 17 separate land transactions from the proceeds of the Natural Areas general obligation bonds. The total capitalized cost for the property acquired and stabilized in the current fiscal year under this program was \$16,296,859 and is reflected in governmental activities capital assets. This amount included a \$4,311,793 donation of land. Capitalized costs for the Cooper Mountain Natural area totaled \$2,664,173 in fiscal year 2009.
- The most significant capital project at the Oregon Zoo, to be completed in fall 2009, is the *Predators of the Serengeti* exhibit, with capitalized construction in progress for fiscal year 2009 of \$4,954,785. The Oregon Zoo Foundation championed a major campaign to finance the project's construction costs. The zoo believes the exhibit will significantly increase the number of zoo visitors in the period following opening, which will generate additional zoo operating revenues. The second largest project at the zoo in fiscal year 2009 is the renovation of the orangutan exhibit – and titled *Red Ape Reserve*. This project constructs a new indoor exhibit, new holding/shift rooms, and renovates existing outdoor exhibits for the zoo's orangutans – all of which had capitalized costs of \$1,976,509 during the year. This project continues the zoo's multi-year strategy to upgrade the primate building and replace/upgrade exhibits. In addition to these major projects, the zoo capitalized work on stormwater separation (\$310,479) and work on the veterinary hospital and quarantine facility (\$320,126).
- Parks and Environmental Services capitalized work on several projects accounted for in the Metro Capital Fund, including the M. James Gleason Boat Ramp attenuator project (\$2,664,173) and the Blue Lake Nature and Golf Learning Center design and engineering (\$128,575).
- Solid Waste capitalized the transfer trailer scale at Metro Central Station (\$148,210), capital additions to trash compactors No. 1 and No. 3 at Metro Central Station (\$386,386 and \$150,163, respectively), and Metro Central Station lunchroom and restroom remodeling (\$150,796).

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2009

- MERC capitalized just over one million dollars and completed twenty three projects for fiscal year 2009. The largest project was the rework of the public telephone area into a laptop user area at a cost of \$138,063. In addition, MERC purchased tables for events for \$128,446 and acquired audio video equipment for \$113,944. The remaining projects were all under \$80,000 for various equipment and building improvements.

Additional information on Metro's capital assets can be found in Note 4 to the financial statements.

Long-term debt. At the end of the current fiscal year, Metro had total bonded debt outstanding of \$262,554,110 net of discounts and deferred amounts on refunding. Of this amount, \$209,351,110 comprises debt backed by the full faith and credit of Metro and the remainder (\$53,203,000) represents bonds secured by a broad pledge of Metro revenues, including property taxes used to support operations, and excise taxes levied on users of certain Metro services.

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. Bonds are reflected net of premiums, discounts and deferred amounts on refunding as disclosed in the notes to the financial statements:

Metro's Outstanding Debt

	Governmental Activities		Business-type Activities		Total - Primary Government	
	2009	2008	2009	2008	2009	2008
Gen. obligation bonds	\$209,351,110	229,338,399		-	209,351,110	229,338,399
Full Faith & Credit/Revenue	40,328,172	41,555,225	12,874,828	17,836,040	53,203,000	59,391,265
Loans	-	592,500	133,632	143,911	133,632	736,411
Total	\$249,679,282	271,486,124	13,008,460	17,979,951	262,687,742	289,466,075

Metro's total debt decreased \$26,778,333 (9.3 percent) during the current fiscal year. The key factors in this decrease were the scheduled payments of principal maturities on outstanding bonds, the defeasance in December 2008 of the Waste Disposal System Refunding Bonds 2003 series, and the early call and payment in full of the TOD property loan in March 2009. In addition, Metro issued a \$5,000,000 Oregon Zoo General Obligation Bond, 2008 Series on December 22, 2008 to finance the initial phases of work under a voter approved \$125 million general obligation bond measure. Additional issues will be made as overall project planning and permitting progresses in future years on these zoo projects. Metro also has \$103,105,000 in remaining voter approved general obligation bond authorization for acquisition of natural areas, parks and streams to protect open spaces and water quality, enhance the region's network of trails, and provide greater access to nature.

Metro's General Obligation Bonds, Natural Areas, 2007 series are rated "AAA" and "Aaa" by Standard & Poor's and Moody's, respectively. Metro maintains an "AA+" rating from Standard & Poor's and an "Aa1" rating from Moody's for other general obligation debt. Metro's General Obligation Refunding Bonds, 2005 Series are rated "AAA" and "Aa1" by Standard & Poor's and Moody's, respectively. Metro's Limited Tax Pension Obligation Bonds, 2005 Series have an underlying rating of "A3" and the issue was insured to receive an "Aaa" rating from Moody's. The Metro Full Faith and Credit Refunding Bonds, 2003 Series have been rated "AA+" and "Aa2" by Standard & Poor's and Moody's, respectively. Finally, the Metro Full Faith and Credit Refunding Bonds, 2006 Series have an underlying rating of "A2" and the issue was insured to receive an "Aaa" rating from Moody's.

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 \$21,847,809,051, which is significantly in excess of Metro's outstanding general obligation debt.

Additional information on Metro's long-term debt can be found in Notes 11 through 13 in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

According to Metro's Research Center, the Portland economy is suffering the full effects of recession this year. The employment data for July 2009 show large-scale employment losses at a rate not seen since mid-2003, and local employers have announced further cutbacks to be implemented through the year. Net job losses in July totaled close to 55,000 year-over-year, a decline of 5.8 percent. Portland's economy is losing jobs quickly in the first half of 2009 and is forecast to lose more in the near future. The manufacturing sector is showing some of the most rapid declines in the Portland economy. Firms in the wood-products segment have been a key contributor to the backslide, with orders down significantly due to slackened lumber and finished-product demand from the national housing market. There are losses in the high-tech positions also. On Semiconductor temporarily shut down at the start of 2009, with possible permanent cuts later. Tektronix had jobs eliminated as its new parent company restructured and later in the year the industry will get a shock when Intel closes one of its three large manufacturing facilities in Hillsboro.

In other sectors, recent air cargo figures, though still very weak, show decreases in year-over-year losses. Marine cargo remains severely depressed, where tonnage declines this year have varied between 11 and 55 percent over year ago figures and the number of vessel calls are 51 percent below a year ago levels. Portland commercial air passenger declines are decelerating to single digits recently from the steepest drop of 20 percent in February 2009 (year-over-year basis). The decreases may not be as severe and protracted as what ensued after 9/11.

Looking to strengths in the local economic picture, the local labor force is well educated and is attracting investment in research and high-tech industries, particularly alternative energy. Portland is an attractive option to firms looking to invest on the West Coast, but wanting lower costs than Seattle or California. Growth is forecast to remain sluggish through the first quarter of 2011 and to peak in 2012, before settling into long-term pattern of expected growth rates that are predicted to exceed national and statewide growth. The service sector will help define the shape of the recovery.

The Metro fiscal year 2010 budget tops \$457 million, about the same as fiscal year 2009. Metro faces the same economic uncertainties for fiscal year 2010 as its public and private partners and citizens face. However, unlike many jurisdictions, Metro's resource base is diversified and not reliant on a single revenue source. Expenditures are about five percent greater than fiscal year 2009, primarily due to planned ambitious capital spending related to the two bond measures for Natural Areas acquisition and the Oregon Zoo infrastructure and animal welfare, which will provide some local economic stimulus in the marketplace and potentially benefit the taxpayers because of favorable market prices. Labor costs are contained to an overall two percent increase. The economic downturn has reduced solid waste system revenues and, in turn, general excise tax revenues. The fiscal year 2010 budget restores and fully funds assigned fund balances in accordance with Metro's financial policies and "pay ourselves first" philosophy. The following paragraphs provide a summary of the significant initiatives planned and budgeted for in the coming fiscal year.

Metro will make important contributions to the *Connecting Green Initiative* by acquiring targeted land and by integrating active, non-motorized projects into its transportation planning. Metro's new Sustainability Center will focus on improving the reach of waste reduction education programs and bolstering the sustainability of Metro's own operations. As part of *Making the Greatest Place* in fiscal year 2010, the Metro Council will be working with individuals and groups throughout the region to take actions to implement local and regional goals in a way that creates vibrant, healthy and sustainable communities consistent with Metro's 2040 goals. Metro will undertake a *Future Vision* review required by the Metro Charter. The Future Vision is a long-term, visionary outlook for at least a 50-year period that indicates population levels and settlement patterns that the region can accommodate within the carrying capacity of the land, water and air resources of the region, and its educational and economic resources, and that achieves a desired quality of life.

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2009

The Metro Council, after recommendations from an advisory group of local government officials, representatives of various business organizations and other interested parties, extended the construction excise tax for an additional five years to September 30, 2014, to provide funding for planning of future expansion areas, future urban reserves, and planning that enables redevelopment of centers, corridors and employment areas within the existing Urban Growth Boundary. This action is in keeping with the region's blueprint for managing growth, the 2040 Growth Concept, and is expected to generate approximately \$1.4 million in fiscal year 2010.

Metro's Excise Tax rate for fiscal year 2010 is set at 7.5 percent on all non-solid waste generated revenues (exempting the zoo from such taxes) and a flat fee of \$9.83 on all solid waste tonnage, including an additional \$3.47 per ton for regional parks, a Tourism and Opportunity Competitiveness Account to provide assistance to MERC in marketing the Oregon Convention Center, and an annual contribution to the general renewal and replacement account for operational units that reside in the General Fund.

With the opening of *Predators of the Serengeti* and *Red Ape Reserve* exhibits, the Oregon Zoo is expecting a record 1.6 million guests. The Metro Council has approved a fee increase in general admission, which went into effect on June 1, 2009. The zoo will complete master site planning for all bond-related projects and begin construction for the veterinary hospital and quarantine buildings in fiscal year 2010.

Under the SMI reorganization implemented during fiscal year 2009, the Parks and Solid Waste functions were brought together as Parks and Environmental Services with a focus on facilities: regional parks; thousands of acres of natural areas throughout the region; boat ramps; pioneer cemeteries and Glendoveer Golf Course; solid waste facilities including the two transfer stations, the latex paint facility, the St. Johns Landfill and the Metro headquarters building. The budget includes fee increases authorized by the Council for day use at regional parks, effective June 1, 2009, and overnight camping, effective January 1, 2010.

After consideration of the Metro Rate Review Committee's recommendations for solid waste fees for fiscal year 2010, the Council decided to use uncommitted fund balance to constrain the rate increase, reducing the tip fee increase from over \$10 per ton to \$5 per ton. Previously bond covenants required that all operating costs be funded by rate revenue, but the defeasance of the Solid Waste revenue bonds in December 2008 allowed the Council to make this policy choice for fiscal year 2010. Effective August 6, 2009, Metro's tip fee will increase to \$80.75 per ton. The tip fee is composed of the tonnage charge, a regional system fee, transaction fee, Metro Excise Tax, and a host community fee. The tonnage charge component, which covers the cost of disposing and transporting waste from Metro's transfer stations, will be \$51.65 in fiscal year 2010. Tonnage is expected to decrease about 19.6 percent from the fiscal year 2009 budgeted levels, due to the recent economic downturn that has triggered tonnage declines of a magnitude not seen in 17 years. Regional tonnage is expected to decline 18.4 percent from 2009 budgeted levels, with this fee component increasing from \$16.04 to \$17.53 per ton.

The Metro Council also authorized a \$10,560,000 interfund loan from the Solid Waste Fund to the Metro Capital Fund to construct the Nature and Golf Learning Center at Blue Lake Park. The interfund loan is expected to provide construction financing and will be repaid with permanent financing, most likely a full faith and credit obligation bond.

MERC enterprise revenues account for 26 percent of total Metro revenues, with 90 percent of those revenues derived from rentals, concessions/catering, parking, reimbursed services and utility services. Projected rental revenue represents a 2 percent decrease in fiscal year 2010 due to negative economic impacts at Expo Center (reduced forecasted attendance at consumer and trade shows) and fewer weeks of Broadway series shows at PCPA, while the OCC has a strong book of business with six additional national conventions in fiscal year 2010 compared to fiscal year 2009. The other MERC enterprise revenues will generally follow a similar pattern as the attendance forecasts for each facility.

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2009

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 Director of Finance and Regulatory Services, Metro, 600 NE Grand Avenue, Portland, Oregon, 97232-2736.



Basic Financial Statements

METRO
Statement of Net Assets
June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Oregon Zoo Foundation
ASSETS				
Equity in internal cash and investment pool	\$ 53,962,318	45,190,138	99,152,456	1,528,769
Investments	-	-	-	5,618,500
Receivables (net of allowance for uncollectibles):				
Property taxes	2,427,570	-	2,427,570	-
Trade	538,938	6,699,749	7,238,687	614,593
Other	1,497,986	5,402,538	6,900,524	255,724
Interest	721,776	253,176	974,952	43,099
Grants	6,392,052	-	6,392,052	-
Internal balances	3,927,769	(3,927,769)	-	-
Inventories	88,344	304,079	392,423	-
Assets held for resale	8,518,324	-	8,518,324	-
Prepaid items	321,991	57,759	379,750	-
Loan receivable (net of discount)	621,707	-	621,707	-
Net pension asset	20,048,080	-	20,048,080	-
Other assets	525,328	73,378	598,706	41,979
Restricted assets:				
Equity in internal cash and investment pool	15,330,807	16,916,742	32,247,549	-
Investments	79,766,298	-	79,766,298	-
Capital assets:				
Land, improvements and construction in progress	209,691,124	19,401,514	229,092,638	-
Other capital assets (net of accumulated depreciation)	84,546,605	191,369,759	275,916,364	15,883
Total assets	\$ 488,927,017	281,741,063	770,668,080	8,118,547
LIABILITIES				
Accounts payable	\$ 5,890,021	5,046,327	10,936,348	232,250
Salaries, withholdings and payroll taxes payable	1,997,012	1,180,922	3,177,934	-
Contracts payable	373,621	-	373,621	262,562
Accrued interest payable	2,829,815	53,312	2,883,127	-
Accrued self-insurance claims	804,619	-	804,619	-
Unearned revenue	1,546,945	511,760	2,058,705	1,944,195
Deposits payable	98,489	1,911,257	2,009,746	-

(Continued)

METRO
Statement of Net Assets, *continued*
June 30, 2009

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Oregon Zoo Foundation
LIABILITIES, Continued				
Other liabilities	\$ 9,288	632,657	641,945	-
Payable from restricted assets:				
Contracts payable	-	100,000	100,000	94,481
Post-closure costs payable	-	2,267,781	2,267,781	-
Non-current liabilities:				
Due within one year:				
Bonds payable	27,203,540	600,000	27,803,540	-
Loans payable	-	10,279	10,279	-
Compensated absences	1,686,238	951,656	2,637,894	-
Due in more than one year:				
Bonds payable (net of unamortized premium or discount and deferred amount on refunding)	222,475,742	12,274,828	234,750,570	-
Loans payable	-	123,353	123,353	-
Net other postemployment benefits obligation	425,922	376,702	802,624	-
Pollution remediation obligation	-	1,838,000	1,838,000	-
Compensated absences	653,492	123,436	776,928	-
Total liabilities	\$ 265,994,744	28,002,270	293,997,014	2,533,488
NET ASSETS				
Invested in capital assets, net of related debt (1)	142,681,077	197,896,445	320,942,522	15,883
Restricted for:				
Renewal and replacement	-	8,328,119	8,328,119	-
Landfill closure	-	4,823,585	4,823,585	-
Debt service	12,278,977	19	12,278,996	-
Rehabilitation and enhancement	2,029,329	-	2,029,329	-
Capital projects	26,786,018	1,397,236	28,183,254	-
Perpetual care-non-expendable	288,683	-	288,683	-
Zoo purposes:				
Expendable	-	-	-	1,275,909
Non-expendable	-	-	-	50,000
Unrestricted (1)	38,868,189	41,293,389	99,796,578	4,243,267
Total net assets	\$ 222,932,273	253,738,793	476,671,066	5,585,059

(1) See Fund Balance and Net Assets discussion in the Summary of Significant Accounting Policies in the notes to the financial statements.

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



METRO
Statement of Activities
For the year ended June 30, 2009

			Program Revenues	
			Operating	Capital
	Expenses	Charges for	Grants and	Grants and
		Services	Contributions	Contributions
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental activities:				
General government operations	\$ 14,198,441	1,394,695	89,810	-
Regional planning and development	13,023,497	1,682,136	11,199,016	-
Culture and recreation	13,350,232	2,648,864	1,167,357	6,479,450
Zoo	29,426,286	18,040,150	1,433,737	1,977,808
Interest on long-term debt	12,121,270	-	-	-
Total governmental activities	82,119,726	23,765,845	13,889,920	8,457,258
Business-type activities:				
Solid Waste	52,014,903	50,478,290	28,116	-
MERC	46,239,579	30,007,172	802,786	265,740
Total business-type activities	98,254,482	80,485,462	830,902	265,740
Total primary government	\$ 180,374,208	104,251,307	14,720,822	8,722,998
Component Unit:				
Oregon Zoo Foundation	\$ 5,810,446	4,280,806	2,272,848	-
General revenues:				
Property taxes				
Excise taxes				
Construction excise tax				
Cemetery revenue surcharge				
Unrestricted local government shared revenues				
Unrestricted investment earnings				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets-July 1, 2008, as restated (1)				
Net assets-June 30, 2009				

(1) Beginning net assets have been restated for a change in accounting principle due to the implementation of GASB Statement No. 49.

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Oregon Zoo Foundation
(12,713,936)	-	(12,713,936)	
(142,345)	-	(142,345)	
(3,054,561)	-	(3,054,561)	
(7,974,591)	-	(7,974,591)	
(12,121,270)	-	(12,121,270)	
(36,006,703)	-	(36,006,703)	
-	(1,508,497)	(1,508,497)	
-	(15,163,881)	(15,163,881)	
-	(16,672,378)	(16,672,378)	
(36,006,703)	(16,672,378)	(52,679,081)	
			<u>743,208</u>
\$ 45,447,596	-	45,447,596	-
12,976,156	-	12,976,156	-
1,734,579	-	1,734,579	-
24,168	-	24,168	-
500,473	10,702,508	11,202,981	-
4,996,270	1,714,787	6,711,057	(178,076)
120,655	(120,655)	-	-
65,799,897	12,296,640	78,096,537	(178,076)
29,793,194	(4,375,738)	25,417,456	565,132
193,139,079	258,114,531	451,253,610	5,019,927
<u>\$ 222,932,273</u>	<u>253,738,793</u>	<u>476,671,066</u>	<u>5,585,059</u>

Fund Financial Statements

Governmental Funds

Major Funds

General Fund

The *General Fund* accounts for all activities not required to be accounted for in another fund. This fund accounts for Metro's primary governmental programs and support services including Council Office, Finance and Administrative Services, Human Resources, Information Technology, Metro Auditor, Office of Metro Attorney, Oregon Zoo, Planning (land use, urban growth management, and environmental and transportation planning), Public Affairs and Government Relations, Regional Parks and Greenspaces (parks, marine facilities, pioneer cemeteries, and a golf course) and non-departmental appropriations. The principal resources of the fund are charges for services, grants, property taxes, construction excise tax, investment income and excise taxes on Metro's facilities and services levied in accordance with the Metro Code.

The budgetary General Fund is combined with two other budgetary funds, the General Revenue Bond Fund – General and the General Renewal and Replacement Fund, to become one fund in accordance with accounting principles generally accepted in the United States of America.

Debt Service Fund

The *General Obligation Bond Debt Service Fund* accounts for payments of general obligation bond principal and interest to bondholders. The principal resources are property taxes and investment income.

Capital Projects Funds

Zoo Infrastructure and Animal Welfare Fund

This fund was established to account for proceeds of voter-approved general obligation bonds to fund infrastructure and projects related to animal welfare at the Oregon Zoo. The principal sources of revenue are bond proceeds and investment income.

Natural Areas Fund

This fund accounts for activities to acquire and preserve natural areas and stream frontages, maintain and improve water quality, and protect fish and wildlife habitat. The principal resources are capital contributions and donations and investment income.

Other Governmental Funds

Other governmental funds include Smith and Bybee Lakes Fund, Rehabilitation and Enhancement Fund, Open Spaces Fund, Metro Capital Fund, and Cemetery Perpetual Care Fund.

METRO
Balance Sheet
Governmental Funds
June 30, 2009

	General	Debt Service
ASSETS		
Equity in internal cash and investment pool	\$ 33,911,455	12,826,412
Investments	-	-
Receivables:		
Property taxes	594,595	1,832,975
Trade	504,627	-
Other	1,497,986	-
Interest	175,861	60,983
Grants	6,175,198	-
Inventories	88,344	-
Assets held for resale	8,518,324	-
Prepaid items	321,991	-
Loan receivable (net of discount)	621,707	-
Other assets	107,181	-
Restricted assets:		
Equity in internal cash and investment pool	32	-
Total assets	\$ 52,517,301	14,720,370
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 3,917,990	-
Salaries, withholdings and payroll taxes payable	1,918,796	-
Contracts payable	2,179	-
Deferred revenue	544,371	1,586,539
Unearned revenue	1,046,945	-
Deposits payable	98,489	-
Other liabilities	9,288	-
Total liabilities	7,538,058	1,586,539
Fund balances:		
Reserved for:		
Assets held for resale	8,518,324	-
Loans receivable	621,707	-
Prepaid items	321,991	-
Debt service	-	13,133,831
Unreserved reported in:		
General fund	35,517,221	-
Special revenue funds	-	-
Capital projects funds	-	-
Permanent fund	-	-
Total fund balances	44,979,243	13,133,831
Total liabilities and fund balances	\$ 52,517,301	14,720,370
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.		
Deferred revenue reported in the funds is eliminated (recognized) or becomes unearned revenue.		
An internal service fund is used by management to charge the costs of insurance and risk management to individual funds.		
The assets and liabilities of the internal service fund 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		Other	Total
Zoo Infrastructure and Animal Welfare	Natural Areas	Governmental Funds	Governmental Funds
199,556	1,852,697	11,219,022	60,009,142
4,423,650	75,342,648	-	79,766,298
-	-	-	2,427,570
-	-	34,311	538,938
-	400,491	12,106	1,910,583
996	382,910	54,686	675,436
-	149,673	67,181	6,392,052
-	-	-	88,344
-	-	-	8,518,324
-	-	-	321,991
-	-	-	621,707
-	-	-	107,181
-	-	-	32
4,624,202	78,128,419	11,387,306	161,377,598
352,726	475,153	920,389	5,666,258
11,420	56,471	4,038	1,990,725
-	87,588	283,854	373,621
-	400,000	-	2,530,910
-	-	-	1,046,945
-	-	-	98,489
-	-	-	9,288
364,146	1,019,212	1,208,281	11,716,236
-	-	-	8,518,324
-	-	-	621,707
-	-	-	321,991
-	-	-	13,133,831
-	-	-	35,517,221
-	-	6,221,690	6,221,690
4,260,056	77,109,207	3,668,652	85,037,915
-	-	288,683	288,683
4,260,056	77,109,207	10,179,025	149,661,362
4,624,202	78,128,419	11,387,306	
			294,237,729
			20,048,080
			2,030,910
			12,228,941
			(255,274,749)
		\$	222,932,273

METRO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2009

	General	Debt Service
REVENUES		
Property taxes	\$ 10,755,647	34,141,449
Excise taxes	12,971,067	-
Construction excise tax	1,734,579	-
Cemetery revenue surcharge	-	-
Local government shared revenues	500,473	-
Investment income	1,130,707	606,851
Government fees	481,480	-
Culture and recreation fees	17,893,774	-
Other fees	3,246,040	-
Internal charges for services	825,510	-
Licenses and permits	388,375	-
Miscellaneous revenue	835,794	-
Grants	11,855,352	-
Government contributions	266,319	-
Contributions and donations	1,241,569	-
Capital grants	-	-
Capital contributions and donations	-	-
Total revenues	64,126,686	34,748,300
EXPENDITURES		
Current:		
General government operations	12,251,458	-
Regional planning and development	12,974,517	-
Culture and recreation	6,913,874	-
Zoo	26,112,124	-
Debt service:		
Principal	2,007,500	24,439,775
Interest	1,909,629	10,836,183
Capital outlay	1,138,072	-
Total expenditures	63,307,174	35,275,958
Revenues over (under) expenditures	819,512	(527,658)
OTHER FINANCING SOURCES (USES)		
Bond principal	-	-
Sale of capital assets	-	-
Transfers in	8,155,685	-
Transfers out	(1,692,382)	-
Total other financing sources (uses)	6,463,303	-
Net change in fund balances	7,282,815	(527,658)
Fund balances - July 1, 2008	37,696,428	13,661,489
Fund Balances - June 30, 2009	\$ 44,979,243	13,133,831

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

Capital Projects		Other	Total
Zoo Infrastructure and Animal Welfare	Natural Areas	Governmental Funds	Governmental Funds
-	-	-	44,897,096
-	-	-	12,971,067
-	-	-	1,734,579
-	-	24,168	24,168
-	-	-	500,473
37,280	2,538,906	401,494	4,715,238
-	-	-	481,480
-	-	-	17,893,774
-	-	564	3,246,604
-	-	91,740	917,250
-	-	-	388,375
-	-	2,571	838,365
-	526,680	-	12,382,032
-	-	-	266,319
-	-	-	1,241,569
-	-	1,851,255	1,851,255
-	4,695,376	1,910,627	6,606,003
37,280	7,760,962	4,282,419	110,955,647
-	-	-	12,251,458
-	-	-	12,974,517
-	4,695,708	448,323	12,057,905
-	-	-	26,112,124
-	-	-	26,447,275
-	-	-	12,745,812
776,331	20,003,287	9,993,743	31,911,433
776,331	24,698,995	10,442,066	134,500,524
(739,051)	(16,938,033)	(6,159,647)	(23,544,877)
5,000,000	-	-	5,000,000
-	100,000	-	100,000
-	-	1,234,435	9,390,120
(893)	(28,554)	(7,543,846)	(9,265,675)
4,999,107	71,446	(6,309,411)	5,224,445
4,260,056	(16,866,587)	(12,469,058)	(18,320,432)
-	93,975,794	22,648,083	167,981,794
4,260,056	77,109,207	10,179,025	149,661,362

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, 2009

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

Net change in fund balances-total governmental funds	\$ (18,320,432)
--	-----------------

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	\$ 31,918,103	
Less current year depreciation	<u>(3,825,817)</u>	28,092,286

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.

	(1,552,314)
--	-------------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred property taxes	550,500	
Change in other deferred revenue	<u>(94,911)</u>	455,589

An internal service fund is used by management to charge the costs of insurance and risk management to individual funds. The net revenue of certain activities of the internal service fund is included in governmental activities in the statement of activities.

	439,519
--	---------

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.

Bonds issued	(5,000,000)	
Principal payments on bonds	25,854,775	
Principal payments on loans	<u>592,500</u>	21,447,275

Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.

Other postemployment benefits	(214,869)	
Compensated absences	(118,592)	
Amortization of deferred amounts on refunding	359,566	
Amortization of net pension asset	(1,059,810)	
Accrued interest on long-term debt	<u>264,976</u>	<u>(768,729)</u>

Change in net assets of governmental activities	\$ <u><u>29,793,194</u></u>
---	-----------------------------

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

Fund Financial Statements

Proprietary Funds

Enterprise Funds

Major 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.

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 two budgetary funds (MERC 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.

Internal Service Fund

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
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities- Enterprise Funds		Governmental Activities- Internal Service Fund	
	Solid Waste	MERC	Total	Risk Management
ASSETS				
Current assets:				
Equity in internal cash and investment pool	\$ 21,792,870	23,397,268	45,190,138	9,183,688
Receivables:				
Trade	4,571,348	2,128,401	6,699,749	-
Other	1,182,485	4,220,053	5,402,538	-
Interest	186,648	66,528	253,176	46,340
Inventories	304,079	-	304,079	-
Prepaid items	-	57,759	57,759	-
Other assets	27,200	46,178	73,378	5,550
Total current assets	28,064,630	29,916,187	57,980,817	9,235,578
Noncurrent assets:				
Restricted equity in internal cash and investment pool	15,519,487	1,397,255	16,916,742	100,263
Capital assets, net	34,125,347	176,645,926	210,771,273	-
Total noncurrent assets	49,644,834	178,043,181	227,688,015	100,263
Total assets	77,709,464	207,959,368	285,668,832	9,335,841
LIABILITIES				
Current liabilities:				
Accounts payable	4,222,298	824,029	5,046,327	223,763
Salaries, withholdings and payroll taxes payable	381,184	799,738	1,180,922	6,287
Accrued interest payable	-	53,312	53,312	-
Accrued self-insurance claims	-	-	-	804,619
Unearned revenue	-	511,760	511,760	-
Deposits payable	-	1,911,257	1,911,257	-
Other liabilities	1,906	630,751	632,657	-
Bonds payable-current	-	600,000	600,000	-
Loans payable-current	-	10,279	10,279	-
Compensated absences-current	434,975	516,681	951,656	-
Total current liabilities	5,040,363	5,857,807	10,898,170	1,034,669

(Continued)

METRO
Statement of Net Assets
Proprietary Funds, *continued*
June 30, 2009

	Business-type Activities- Enterprise Funds			Activities- Internal Service Fund
	Solid Waste	MERC	Total	Risk Management
LIABILITIES, Continued				
Noncurrent liabilities:				
Payable from restricted assets:				
Contracts payable	\$ 100,000	-	100,000	-
Post-closure costs payable	2,267,781	-	2,267,781	-
Bonds payable (net of unamortized discount and deferred amount on refunding)	-	12,274,828	12,274,828	-
Loans payable	-	123,353	123,353	-
Net other postemployment benefits obligation	130,981	245,721	376,702	-
Pollution remediation obligation	1,760,000	78,000	1,838,000	-
Compensated absences	12,215	111,221	123,436	-
Total non-current liabilities	4,270,977	12,833,123	17,104,100	-
Total liabilities	9,311,340	18,690,930	28,002,270	1,034,669
NET ASSETS				
Invested in capital assets, net of related debt	34,125,347	163,771,098	197,896,445	-
Restricted for:				
Renewal and replacement	8,328,119	-	8,328,119	-
Landfill closure	4,823,585	-	4,823,585	-
Debt service	-	19	19	-
Capital projects	-	1,397,236	1,397,236	-
Unrestricted	21,121,073	24,100,085	45,221,158	8,301,172
Total net assets	\$ 68,398,124	189,268,438	257,666,562	8,301,172
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(3,927,769)	
Net assets of business-type activities			\$ 253,738,793	

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, 2009

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC	Total	
OPERATING REVENUES				
Charges for services	\$ 50,448,205	30,002,429	80,450,634	17,517
Internal charges for services	30,085	-	30,085	8,377,614
Government contributions	-	734,709	734,709	-
Total operating revenues	50,478,290	30,737,138	81,215,428	8,395,131
OPERATING EXPENSES				
Payroll and fringe benefits	9,192,154	17,272,912	26,465,066	159,887
Depreciation and amortization	1,560,855	5,624,317	7,185,172	-
Administrative expenses	3,473,361	2,359,218	5,832,579	-
Facility operating expenses	8,834,243	7,420,868	16,255,111	-
Marketing expense	-	3,037,088	3,037,088	-
Food and beverage expense	-	9,772,179	9,772,179	-
Contributions to other governments	-	234,101	234,101	-
Disposal fees	11,451,146	-	11,451,146	-
Waste transport costs	9,684,553	-	9,684,553	-
Special waste disposal fees	994,849	-	994,849	-
Recycling credits	436,974	-	436,974	-
Consulting services	2,869,029	-	2,869,029	-
Charges for services	725,304	-	725,304	-
Insurance expense	-	-	-	7,021,329
Claims expense	-	-	-	920,277
Actuarial claims expense (reduction)	-	-	-	(49,554)
Other materials and services	1,103,707	-	1,103,707	68,837
Total operating expenses	50,326,175	45,720,683	96,046,858	8,120,776
Operating income (loss)	152,115	(14,983,545)	(14,831,430)	274,355
NON-OPERATING REVENUES (EXPENSES)				
Local government shared revenue	-	10,702,508	10,702,508	-
Investment income	1,157,633	557,154	1,714,787	281,032
Grants	2,387	-	2,387	62,320
Contributions and donations	25,729	68,077	93,806	-
Gain (Loss) on disposal of capital assets	(18,324)	4,743	(13,581)	-
Waste reduction grants	(1,484,342)	-	(1,484,342)	-
Interest expense	(225,453)	(653,903)	(879,356)	-
Total non-operating revenues-(expenses)	(542,370)	10,678,579	10,136,209	343,352
Income (loss) before capital grants, capital contributions and transfers	(390,255)	(4,304,966)	(4,695,221)	617,707

(Continued)

METRO

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds, *continued*

For the year ended June 30, 2009

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC	Total	
Capital grants	-	8,075	8,075	-
Capital contributions	-	257,665	257,665	-
Transfers in	39,299	758,083	797,382	-
Transfers out	(548,290)	(369,747)	(918,037)	(3,790)
Change in net assets	(899,246)	(3,650,890)	(4,550,136)	613,917
Total net assets - July 1, 2008, as restated (1)	69,297,370	192,919,328		7,687,255
Total net assets - June 30, 2009	\$ 68,398,124	189,268,438		8,301,172
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			174,398	
Change in net assets of business-type activities			\$ (4,375,738)	

(1) Beginning fund balances have been restated for a change in accounting principle due to the implementation of GASB Statement No. 49.

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, 2009

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC	Total	
Cash flows from operating activities:				
Receipts from customers	\$ 50,470,356	27,006,743	77,477,099	6,979,792
Receipts from other governments	-	734,709	734,709	-
Receipts from interfund services provided	-	-	-	1,397,822
Other operating receipts	76,083	-	76,083	18,217
Payments to suppliers for goods and services	(35,416,730)	(20,199,585)	(55,616,315)	(7,670,809)
Payments for claims	-	-	-	(920,277)
Payments and contributions to other governments	-	(234,101)	(234,101)	-
Payments to employees for services	(9,109,092)	(16,901,162)	(26,010,254)	(160,056)
Payments for interfund services used	(3,537,418)	(2,359,218)	(5,896,636)	-
Net cash provided by (used in) operating activities	2,483,199	(11,952,614)	(9,469,415)	(355,311)
Cash flows from noncapital financing activities:				
Local government shared revenues	-	10,617,315	10,617,315	-
Grants received	2,387	-	2,387	71,141
Contributions and donations	25,729	68,077	93,806	-
Principal payments on loans	-	(10,279)	(10,279)	-
Interest payments	-	(7,770)	(7,770)	-
Grants to others	(1,484,342)	-	(1,484,342)	-
Transfers from other funds	39,299	758,083	797,382	-
Transfers to other funds	(548,290)	(369,747)	(918,037)	(3,790)
Net cash provided by (used in) noncapital financing activities	(1,965,217)	11,055,679	9,090,462	67,351
Cash flows from capital and related financing activities:				
Capital grants	-	225,000	225,000	-
Capital contributions	-	257,665	257,665	-
Defeasance payment to bond escrow agent	(2,349,000)	-	(2,349,000)	-
Principal payment on bonds	(2,265,000)	(543,665)	(2,808,665)	-
Interest payments	(83,481)	(648,316)	(731,797)	-
Acquisition and construction of capital assets	(1,096,296)	(1,002,888)	(2,099,184)	-
Proceeds from sale of capital assets	64,935	9,489	74,424	-
Net cash used in capital and related financing activities	(5,728,842)	(1,702,715)	(7,431,557)	-
Cash flows from investing activities:				
Investment income	1,180,173	551,869	1,732,042	282,991
Proceeds from sale of investments	2,389,346	-	2,389,346	-
Purchase of investments	(35,000)	-	(35,000)	-
Net cash provided by investing activities	3,534,519	551,869	4,086,388	282,991
Net increase in cash including restricted amounts	(1,676,341)	(2,047,781)	(3,724,122)	(4,969)
Cash at beginning of year including restricted amounts	38,988,698	26,842,304	65,831,002	9,288,920
Cash at end of year including restricted amounts	\$ 37,312,357	24,794,523	62,106,880	9,283,951

(Continued)

METRO

Statement of Cash Flows

Proprietary Funds, *continued*

For the year ended June 30, 2009

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC	Total	
Equity in internal cash and investment pool	\$ 21,792,870	23,397,268	45,190,138	9,183,688
Restricted equity in internal cash and investment pool	15,519,487	1,397,255	16,916,742	100,263
	<u>\$ 37,312,357</u>	<u>24,794,523</u>	<u>62,106,880</u>	<u>9,283,951</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 152,115	(14,983,545)	(14,831,430)	274,355
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,560,855	5,624,317	7,185,172	-
Change in assets and liabilities:				
Trade/other accounts receivable	68,150	(952,111)	(883,961)	700
Inventory	147,627	-	147,627	-
Other assets	702,856	(40,944)	661,912	-
Accounts payable	613,504	(123,143)	490,361	103,135
Salaries, withholdings and payroll taxes payable/compensated absences	(45,053)	371,750	326,697	(683,947)
Contracts payable	(157,716)	-	(157,716)	-
Accrued self-insurance claims	-	-	-	(49,554)
Unearned revenue	-	(1,900,124)	(1,900,124)	-
Deposits payable	-	(143,452)	(143,452)	-
Other liabilities	64,379	194,638	259,017	-
Post-closure costs payable	(623,518)	-	(623,518)	-
Total adjustments	<u>2,331,084</u>	<u>3,030,931</u>	<u>5,362,015</u>	<u>(629,666)</u>
Net cash provided by (used in) operating activities	<u>\$ 2,483,199</u>	<u>(11,952,614)</u>	<u>(9,469,415)</u>	<u>(355,311)</u>
Noncash investing, capital, and financing activities:				
Investment income relating to the change in the fair value of investments	\$ 45,535	16,899	62,434	11,650

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, 2009

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. MERC is not legally separate from Metro.

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 by a Council President and six Councilors. As required by GAAP, Metro's financial statements present Metro (the primary government) and its component unit –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. This discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from Metro. For materiality reasons, disclosures accompanying Metro's financial statements have generally been limited to those of the primary government.

Discretely Presented Component Unit

OZF - The legally separate 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. 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 unit. 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 unit.

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.

METRO

Notes to the Financial Statements, *continued*

Property taxes, excise taxes, construction excise tax, 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 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.

Major funds are those whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Additional funds may be reported as a major fund if Metro's officials believe that fund is particularly important to financial statement users. 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 primary governmental programs and support services including Council Office, Finance and Administrative Services, Human Resources, Information Technology, Metro Auditor, Office of Metro Attorney, Oregon Zoo, Planning (land use, urban growth management, and environmental and transportation planning), Public Affairs and Government Relations, Regional Parks and Greenspaces (parks, marine facilities, pioneer cemeteries, and a golf course) and non-departmental appropriations. The budgetary General Fund is combined with two other budgetary funds, the General Revenue Bond Fund – General and the General Renewal and Replacement Fund, to become one fund in accordance with accounting principles generally accepted in the United States of America.

Debt Service Fund – The *General Obligation Bond Debt Service Fund* accounts for payments of general obligation bond principal and interest to 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 major capital projects funds are:

Zoo Infrastructure and Animal Welfare Fund – This fund was established to account for proceeds of voter-approved general obligation bonds to fund infrastructure and projects related to animal welfare at the Oregon Zoo.

Natural Areas Fund – This fund accounts for activities to acquire and preserve natural areas and stream frontages, maintain and improve water quality, and protect fish and wildlife habitat.

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.

MERC Fund - This fund accounts for revenues and expenses related to the management and operation of facilities managed by MERC, including the Metro owned Oregon Convention Center (OCC) and the Portland Metropolitan Exposition Center (Expo). In addition, under the provisions of an intergovernmental agreement with the City of Portland, MERC is responsible for operation and management of the City-owned Portland Center for the Performing Arts (PCPA). This fund consists of two budgetary funds (MERC 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.

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

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

Metro also reports *nonmajor* funds of the following fund types:

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.

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.

Private-sector standards of accounting and financial reporting 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. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Metro has elected not to follow subsequent private-sector guidance.

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, MERC Fund, and of the internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund 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

Metro maintains a cash and investment pool that is available for use by all funds for investment purposes, excluding the component unit. Interest earned on pooled investments is allocated monthly based upon each fund's average monthly cash balance. Investments are presented at fair value. The fair value of investments is determined annually and is based on current market prices.

For purposes of the statement of cash flows, cash is considered to be cash on hand, demand deposits, cash in restricted accounts and equity in the internal cash and investment pool. All pooled investment purchases and maturities are part of Metro's cash management activity and are considered cash and cash equivalents.

As authorized by State statutes, policies 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 Local Government Investment Pool (LGIP).

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. Since property taxes may be collected by foreclosure, 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 when required.

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 2009 allocated indirect costs to grants at a rate of approximately 27 percent 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 bonds and certain long-term liabilities or activities 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 their use is limited by applicable bond covenants or other agreements. Such restrictions include amounts for debt service and Natural Areas programs in governmental activities; for renewal and replacement and the payment of the post-closure liability in the Solid Waste Enterprise Fund; and for debt service and capital projects in the MERC Enterprise Fund.

Transit-Oriented Development (TOD) Program Easements

Metro purchases easements on various TOD projects from developers. These easements contain property use conditions for periods up to 30 years to accomplish the goals of the TOD program. Metro does not consider the substance of such easements as assets, but rather project funding and amounts paid are reflected as a period cost. This policy is based on the concept that assets are resources that Metro controls and that have a present capacity to provide services, directly or indirectly. TOD easements, while a contractual or property right controlled by Metro, are entered into for the purposes of developing properties that increase transit ridership. The transit system is a service function of a wholly separate government entity. In the broadest sense, success of the program through TOD easements can enable the region and its individual government entities to maximize future resources. As such, there is no increase in Metro's present capacity to provide service and TOD easements are effectively contributions to the programs and service capacity of other governments.

Capital Assets

Capital assets, which include land, construction in progress, buildings and exhibits, improvements, equipment and vehicles, office furniture and equipment, and railroad equipment and facilities, 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 (\$10,000 or more for MERC) 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. For Metro, replacements exceeding \$5,000 that improve or extend the lives of property are capitalized; for MERC the amount is \$10,000.

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

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

<u>Asset</u>	<u>Years</u>
Buildings and exhibits	20-50
Improvements	10-65
Equipment and vehicles	8-20
Office furniture and equipment	5-20
Railroad equipment and facilities	10

Pursuant to an intergovernmental agreement with the City of Portland, 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

In the government-wide financial statements, and proprietary fund types in the fund financial statements, 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. Bond premiums, discounts, issuance costs and deferred amounts are amortized over the life of the bonds using the straight-line 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 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 are recorded as liabilities in the governmental fund types only if they have matured as the result of employee resignations or retirements. 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 Balances and Net Assets

In the fund financial statements' balance sheet, 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.

In the statement of net assets for proprietary funds and government-wide statements, limitations on how the net assets may be used are reported as restrictions. Restrictions may be placed by an external party providing the resources, by enabling legislation, or by the nature of the asset.

The government-wide statement of net assets includes the result of Metro financing capital assets for the business-type activities through the issuance of general obligation bonds, a governmental activities function. The amount of long-term debt outstanding on the bonds is reflected as a liability (and as a component of unrestricted net assets) in the governmental activities column, whereas the associated capital assets financed by this debt are reflected as assets (and as a component of invested in capital assets, net of related debt) in the business-type activities column. The primary government total column has been adjusted to match the debt against the assets in the invested in capital assets, net of related debt category.

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, other long-term assets and long-term liabilities are either not reported or are deferred in the funds. The details of these differences are:

	Capital assets	Other long-term assets	Long-term liabilities
Capital assets	\$ 356,249,990	-	-
Accumulated depreciation	(62,012,261)	-	-
Net pension asset	-	20,048,080	-
Net other postemployment benefits obligation	-	-	(425,922)
Accrued interest payable	-	-	(2,829,815)
Bonds payable (net of unamortized premium and deferred amount on refunding)	-	-	(249,679,282)
Compensated absences	-	-	(2,339,730)
Net adjustment to fund balance-total governmental funds to arrive at net assets-governmental activities	\$ 294,237,729	20,048,080	(255,274,749)

DETAILED NOTES ON ALL FUNDS**1. CASH AND INVESTMENTS**

Metro pools virtually all funds for investment purposes. Each fund's portion of this pool is reported as "equity in internal cash and investment pool."

Oregon statutes regarding public funds collateralization were significantly revised effective July 1, 2008. Public entities are required to verify that deposit accounts in excess of federal deposit insurance limits are only maintained at financial institutions included on the list of qualified depositories found on the Oregon Treasurer's web site. The Oregon Treasury monitors each depository bank and ensures compliance with collateralization requirements for all Oregon public fund deposits. Banks will be able to pledge a reduced amount if they are well capitalized; and in turn, the banks are required to share in the liability of a failed institution, should it ever occur.

Policies 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 local government investment pool (LGIP). The LGIP is an external investment pool that is not rated by any national rating agency. LGIP investments are reported at fair value and are materially the same as the value of the pool shares. The State Treasurer's investment policies are governed by Oregon Revised Statutes and the Oregon Short Term Fund Board (OSTFB).

METRO

Notes to the Financial Statements, *continued*

There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year. Equity in internal cash and investment pool on the Statement of Net Assets includes the internal pool reported below. The OZF component unit does not participate in the internal investment pool of Metro. As of June 30, 2009, Metro had the following investments and maturities:

Investment Type	Held by		Fair Value	Investment Maturities (in months)		
	Individual funds	Internal pool		Less than 3	3-17	18-59
Bankers' Acceptances	\$ 1,997,018	20,861,274	22,858,292	16,486,928	6,371,364	-
U.S. Government securities - USGSE	65,302,653	37,775,443	103,078,096	5,169,240	97,908,856	-
State Treasurer's investment pool	12,466,627	21,498,860	33,965,487	33,965,487	-	-
Total Investments	79,766,298	80,135,577	159,901,875	55,621,655	104,280,220	-
Cash deposits	-	51,264,428				
Total cash and investments	79,766,298	131,400,005				
Per statement of net assets:						
Unrestricted	-	99,152,456				
Restricted	79,766,298	32,247,549				
Total	\$ 79,766,298	131,400,005				

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 an 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 percent minimum
Under 18 months	75 percent minimum
Under 60 months	100 percent 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. All of Metro's commercial paper had a minimum credit rating of A-1 by Standard & Poor's and P-1 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.

METRO

Notes to the Financial Statements, *continued*

Custodial Credit Risk - Metro monitors custodial credit risk on deposits (the risk that if a bank failed, Metro's deposits would not be returned) in accordance with Oregon statutes and Metro investment policy. Oregon statutes govern the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program, a collateral pool administered by the Oregon State Treasurer. Bank depositories are required to pledge collateral against any public funds deposits in excess of federal deposit insurance amounts. Public entities are required to verify that deposit accounts in excess of federal deposit insurance limits are only maintained at financial institutions included on the list of qualified depositories found on the Treasurer's web site. It is the responsibility of the public official to ensure compliance with these requirements in order to eliminate personal liability in the event of a bank loss. Metro also monitors its depository institutions for indications of financial health. At June 30, 2009, all of Metro's deposits were insured as described above.

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. In addition, 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. At June 30, 2009 Metro was in compliance with all percentage restrictions. 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	
			Zoo Infrastructure Fund	Natural Areas Fund
Federal Home Loan Bank (FHLB)	18.6%	40.0%	-	28.9%
Federal Home Loan Mortgage Corporation (FHLMC)	11.2%	40.0%	-	24.4%
Federal Farm Credit Bank (FFCB)	14.5%	40.0%	-	19.1%
Federal National Mortgage Association (FNMA)	6.4%	40.0%	-	12.3%
Bankers' Acceptances	11.5%	25.0%	-	-
State Treasurer's Investment Pool	17.1%	100.0%	95.7%	-

2. ASSETS HELD FOR RESALE

Acquisition and improvements to real property that is purchased with the intent to sell to private-sector purchasers meeting certain criteria under Metro's TOD program are reported in governmental activities in the statement of net assets as Assets Held for Resale. Such assets are reported at the lower of cost or net realizable value. The carrying value at June 30 is:

Property Name	Address	Amount
CenterCal	NW Civic Drive & NW 15th, Gresham, OR	\$1,185,000
Westgate	3950 SW Cedar Hills Boulevard, Beaverton, OR	2,000,000
Hillsboro	350 East Main Street, Hillsboro, OR	584,774
Main Street Village, Phase II	10700 SE McLoughlin Boulevard, Milwaukie, OR	719,617
Gresham Civic SE	Section 4, Township 1, South Range 3 East (Parcel 2), Gresham, OR	350,000
Civic Drive NW	Adjusted Parcel, Gresham Station North, Gresham, OR	2,228,979
Gresham Civic SW	Parcel II, South of Light Rail, Gresham, OR	1,444,104
The Crossings	TriMet right of way, Gresham, OR	5,850
		<u>\$8,518,324</u>

METRO

Notes to the Financial Statements, *continued*

3. LOANS RECEIVABLE

Loans receivable are loans to developers who agree to develop projects in accordance with TOD program criteria. The loans are secured by the underlying property, which is subject to TOD use restrictions for a period of 30 years. Metro's security interest in the property is subordinate to other security interests on the property. Net loans receivable at June 30 are as follows:

Maximum Term	Interest Rate	Gross Loan Receivable	Unamortized Discount	Net Loan Receivable
50 years	0 to 1%	\$555,000	\$406,377	\$148,623
50 years	0 to 1%	365,000	291,916	73,084
2 years	1%	400,000	-	400,000
Total				<u>\$621,707</u>

The \$555,000 50-year loan agreement, discounted at 6.78 percent, calls for annual payments beginning March 15, 2026 and continuing through March 15, 2056. The \$365,000 50-year loan agreement, discounted at 6.45 percent, calls for annual payments beginning March 1, 2028, and continuing through March 1, 2058.

The 2-year loan agreement bears simple interest, and the outstanding principal balance and accrued interest are due and payable no later than January 5, 2010.

4. CAPITAL ASSETS

Capital asset balances and activity for fiscal year 2009 were as follows:

	Balance July 1, 2008	Increases	Decreases	Transfers	Balance June 30, 2009
Governmental activities:					
Capital assets, non-depreciable:					
Land	\$ 179,793,373	16,422,426	(367,399)	745,641	196,594,041
Construction in progress	2,520,696	11,252,093	(550)	(675,156)	13,097,083
Total non-depreciable	182,314,069	27,674,519	(367,949)	70,485	209,691,124
Capital assets, depreciable:					
Buildings and exhibits	108,565,203	962,877	(2,176,300)	127,797	107,479,577
Improvements	24,645,456	2,383,591	(111,138)	(1,508,654)	25,409,255
Equipment and vehicles	6,693,166	467,391	(382,396)	967,777	7,745,938
Office furniture and equipment	3,114,154	387,796	(28,403)	511,977	3,985,524
Railroad equipment and facilities	2,066,025	41,929	-	(169,382)	1,938,572
Total depreciable	145,084,004	4,243,584	(2,698,237)	(70,485)	146,558,866
Accumulated depreciation:					
Buildings and exhibits	(40,133,581)	(2,237,197)	1,024,922	201,086	(41,144,770)
Improvements	(11,054,571)	(878,194)	111,139	335,286	(11,486,340)
Equipment and vehicles	(3,906,900)	(473,695)	351,479	(435,935)	(4,465,051)
Office furniture and equipment	(2,650,560)	(193,743)	26,332	(167,498)	(2,985,469)
Railroad equipment and facilities	(1,954,704)	(42,988)	-	67,061	(1,930,631)
Total accumulated depreciation	(59,700,316)	(3,825,817)	1,513,872	-	(62,012,261)
Total capital assets, depreciable, net	85,383,688	417,767	(1,184,365)	(70,485)	84,546,605
Governmental activities					
capital assets, net	\$ 267,697,757	28,092,286	(1,552,314)	-	294,237,729

METRO

Notes to the Financial Statements, *continued*

	Balance July 1, 2008	Increases	Decreases	Transfers	Balance June 30, 2009
Business-type activities:					
Capital assets, non-depreciable:					
Land	\$ 19,329,786	-	-	-	19,329,786
Construction in progress	83,232	64,663	-	(76,167)	71,728
Total non-depreciable	19,413,018	64,663	-	(76,167)	19,401,514
Capital assets, depreciable:					
Buildings and exhibits	274,431,930	608,810	-	(158,877)	274,881,863
Improvements	16,547,397	50,805	-	10,723	16,608,925
Equipment and vehicles	15,451,180	857,733	(442,757)	145,840	16,011,996
Office furniture and equipment	1,417,660	517,173	-	78,481	2,013,314
Total depreciable	307,848,167	2,034,521	(442,757)	76,167	309,516,098
Accumulated depreciation:					
Buildings and exhibits	(87,006,457)	(5,757,411)	-	13,175	(92,750,693)
Improvements	(14,478,366)	(332,572)	-	(357)	(14,811,295)
Equipment and vehicles	(9,063,110)	(905,782)	354,752	15,692	(9,598,448)
Office furniture and equipment	(767,986)	(189,407)	-	(28,510)	(985,903)
Total accumulated depreciation	(111,315,919)	(7,185,172)	354,752	-	(118,146,339)
Total capital assets, depreciable, net	196,532,248	(5,150,651)	(88,005)	76,167	191,369,759
Business-type activities capital assets, net	\$ 215,945,266	(5,085,988)	(88,005)	-	210,771,273

An agreement between the City of Portland 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, 2009.

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

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government operations	\$ 738,984
Regional planning and development	1,515
Culture and recreation	888,964
Zoo	2,196,354

Total depreciation expense - governmental activities \$ 3,825,817

Business-type activities:

Solid Waste	\$ 1,560,855
MERC	5,624,317

Total depreciation expense - business-type activities \$ 7,185,172

5. 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, 2009 were:

	Deferred	Unearned
Delinquent property taxes-General Fund	\$ 513,637	-
Delinquent property taxes-Debt Service Fund	1,586,539	-
Other delinquent revenue-General Fund	30,734	-
Long-term receivable-Natural Areas Fund	400,000	-
Grant and contract drawdowns prior to meeting all eligibility requirements-General Fund	-	214,916
Advance ticket sales/registrations-General Fund	-	832,029
	<u>\$2,530,910</u>	<u>1,046,945</u>

6. 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.

7. PENSION PLAN**Defined Benefit Plan Description**

Metro employees hired after August 28, 2003, participate in the Oregon Public Service Retirement Plan (OPSRP), which is part of the Public Employees Retirement System (PERS). Employees hired on or before this date are PERS members. Substantially all full time employees, and other employees who meet certain eligibility requirements, are participants in one of these plans, which are both cost-sharing multiple employer defined benefit pension plans. Benefits vest after five years of continuous service. 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. The plans also provide post-employment health, death and disability benefits. These benefit provisions and other requirements are established under the guidelines of Oregon Revised Statutes, Chapter 238 and 238A.

Both the OPSRP and PERS plans are administered by the Oregon Public Employees Retirement Board (OPERB), which issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Portland, Oregon 97281-3700, by calling 1-888-320-7377, or by accessing the PERS web site at <http://oregon.gov/PERS/>.

Funding Policy

Employer contributions to both the OPSRP and PERS plans are required by state statute and are made at actuarially determined rates as adopted by the OPERB. Actuarial valuations are performed at least every two years. Metro participates in the PERS state and local government rate pool as created by the Legislature. Under the provisions of state statutes, all covered employees, except elected officials, are required to contribute 6 percent of their gross earnings to OPSRP/PERS. The required employee contribution is paid by Metro for most employees in conformance with its

METRO

Notes to the Financial Statements, *continued*

personnel policies; however, some union employees are required to pay the 6 percent contribution in accordance with the collective bargaining agreements covering those employees. Metro's current required employer contribution rates, based on the 2005 valuation, are 7.63 percent of covered employees' salaries for the OPSRP plan, and 5.17 percent for the PERS plan. Metro also charges an internal rate of 3.2 percent of payroll to departments to fund the repayment of pension obligation bonds issued in fiscal year 2006.

Annual Pension Cost/Pension Asset

For fiscal year 2009, Metro's annual pension cost was \$3,808,252. This amount consisted of Metro's actual required contributions of \$988,954 to the OPSRP plan and \$1,759,488 for the PERS plan, as well as \$1,059,810 in amortization of pension assets of the PERS plan. In addition, Metro paid \$2,562,734 for the 6 percent employee contribution as described above. The pension asset is the result of issuance in prior years of limited tax pension obligation bonds to finance Metro's unfunded actuarial accrued liability. Metro's pension asset equaled \$20,048,080 at June 30, 2009. Metro's required employer contribution was determined as part of an actuarial valuation at December 31, 2005.

Three-year historical trend information (data for OPSRP and PERS not separable in 2007):

Fiscal year ended June 30:	OPSRP Plan			PERS Plan		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ -	100%	0	\$4,120,627	100%	0
2008	743,401	100%	0	2,804,167	100%	0
2009	988,954	100%	0	2,819,298	100%	0

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

All employees of Metro retiring from active service with a pension benefit payable immediately under Oregon PERS are eligible for other postemployment benefits (OPEB) relating to health care. Retirees of Metro and their dependents under age 65 are allowed to receive the same health care coverage at tiered premium rates as offered to active Metro employees, resulting in an implicit employer subsidy (health care premiums priced only for retirees would be more expensive than tiered premiums because retirees have higher health care claims on average). The retiree is responsible for paying the full premium. The implicit employer subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare. Metro's single-employer OPEB plan does not issue a publicly available financial report.

Funding Policy

Metro has not established a trust fund for future net OPEB obligations. At June 30, 2009, 21 retirees and spouses were paying premiums through Metro for health insurance coverage. Metro's required contribution is based on projected pay-as-you-go financing requirements. Metro contributed an estimated \$134,717 of implicit subsidies in postemployment health care in fiscal year 2009.

Annual OPEB Cost/Net OPEB Obligation

Metro's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the guidance of GASB Statement No. 45. The ARC is equal to the normal cost plus an amount to amortize the unfunded actuarial accrued liability (UAAL) as a level dollar amount over 20 years. A schedule of Metro's annual OPEB Obligation for the year ended June 30, 2009 is:

Annual Required Contribution (ARC)	\$ 549,182
Interest on prior year Net OPEB Obligation	18,042
Adjustment to ARC	(30,823)
Annual OPEB cost	536,401
Estimated benefits payments	(134,717)
Increase in Net OPEB Obligation	401,684
Net OPEB Obligation – beginning of year	400,940
Net OPEB Obligation – end of year	\$ 802,624
Percentage of annual OPEB cost contributed	25%

Additional information for fiscal year 2009 and the two preceding years is:

Fiscal year ended June 30:	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2007	N/A	N/A	N/A
2008	\$514,033	22%	\$400,940
2009	\$536,401	25%	\$802,624

Funding Status/Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,364,684, and the actuarial value of assets was zero, resulting in an UAAL of \$3,364,684. The covered payroll was \$48,238,961 for fiscal year 2009, and the UAAL as a percentage of covered payroll was 7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of

the calculations. In the June 30, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. This method attempts to track the actual economic pattern of benefit accrual over an employee's working lifetime. Significant actuarial assumptions used in the valuation include a discount rate of 4.5 percent, and health care cost trend rate of 8 percent initially, decremented to an ultimate rate of 5 percent in the 29th year and after for the major medical component, which is representative of the entire plan. Metro's UAAL is being amortized using the level-dollar method with a rolling 20 year amortization methodology. The remaining amortization period at June 30, 2009 is 20 years.

9. COMMITMENTS

Columbia Ridge Landfill

Metro has a waste disposal services contract with the owner and operator of the Columbia Ridge Landfill in Arlington, Oregon for disposal of solid waste from the Metro region; this contract expires December 31, 2019. For fiscal year 2009, the contract required a per ton unit price of \$25.56 for the first 137,500 tons and a declining incremental price scale for each ton of waste in excess of 137,500 tons. The per ton rate is adjusted annually on July 1 to reflect changes in the Consumer Price Index (CPI). Effective July 1, 2010, Metro will receive a reduction of \$0.93 per ton from the rate that would have otherwise been charged for disposal at Columbia Ridge Landfill.

Waste Transport

Solid waste transport from Metro facilities to the Columbia Ridge Landfill and other disposal sites was privately contracted through December 31, 2009, but a mutual termination agreement between Metro and the contractor ended the contract effective February 28, 2009. Transport by the new trucking company, that was awarded the contract in October 2008, was then commenced March 1, 2009 instead of January 1, 2010. The new contract will continue the delivery of waste to Columbia Ridge Landfill through December 31, 2019. The contract specifies a per load unit price that equates to a per ton rate of \$13.88. The unit price is adjusted annually on January 1 in an amount equivalent to 75 percent of the CPI.

Metro South Station and Metro Central Station

Operations of Metro South and Metro Central stations, solid waste transfer stations and materials recovery facilities, 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 fiscal year 2009, the fixed amount for Metro South is \$1,956,625 per year based on 17,000 tons of waste received each month and a price of \$9.11 per ton in excess of 17,000 tons per month. For Metro Central, figures for fiscal year 2009 are \$2,188,109 per year for 18,000 tons per month and \$9.62 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.

METRO

Notes to the Financial Statements, *continued*

The following table presents approximate annual commitments based on forecasted refuse tons and a 4.0 percent 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
2010	\$ 9,952,420	7,701,715	2,313,360	2,733,851
2011	9,919,650	8,934,183	-	-
2012	10,311,083	9,384,250	-	-
2013	10,717,041	9,853,281	-	-
2014	11,129,012	10,318,512	-	-
Thereafter	69,121,107	66,523,930	-	-
Total	\$121,150,313	112,715,871	2,313,360	2,733,851

Construction Projects

Metro is committed under a number of contracts for construction services. The amount of uncompleted contracts totals \$2,050,590 at June 30, 2009.

10. 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 through October 31, 2009 and \$11,234 per month thereafter.

The future minimum lease payments are as follows:

Fiscal year ending June 30:		Fiscal year ending June 30:		Fiscal year ending June 30:	
2010	\$134,614	2025-29	\$674,070	2060-64	\$ 674,070
2011	134,814	2030-34	674,070	2065-69	674,070
2012	134,814	2035-39	674,070	2070-74	674,070
2013	134,814	2040-44	674,070	2075-79	674,070
2014	134,814	2045-49	674,070	2080-84	584,194
2015-19	674,070	2050-54	674,070		
2020-24	674,070	2055-59	674,070		
				Total	\$10,020,974

11. 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 individual remaining Series B bonds range from 5.4 percent to 5.5 percent.

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

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2010	\$238,540	261,460
2011	223,356	277,644
	<u>\$461,896</u>	<u>539,104</u>

2002 Series General Obligation Refunding Bonds

In prior years, Metro issued \$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 individual bonds have interest rates ranging from 5.0 percent to 5.25 percent.

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

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 7,030,000	2,911,812
2011	7,395,000	2,551,188
2012	8,265,000	2,159,687
2013	8,690,000	1,735,813
2014	9,140,000	1,278,637
2015-16	19,785,000	1,052,494
	<u>\$60,305,000</u>	<u>11,689,631</u>
Unamortized costs/premium	3,975,365	
Deferred amount on refunding	(2,663,422)	
Per statement of net assets	<u>\$61,616,943</u>	

2001 Series A General Obligation Refunding Bonds

In prior years, Metro issued \$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 individual bonds have interest rates ranging from 4.3 percent to 5.0 percent.

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
2010	\$ 4,525,000	918,045
2011	4,785,000	691,795
2012	5,035,000	486,040
2013	5,290,000	264,500
Per statement of net assets	<u>\$19,635,000</u>	<u>2,360,380</u>

2005 Series General Obligation Refunding Bonds

In prior years, Metro issued \$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 defeased bonds have been called and paid and the escrow account for the defeasance is closed.

The 2005 Series Refunding bonds are to be repaid with proceeds of Metro's *ad valorem* property tax levied each year. The bonds mature serially each January 15 through 2017. Interest is payable semiannually on January 15 and July 15. The individual bonds have interest rates ranging from 3.5 percent to 5.0 percent.

Bond principal and interest outstanding at June 30 and the corresponding maturities on the 2005 Series are as follows:

Fiscal year ending June 30:	Principal	Interest
2010	\$ 1,555,000	698,075
2011	1,620,000	643,650
2012	1,710,000	562,650
2013	1,795,000	477,150
2014	1,890,000	387,400
2015-17	6,300,000	574,450
	14,870,000	<u>3,343,375</u>
Unamortized costs/premium	676,998	
Deferred amount on refunding	(547,590)	
Per statement of net assets	<u>\$14,999,408</u>	

METRONotes to the Financial Statements, *continued***2007 Series Natural Areas General Obligation Bonds**

In prior years, Metro issued \$124,295,000 of 2007 Series Natural Areas General Obligation Bonds. The Natural Areas Bonds were issued by Metro under authority granted by voters for a total of \$227.4 million in general obligation bonds to fund activities to acquire and preserve natural areas and stream frontages, maintain and improve water quality, and protect fish and wildlife habitat. The remaining portion of the bond authorization will be issued in approximately 2010.

The bonds are to be repaid with proceeds of Metro's *ad valorem* property tax levied each year. Interest rates on individual bonds range from 4.0 percent to 5.0 percent.

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

Fiscal year ending June 30:	Principal	Interest
2010	\$ 12,340,000	4,845,150
2011	3,910,000	4,228,150
2012	4,070,000	4,071,750
2013	4,230,000	3,908,950
2014	4,400,000	3,739,750
2015-19	25,530,000	15,170,250
2020-24	32,540,000	8,151,625
2025-26	15,245,000	1,036,575
	102,265,000	45,152,200
Unamortized costs/premium	5,372,863	
Per statement of net assets	\$107,637,863	

2008 Series Oregon Zoo General Obligation Bond

On December 22, 2008, Metro issued a \$5,000,000 privately placed 2008 Series Oregon Zoo General Obligation Bond. The bond was issued by Metro under authority granted by voters for a total of \$125 million in general obligation bonds to fund Oregon Zoo capital projects to protect animal health and safety, conserve and recycle water and to improve access to conservation education. The remaining portion of the bond authorization will be issued in the future.

The bonds are to be repaid with proceeds of Metro's *ad valorem* property tax levied each year. Interest rate on the bond is 2.12 percent. Bond principal and interest outstanding at June 30 and the corresponding maturities are:

Fiscal year ending June 30:	Principal	Interest
2010	\$ -	156,939
2011	5,000,000	53,000
Per statement of net assets	\$5,000,000	209,939

Full Faith and Credit Refunding Bonds 2003 Series

In prior years, Metro issued \$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 (OECD) Special Public Works Fund loans.

The bonds are payable from all legally available taxes and other revenues of Metro. Interest rates on individual bonds range from 2.625 percent to 4.4 percent.

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

Fiscal year ending June 30:	Principal	Interest
2010	\$ 1,225,000	679,668
2011	1,265,000	644,615
2012	1,300,000	605,327
2013	1,340,000	562,905
2014	1,385,000	516,558
2015-19	6,715,000	1,812,438
2020-23	5,560,000	492,232
	<u>\$18,790,000</u>	<u>5,313,743</u>
Unamortized costs/discount	(123,139)	
Deferred amount on refunding	(2,026,789)	
Per statement of net assets	<u>\$16,640,072</u>	

Pension Obligation Bonds Metro Limited Tax Series 2005

In prior years, Metro, along with certain other Oregon cities, counties and special districts issued Limited Tax Pension Bonds Series 2005 to finance their PERS unfunded actuarial liabilities. The proceeds of Metro's \$24,290,000 in bonds were paid to PERS and resulted in a new, lower employer contribution rate.

The bonds are to be repaid through assessments on Metro departments in exchange for the lower pension cost. The individual bonds have interest rates ranging from 4.437 percent to 5.5 percent.

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

Fiscal year ending June 30:	Principal	Interest
2010	\$ 290,000	1,182,339
2011	360,000	1,169,472
2012	435,000	1,153,214
2013	525,000	1,129,289
2014	615,000	1,105,071
2015-19	4,700,000	4,982,739
2020-24	8,280,000	3,504,632
2025-28	8,705,000	1,034,327
	<u>\$23,910,000</u>	<u>15,261,083</u>
Unamortized costs/premium	(221,900)	
Per statement of net assets	<u>\$23,688,100</u>	

*Business-type Activities***Waste Disposal System Refunding Revenue Bonds 2003 Series**

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 maturities of the Waste Disposal System Revenue Bonds 1990 Series A and Waste Disposal System Refunding Revenue Bonds 1993 Series A and to refund all callable maturities of the 1993 bonds. Those defeased bonds have been called and paid and the escrow account for the defeasance is closed.

In December 2008, Metro defeased the outstanding balance remaining on the 2003 Series bonds using accumulated debt reserves. The early retirement of the remaining debt due July 1, 2009 resulted in no gain or loss on defeasance. The defeased bonds have been paid and the escrow account for the defeasance is closed.

Full Faith and Credit Oregon Local Governments 2006 Series

In prior years, Metro sold \$14,700,000 of Full Faith and Credit Oregon Local Governments 2006 Series Bonds to refund the outstanding Oregon Economic and Community Development Department's (OECD) Special Public Works Fund loan that in fiscal year 2000 funded the construction of a new building to replace the existing Hall D at the Expo Center. The defeased loan has been paid and the escrow account for the defeasance is closed.

The bonds are payable from all legally available taxes and other revenues of Metro. Interest rates on individual bonds range from 4.0 percent to 5.0 percent.

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

Fiscal year ending June 30:	Principal	Interest
2010	\$ 600,000	588,631
2011	625,000	564,131
2012	650,000	538,631
2013	675,000	512,131
2014	705,000	483,650
2015-19	3,995,000	1,918,028
2020-24	5,035,000	849,869
2025	1,150,000	24,438
	\$13,435,000	5,479,509
Unamortized costs/discount	103,410	
Deferred amount on refunding	(663,582)	
Per statement of net assets	\$12,874,828	

12. OTHER LONG-TERM DEBT**TOD Property Loan**

In prior years, Metro entered into a loan arrangement with a private party to purchase a TOD property (asset held for resale). The \$592,500 loan was scheduled to be repaid on January 26, 2010, but was called in October, 2008 and paid in full.

Local Improvement District Assessment Loan

In prior years, the City of Portland 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 percent and will be repaid in semi-annual installments through January 13, 2022. The outstanding balance at June 30, 2009 was \$133,632.

Debt service requirements to maturity for other long-term debt is:

Fiscal year ending June 30:	Business-type Activities	
	LID Payable	
	Principal	Interest
2010	\$ 10,279	6,978
2011	10,279	6,432
2012	10,279	5,885
2013	10,279	5,338
2014	10,279	4,791
2015-19	51,398	15,752
2020-22	30,839	2,889
	<u>\$ 133,632</u>	<u>48,065</u>

13. CHANGES IN LONG-TERM LIABILITIES

The following changes occurred during fiscal year 2009 in long-term liabilities:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 221,976,671	5,000,000	(24,439,775)	202,536,896	25,688,540
Full faith and credit bonds	19,985,000	-	(1,195,000)	18,790,000	1,225,000
Pension obligation bonds	24,130,000	-	(220,000)	23,910,000	290,000
Less deferred amounts:					
For premium or discount	10,709,795	-	(1,029,608)	9,680,187	-
On refunding	(5,907,842)	-	670,041	(5,237,801)	-
Total bonds payable	270,893,624	5,000,000	(26,214,342)	249,679,282	27,203,540
Loans payable	592,500	-	(592,500)	-	-
Net other postemployment benefits	211,053	214,869	-	425,922	-
Compensated absences	2,221,137	2,339,730	(2,221,137)	2,339,730	1,686,238
Governmental activity					
Long-term liabilities	\$ 273,918,314	7,554,599	(29,027,979)	252,444,934	28,889,778
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 4,585,000	-	(4,585,000)	-	-
Full faith and credit bonds	14,015,000	-	(580,000)	13,435,000	600,000
Less deferred amounts:					
For premium or discount	80,684	-	22,726	103,410	-
On refunding	(844,644)	-	181,062	(663,582)	-
Total bonds payable	17,836,040	-	(4,961,212)	12,874,828	600,000
Post-closure costs payable	2,891,299	-	(623,518)	2,267,781	2,250,783
Pollution remediation obligation	1,838,000	-	-	1,838,000	-
Loans payable	143,911	-	(10,279)	133,632	10,279
Net other postemployment benefits	189,887	186,815	-	376,702	-
Compensated absences	1,091,520	1,075,092	(1,091,520)	1,075,092	951,656
Business-type activity					
Long-term liabilities	\$ 23,990,657	1,261,907	(6,686,529)	18,566,035	3,812,718

Beginning balances have been restated for a change in accounting principle due to the implementation of GASB Statement No. 49.

The internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for it 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, and net other postemployment benefits are charged to the general fund.

14. POLLUTION REMEDIATION OBLIGATION

Metro implemented the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASBS 49) in fiscal year 2009. In prior years, Metro recorded an environmental impairment liability of \$5,225,000 based upon the requirements of Financial Accounting Standards Board Statement No. 5, *Accounting for Contingencies*, and an August 2004 study by experts in environmental risk assessment. Metro engaged industry experts to update these estimates in accordance with the new financial reporting standards. The current pollution remediation obligation estimates were determined to be significantly less than the amounts previously recorded due primarily to substantial completion of remedial investigation at the St. Johns Landfill leading to better estimates of remaining obligations. Further, the previous liability included several properties that, under the new standards, either do not meet the requirements of an event where Metro is considered obligated for remediation or the amounts were determined to not be estimable at this time. The estimates were calculated using the expected cash flow technique (probability weighted-average of two or more discrete scenarios) and such estimated obligations are subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. The adoption of GASBS 49 is considered a change in accounting principle and accordingly beginning net assets have been restated for the removal of the previously recorded liability.

Two Metro properties were determined to have pollution remediation obligations where obligating events had occurred and amounts were estimable. At the St. Johns Landfill, three phases of future work associated with pollution remediation for sediment located adjacent to the landfill levees and potentially shallow groundwater included completion of a remedial investigation/feasibility study and remedial design, remedial action implementation and remedial action performance monitoring. The pollution remediation obligation estimate for this work recorded in the Solid Waste Fund is \$1,760,000. The second Metro property with estimable pollution remediation obligations is the Expo Center. Current information on this site, which is adjacent to a designated Superfund site, is limited. Therefore, the cost associated with work beyond the initial preliminary study is not yet estimable. The pollution remediation obligation estimate for the preliminary assessment which is recorded in the MERC Fund is \$78,000. As both these obligations existed at June 30, 2008, beginning net assets have been restated in accordance with GASBS 49 and Metro's industry experts reported no change in these estimated obligations at June 30, 2009.

Metro owns other properties that fall within the Initial Study Area of the Portland Harbor Superfund site and adjacent to the Portland Harbor. The area is being investigated by the Lower Willamette Group (LWG) under a 2001 Environmental Protection Agency (EPA) Administrative Order on Consent. For the entire Portland Harbor Superfund site, the LWG has been conducting a remedial investigation in the Willamette River (in water) since 2001 with oversight from EPA. Costs associated with these investigations and studies as they pertain to Metro properties and the allocation of such costs among participating responsible parties (PRPs) has not yet been determined. The PRPs are engaging an allocator to develop a method for allocation of costs associated with the remedial investigation and feasibility study. Costs associated with work beyond the feasibility study also are not estimable and therefore none of these costs have been included in Metro's pollution remediation obligation as of June 30, 2009.

15. 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 as of June 30, 2009 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 \$623,518 in closure costs as the closure process continued (\$39,126,120

METRO

Notes to the Financial Statements, *continued*

cumulative to date), reducing the remaining estimated liability to \$2,267,781 at June 30, 2009. Metro has accumulated \$7,091,366 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.

16. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2009 were due to the consolidation of internal service fund activities for the government-wide statements:

Receivable Entity	Payable Entity	Amount
Governmental activities	Business-type activities	<u>\$3,927,769</u>

Interfund transfers for the fiscal year by fund were:

Transfers out	Transfers in					Total
	General	Rehab./Enhance.	Metro Capital	Solid Waste	MERC	
General	\$ -	-	895,000	39,299	758,083	1,692,382
Zoo Infrastructure	893	-	-	-	-	893
Natural Areas	28,554	-	-	-	-	28,554
Metro Capital	7,543,846	-	-	-	-	7,543,846
Solid Waste	208,855	339,435	-	-	-	548,290
MERC	369,747	-	-	-	-	369,747
Risk Management	3,790	-	-	-	-	3,790
Total	<u>\$8,155,685</u>	<u>339,435</u>	<u>895,000</u>	<u>39,299</u>	<u>758,083</u>	<u>10,187,502</u>

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. These include General Fund contributions to the Metro Capital Fund for renewal and replacement, General Fund excise tax provided to MERC, a transfer from the Metro Capital Fund to establish the General Renewal and Replacement Fund as part of the General Fund and transfers to the General Fund for Pension Obligation bonds debt service.

17. 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 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 has been 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. The 2009 Legislature amended the Oregon Tort Claims Act to increase statutory claim limits to \$500,000 per claim and \$1,000,000 per occurrence, effective July 1, 2009. Metro increased its excess liability policy from \$3 million to \$5 million, with a \$1 million deductible, beginning August 1, 2008. The excess policy is intended to insure possible liability outside the Oregon Tort Claims Act.

METRO

Notes to the Financial Statements, *continued*

- Property damage to Metro owned facilities: this risk is covered with a commercial property insurance policy. The property policy insures \$550,709,000 of property values with a \$500,000,000 blanket policy and a \$500,000 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 August 2008. 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 \$804,619 reported as accrued self-insurance claims in the Risk Management Fund at June 30, 2009 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, using a discount factor of .959 for liability, .984 for property and .970 for workers' compensation and an assumed investment rate of 3.5 percent 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 and current fiscal year were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2007-2008	\$1,046,248	594,592	786,667	854,173
2008-2009	854,173	870,723	920,277	804,619

18. 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.



Supplementary Information

Required Supplementary Information

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

General Fund

Schedule of Funding Progress

Other Postemployment Benefits

Notes to Required Supplementary Information



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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Government fees	\$ 437,519	437,519	481,480	43,961
Culture and recreation fees	18,423,984	18,423,984	17,893,774	(530,210)
Other fees	3,953,969	3,953,969	3,246,040	(707,929)
Internal charges for services	48,124	48,124	2,363	(45,761)
Licenses and permits	412,000	412,000	388,375	(23,625)
Pension debt service assessment	1,411,973	1,411,973	1,538,425	126,452
Miscellaneous revenue	171,000	171,000	835,795	664,795
Operating grants and contributions:				
Grants	16,403,590	16,431,590	11,791,588	(4,640,002)
Government contributions	250,314	410,633	266,319	(144,314)
Contributions and donations	1,310,895	1,466,419	1,241,569	(224,850)
General revenues:				
Taxes:				
Property taxes	10,936,572	10,936,572	10,755,647	(180,925)
Excise taxes	15,106,909	15,106,909	12,971,067	(2,135,842)
Construction excise tax	1,497,954	1,497,954	1,734,579	236,625
Local government shared revenue	561,967	561,967	500,473	(61,494)
Investment income	994,972	994,972	853,452	(141,520)
Total revenues	71,921,742	72,265,585	64,500,946	(7,764,639)
EXPENDITURES				
Council office	2,254,278	3,168,046	2,841,959	326,087
Finance and administrative services	5,489,506	5,489,506	4,772,971	716,535
Human resources	1,737,211	1,737,211	1,644,682	92,529
Information technology	2,808,244	2,808,244	2,472,730	335,514
Metro auditor	651,286	651,286	585,153	66,133
Office of Metro attorney	1,981,157	1,997,616	1,918,222	79,394
Oregon Zoo	26,677,562	27,583,086	26,051,845	1,531,241
Planning	24,768,035	23,816,299	13,160,133	10,656,166
Public affairs and government relations	1,988,582	1,993,617	1,810,785	182,832
Regional parks and greenspaces	8,521,362	8,350,902	6,795,747	1,555,155

(Continued)

METRO

General 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, 2009

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Expenditures, continued:				
Special appropriations	\$ 3,538,480	3,538,480	2,042,369	1,496,111
Former ORS 197.352 claims & judgments	100	100	-	100
Non-departmental:				
Debt service	1,450,486	2,042,986	2,010,698	32,288
Contingency	7,692,952	6,535,705	-	6,535,705
Total expenditures	89,559,241	89,713,084	66,107,294	23,605,790
Revenues under expenditures	(17,637,499)	(17,447,499)	(1,606,348)	15,841,151
OTHER FINANCING SOURCES (USES)				
Transfers in	7,635,946	7,739,946	6,996,579	(743,367)
Transfers out	(5,050,928)	(5,240,928)	(5,149,198)	91,730
Total other financing sources (uses)	2,585,018	2,499,018	1,847,381	(651,637)
Revenues and other sources over (under) expenditures and other uses	(15,052,481)	(14,948,481)	241,033	15,189,514
Beginning fund balance available for appropriation - July 1, 2008	23,789,778	23,789,778	28,386,762	4,596,984
Unappropriated ending fund balance - June 30, 2009	\$ 8,737,297	8,841,297	28,627,795	19,786,498
Reconciliation to Governmental GAAP basis:				
Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting:				
General Fund, as presented above			241,033	
General Revenue Bond Fund-General, from page 115			11,777	
General Renewal and Replacement Fund, from page 116			(465,364)	
Budget requirements not qualifying as expenses under Governmental GAAP:				
Issuance of loans (net of discount)			15,513	
Additional revenues and other financing sources required by Governmental GAAP:				
Resource transfer to establish General Renewal and Replacement Fund			7,444,289	
Amortization of loan discounts			35,567	
General Fund net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds		\$	7,282,815	

METRO
Schedule of Funding Progress
Other Postemployment Benefits
June 30, 2009

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Unit Credit</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Percentage</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2007	\$ -	\$3,364,684	\$3,364,684	0%	\$48,238,961	7%

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 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 legal level of control for each fund is set by department, with separate designations within the fund for the categories of debt service, interfund transfers and contingency.

The General Revenue Bond Fund is a budgetary fund comprised of two components that are separated and combined with other budgetary funds for reporting under GAAP. The General Renewal and Replacement Fund is a budgetary fund that is combined with the General Fund 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 11 budget amendments during the year ended June 30, 2009. Only one of the amendments would be considered significant. In December 2008 Metro defeased the outstanding principal balance remaining on the 2003 Series Metro Central Transfer Station Project revenue bonds. An amendment was prepared transferring \$2,349,000 from contingency to allow for the payment of principal and interest in full.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2009, expenditures of the Zoo Infrastructure and Animal Welfare Fund were not appropriated, as allowed by Oregon Local Budget Law. ORS 294.483(2)(B) exempts from Oregon Local Budget Law expenditures from the sale of bond proceeds for bonds that were approved by the voters in the year in which they were approved. With the approval of the Zoo Infrastructure and Animal Welfare Bonds in November 2008, Metro was exempt from all aspects of Oregon Local Budget Law for the expenditures related to those bonds during fiscal year 2009.

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.

Other Supplementary Information

Combining Statements

Nonmajor Governmental Funds

Budgetary Comparison Schedules

Combining Statements

Nonmajor Governmental Funds

Special Revenue Funds

Smith and Bybee Lakes Fund

This fund accounts for development and management of the Smith and Bybee Lakes Natural Resource Management plan, which calls for Smith and Bybee Lakes to be managed as environmental and recreational resources for the region. The principal source of revenue is investment income.

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.

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.

Metro Capital Fund

This fund accounts for all major capital development projects of Metro. The principal sources of revenue are grants and capital contributions and donations.

Permanent Fund

The *Cemetery Perpetual Care Fund* accounts for amounts provided to build a permanent investment of principal from which the earnings will be used to provide long-term maintenance of pioneer cemeteries under Metro's management. The principal resource is a cemetery revenue surcharge on grave sales.

METRO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue		
	Smith and Bybee Lakes	Rehabilitation and Enhancement	Total
ASSETS			
Equity in internal cash and investment pool	\$ 4,171,375	2,087,132	6,258,507
Receivables:			
Trade	-	-	-
Other	-	-	-
Interest	20,986	10,497	31,483
Grants	-	-	-
Total assets	\$ 4,192,361	2,097,629	6,289,990
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	68,300	68,300
Salaries, withholdings and payroll taxes payable	-	-	-
Contracts payable	-	-	-
Total liabilities	-	68,300	68,300
Fund balances:			
Unreserved	4,192,361	2,029,329	6,221,690
Total fund balances	4,192,361	2,029,329	6,221,690
Total liabilities and fund balances	\$ 4,192,361	2,097,629	6,289,990

Capital Projects			Permanent	Total
Open	Metro		Cemetery	Nonmajor
Spaces	Capital	Total	Perpetual Care	Governmental
				Funds
351,847	4,321,447	4,673,294	287,221	11,219,022
-	34,306	34,306	5	34,311
-	12,106	12,106	-	12,106
1,790	19,956	21,746	1,457	54,686
-	67,181	67,181	-	67,181
<u>353,637</u>	<u>4,454,996</u>	<u>4,808,633</u>	<u>288,683</u>	<u>11,387,306</u>
-	852,089	852,089	-	920,389
-	4,038	4,038	-	4,038
-	283,854	283,854	-	283,854
-	1,139,981	1,139,981	-	1,208,281
<u>353,637</u>	<u>3,315,015</u>	<u>3,668,652</u>	<u>288,683</u>	<u>10,179,025</u>
<u>353,637</u>	<u>3,315,015</u>	<u>3,668,652</u>	<u>288,683</u>	<u>10,179,025</u>
<u>353,637</u>	<u>4,454,996</u>	<u>4,808,633</u>	<u>288,683</u>	<u>11,387,306</u>

METRO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2009

	Special Revenue		
	Smith and Bybee Lakes	Rehabilitation and Enhancement	Total
REVENUES			
Cemetery revenue surcharge	\$ -	-	-
Investment income	122,129	61,936	184,065
Other fees	564	-	564
Internal charges for services	91,740	-	91,740
Miscellaneous revenue	-	-	-
Capital grants	-	-	-
Capital contributions and donations	-	-	-
Total revenues	214,433	61,936	276,369
EXPENDITURES			
Current:			
Culture and recreation	-	446,768	446,768
Capital outlay	-	-	-
Total expenditures	-	446,768	446,768
Revenues over (under) expenditures	214,433	(384,832)	(170,399)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	339,435	339,435
Transfers out	-	-	-
Total other financing sources (uses)	-	339,435	339,435
Net change in fund balances	214,433	(45,397)	169,036
Fund balances - July 1, 2008	3,977,928	2,074,726	6,052,654
Fund balances - June 30, 2009	\$ 4,192,361	2,029,329	6,221,690

Capital Projects			Permanent	Total
Open Spaces	Metro Capital	Total	Cemetery Perpetual Care	Nonmajor Governmental Funds
-	-	-	24,168	24,168
10,584	198,670	209,254	8,175	401,494
-	-	-	-	564
-	-	-	-	91,740
-	2,571	2,571	-	2,571
-	1,851,255	1,851,255	-	1,851,255
-	1,910,627	1,910,627	-	1,910,627
10,584	3,963,123	3,973,707	32,343	4,282,419
1,555	-	1,555	-	448,323
5,462	9,988,281	9,993,743	-	9,993,743
7,017	9,988,281	9,995,298	-	10,442,066
3,567	(6,025,158)	(6,021,591)	32,343	(6,159,647)
-	895,000	895,000	-	1,234,435
-	(7,543,846)	(7,543,846)	-	(7,543,846)
-	(6,648,846)	(6,648,846)	-	(6,309,411)
3,567	(12,674,004)	(12,670,437)	32,343	(12,469,058)
350,070	15,989,019	16,339,089	256,340	22,648,083
353,637	3,315,015	3,668,652	288,683	10,179,025

Budgetary Comparison Schedules

Oregon Administrative Rules 162-010-0050 through 162-010-0330 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 is presented as required supplementary information. Budgetary comparisons for all other funds are displayed in the following pages.

Other Major Governmental Funds

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

Debt Service Fund

General Obligation Bond Debt Service Fund

Capital Projects Funds

Zoo Infrastructure and Animal Welfare Fund

Natural Areas 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, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Taxes:				
Property taxes	\$ 34,622,944	34,622,944	34,141,449	(481,495)
Investment income	200,000	200,000	606,851	406,851
Total revenues	34,822,944	34,822,944	34,748,300	(74,644)
EXPENDITURES				
Debt service:				
Principal	24,439,775	24,439,775	24,439,775	-
Interest	10,836,183	10,836,183	10,836,183	-
Total expenditures	35,275,958	35,275,958	35,275,958	-
Revenues under expenditures	(453,014)	(453,014)	(527,658)	(74,644)
Beginning fund balance available for appropriation - July 1, 2008	12,757,430	12,757,430	13,661,489	904,059
Unappropriated ending fund balance - June 30, 2009	\$ 12,304,416	12,304,416	13,133,831	829,415

METRO**Zoo Infrastructure and Animal Welfare Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances -****Budget and Actual (Non-GAAP Basis of Budgeting)****For the year ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Investment income	\$ -	-	37,280	37,280
Total revenues	-	-	37,280	37,280
EXPENDITURES				
Oregon Zoo	-	-	777,224	(777,224)
Total expenditures	-	-	777,224	(777,224)
Revenues under expenditures	-	-	(739,944)	(739,944)
OTHER FINANCING SOURCES				
Bond principal	-	-	5,000,000	5,000,000
Revenues and other sources over expenditures	-	-	4,260,056	4,260,056
Beginning fund balance available for appropriation - July 1, 2008	-	-	-	-
Unappropriated ending fund balance - June 30, 2009	\$ -	-	4,260,056	4,260,056

METRO
Natural Areas Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Non-GAAP Basis of Budgeting)
For the year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Operating grants and contributions:				
Grants	\$ -	-	526,680	526,680
Capital grants and contributions:				
Capital contributions and donations	-	-	4,695,376	4,695,376
General revenues:				
Investment income	3,400,000	3,400,000	2,538,906	(861,094)
Total revenues	3,400,000	3,400,000	7,760,962	4,360,962
EXPENDITURES				
Regional parks department	51,146,403	51,146,403	23,660,391	27,486,012
Contingency	15,000,000	15,000,000	-	15,000,000
Total expenditures	66,146,403	66,146,403	23,660,391	42,486,012
Revenues under expenditures	(62,746,403)	(62,746,403)	(15,899,429)	46,846,974
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	100,000	100,000
Transfers out	(1,160,922)	(1,160,922)	(1,067,158)	93,764
Total other financing sources (uses)	(1,160,922)	(1,160,922)	(967,158)	193,764
Revenues and other sources under expenditures and other uses	(63,907,325)	(63,907,325)	(16,866,587)	47,040,738
Beginning fund balance available for appropriation - July 1, 2008	84,672,803	84,672,803	93,975,794	9,302,991
Unappropriated ending fund balance - June 30, 2009	\$ 20,765,478	20,765,478	77,109,207	56,343,729

Nonmajor Governmental Funds

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

Special Revenue Funds

Smith and Bybee Lakes Fund

Rehabilitation and Enhancement Fund

Capital Projects Funds

Open Spaces Fund

Metro Capital Fund

Permanent Fund

Cemetery Perpetual Care Fund

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, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 1,700	1,700	-	(1,700)
Other fees	-	-	564	564
Operating grants and contributions:				
Government contributions	50,000	50,000	-	(50,000)
General revenues:				
Investment income	161,228	161,228	122,129	(39,099)
Total revenues	212,928	212,928	122,693	(90,235)
EXPENDITURES				
Contingency	200,000	200,000	-	200,000
Total expenditures	200,000	200,000	-	200,000
Revenues over expenditures	12,928	12,928	122,693	109,765
OTHER FINANCING SOURCES (USES)				
Transfers in	91,740	91,740	91,740	-
Transfers out	(119,980)	(119,980)	-	119,980
Total other financing sources (uses)	(28,240)	(28,240)	91,740	119,980
Revenues and other sources				
over (under) expenditures and other uses	(15,312)	(15,312)	214,433	229,745
Beginning fund balance available for				
appropriation - July 1, 2008	4,030,709	4,030,709	3,977,928	(52,781)
Unappropriated ending fund balance -				
June 30, 2009	\$ 4,015,397	4,015,397	4,192,361	176,964

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, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Investment income	\$ 81,547	81,547	61,936	(19,611)
Total revenues	81,547	81,547	61,936	(19,611)
EXPENDITURES				
Materials and services	526,970	526,970	416,683	110,287
Contingency	300,000	300,000	-	300,000
Total expenditures	826,970	826,970	416,683	410,287
Revenues under expenditures	(745,423)	(745,423)	(354,747)	390,676
OTHER FINANCING SOURCES (USES)				
Transfers in	444,971	444,971	339,435	(105,536)
Transfers out	(30,085)	(30,085)	(30,085)	-
Total other financing sources (uses)	414,886	414,886	309,350	(105,536)
Revenues and other sources under expenditures and other uses	(330,537)	(330,537)	(45,397)	285,140
Beginning fund balance available for appropriation - July 1, 2008	2,038,664	2,038,664	2,074,726	36,062
Unappropriated ending fund balance - June 30, 2009	\$ 1,708,127	1,708,127	2,029,329	321,202

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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Operating grants and contributions:				
Grants	\$ 150,000	150,000	-	(150,000)
General revenues:				
Investment income	8,500	8,500	10,584	2,084
Total revenues	158,500	158,500	10,584	(147,916)
EXPENDITURES				
Regional parks department	573,500	573,500	7,017	566,483
Total expenditures	573,500	573,500	7,017	566,483
Revenues over (under) expenditures	(415,000)	(415,000)	3,567	418,567
Beginning fund balance available for appropriation - July 1, 2008	415,000	415,000	350,070	(64,930)
Unappropriated ending fund balance - June 30, 2009	\$ -	-	353,637	353,637

METRO

Metro 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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ 2,751,919	2,751,919	2,571	(2,749,348)
Operating grants and contributions:				
Grants	2,674,564	2,674,564	-	(2,674,564)
Contributions and donations	1,803,000	1,878,000	-	(1,878,000)
Capital grants and contributions:				
Grants	104,973	104,973	1,851,255	1,746,282
Capital contributions and donations	1,895,027	2,481,652	1,910,627	(571,025)
General revenues:				
Investment income	110,854	110,854	198,670	87,816
Total revenues	9,340,337	10,001,962	3,963,123	(6,038,839)
EXPENDITURES				
Capital program	14,880,390	16,482,015	9,990,664	6,491,351
Contingency	2,293,857	1,543,857	-	1,543,857
Total expenditures	17,174,247	18,025,872	9,990,664	8,035,208
Revenues under expenditures	(7,833,910)	(8,023,910)	(6,027,541)	1,996,369
OTHER FINANCING SOURCES (USES)				
Transfers in	735,000	925,000	895,000	(30,000)
Transfers out	(97,174)	(97,174)	(97,174)	-
Total other financing sources (uses)	637,826	827,826	797,826	(30,000)
Revenues and other sources under expenditures and other uses	(7,196,084)	(7,196,084)	(5,229,715)	1,966,369
Beginning fund balance available for appropriation - July 1, 2008	7,553,788	7,553,788	8,544,730	990,942
Unappropriated ending fund balance - June 30, 2009	\$ 357,704	357,704	3,315,015	2,957,311
Reconciliation to Governmental GAAP basis:				
Excess of revenues and other financing sources under expenditures and other financing uses on the basis of budgeting as above			(5,229,715)	
Additional other financing uses required by Governmental GAAP:				
Resource transfer to establish General Renewal and Replacement Fund			(7,444,289)	
Net change in fund balance as reported on the combining statement of revenues, expenditures and changes in fund balances-governmental funds			\$ (12,674,004)	

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
REVENUES				
General revenues:				
Taxes:				
Cemetery revenue surcharge	\$ 22,000	22,000	24,168	2,168
Investment income	9,275	9,275	8,175	(1,100)
Total revenues	31,275	31,275	32,343	1,068
Beginning fund balance available for				
appropriation - July 1, 2008	250,132	250,132	256,340	6,208
Unappropriated ending fund balance -				
June 30, 2009	\$ 281,407	281,407	288,683	7,276

Proprietary Funds

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

Enterprise Funds

Solid Waste Revenue Fund

MERC 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)*

Internal Service Fund

Risk Management Fund

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, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Government fees	\$ 930,950	930,950	980,105	49,155
Culture and recreation fees	3,800	3,800	36,523	32,723
Solid waste fees	59,035,776	59,035,776	49,281,267	(9,754,509)
Other fees	50,000	50,000	63,120	13,120
Miscellaneous revenue	33,000	33,000	50,471	17,471
Operating grants and contributions:				
Grants	-	-	2,387	2,387
Contributions and donations	-	-	25,729	25,729
General revenues:				
Investment income	1,656,158	1,656,158	1,157,633	(498,525)
Total revenues	61,709,684	61,709,684	51,597,235	(10,112,449)
EXPENDITURES				
Operating Account:				
Solid waste and recycling department	54,197,947	54,197,947	45,504,177	8,693,770
Landfill Closure Account:				
Solid waste and recycling department	862,800	862,800	623,518	239,282
Renewal and Replacement Account:				
Solid waste and recycling department	1,398,000	1,398,000	838,144	559,856
General Account:				
Solid waste and recycling department	570,000	570,000	289,278	280,722
Debt Service Account:				
Debt service	2,348,482	2,348,482	2,348,481	1
Contingency	15,933,781	13,584,781	-	13,584,781
Total expenditures	75,311,010	72,962,010	49,603,598	23,358,412

(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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Revenues over (under) expenditures	\$ (13,601,326)	(11,252,326)	1,993,637	13,245,963
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	64,935	64,935
Transfers in	130,433	130,433	69,384	(61,049)
Defeasance payment to bond escrow agent	-	(2,349,000)	(2,349,000)	-
Transfers out	(5,061,936)	(5,061,936)	(4,538,100)	523,836
Total other financing sources (uses)	(4,931,503)	(7,280,503)	(6,752,781)	527,722
Revenues and other sources under expenditures and other uses	(18,532,829)	(18,532,829)	(4,759,144)	13,773,685
Beginning fund balance available for appropriation - July 1, 2008	42,100,946	42,100,946	43,528,582	1,427,636
Unappropriated ending fund balance - June 30, 2009	\$ 23,568,117	23,568,117	38,769,438	15,201,321

METRO
MERC Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-
Budget and Actual (Non-GAAP Basis of Budgeting)
For the year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 30,428,569	30,428,569	29,961,539	(467,030)
Miscellaneous revenue	109,000	109,000	45,633	(63,367)
Operating grants and contributions:				
Government contributions	962,449	737,449	734,709	(2,740)
Contributions and donations	18,500	93,500	68,077	(25,423)
Capital grants and contributions:				
Grants	-	225,000	8,075	(216,925)
Capital contributions and donations	405,000	405,000	257,665	(147,335)
General revenues:				
Local government shared revenue	11,158,640	11,158,640	10,702,508	(456,132)
Investment income	860,366	860,366	556,704	(303,662)
Total revenues	43,942,524	44,017,524	42,334,910	(1,682,614)
EXPENDITURES				
MERC	41,432,767	41,403,767	38,974,782	2,428,985
Debt service	17,805	17,805	17,548	257
Contingency	9,794,169	9,719,169	-	9,719,169
Total expenditures	51,244,741	51,140,741	38,992,330	12,148,411
Revenues over (under) expenditures	(7,302,217)	(7,123,217)	3,342,580	10,465,797
OTHER FINANCING SOURCES (USES)				
Transfers in	758,083	758,083	758,083	-
Transfers out	(3,617,795)	(3,721,795)	(3,551,450)	170,345
Total other financing sources (uses)	(2,859,712)	(2,963,712)	(2,793,367)	170,345
Revenues and other sources over (under) expenditures and other uses	(10,161,929)	(10,086,929)	549,213	10,636,142
Beginning fund balance available for appropriation - July 1, 2008	22,091,164	22,091,164	26,070,022	3,978,858
Unappropriated ending fund balance - June 30, 2009	\$ 11,929,235	12,004,235	26,619,235	14,615,000

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, 2009

	Solid Waste	MERC	Total
Excess of revenues and other financing sources over (under) expenditures and other financing uses on the basis of budgeting:			
Solid Waste Revenue Fund	\$ (4,759,144)	-	(4,759,144)
MERC Fund	-	549,213	549,213
General Revenue Bond Fund-Expo	-	450	450
Budget resources not qualifying as revenues under GAAP:			
Sale of capital assets	(64,935)	-	(64,935)
Additional revenues required by GAAP:			
Deferred revenue recognized	36,719	-	36,719
Budget requirements not qualifying as expenses under GAAP:			
Payment of post-closure liability	623,518	-	623,518
Capital assets additions	1,096,296	1,002,888	2,099,184
Principal and interest payments on bonds	2,290,481	631,986	2,922,467
Defeasance payment to bond escrow agent	2,349,000	-	2,349,000
Principal and interest payments on loans	-	13,539	13,539
Additional expenses required by GAAP:			
Depreciation and amortization	(1,560,855)	(5,624,317)	(7,185,172)
Loss on disposal of capital assets	(18,324)	-	(18,324)
Amortization of bond discount and costs	(167,453)	(36,335)	(203,788)
Amortization of prepaid item	(689,164)	-	(689,164)
Other postemployment benefits	(64,057)	(122,758)	(186,815)
Vacation benefits	28,672	(12,244)	16,428
Accrued interest on bonds	-	(53,312)	(53,312)
Change in net assets presented in the statement of revenues, expenses and changes in fund net assets for proprietary funds	\$ (899,246)	(3,650,890)	(4,550,136)

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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
Program revenues:				
Charges for services:				
Other fees	\$ -	-	16,988	16,988
Internal charges for services	7,994,541	7,994,541	6,979,792	(1,014,749)
Miscellaneous revenue	67,903	67,903	529	(67,374)
Operating grants and contributions:				
Grants	30,000	30,000	62,320	32,320
General revenues:				
Investment income	301,146	301,146	281,032	(20,114)
Total revenues	8,393,590	8,393,590	7,340,661	(1,052,929)
EXPENDITURES				
Finance and administrative services	10,127,305	10,127,305	8,124,566	2,002,739
Total expenditures	10,127,305	10,127,305	8,124,566	2,002,739
Revenues under expenditures	(1,733,715)	(1,733,715)	(783,905)	949,810
OTHER FINANCING SOURCES				
Transfers in	1,479,710	1,479,710	1,397,822	(81,888)
Revenues and other sources over (under) expenditures	(254,005)	(254,005)	613,917	867,922
Beginning fund balance available for appropriation - July 1, 2008, as restated (1)	1,070,146	1,070,146	7,687,255	6,617,109
Unappropriated ending fund balance - June 30, 2009	\$ 816,141	816,141	8,301,172	7,485,031

(1) Beginning fund balance has been restated for a change in accounting principle due to the implementation of GASB Statement No. 49.

Other Budgetary Funds

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

General Revenue Bond Fund

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

General Renewal and Replacement Fund

This fund is a budgetary fund that is combined with another budgetary fund 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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	final budget
REVENUES				
General revenues:				
Investment income	\$ 8,500	8,500	12,226	3,726
Total revenues	8,500	8,500	12,226	3,726
EXPENDITURES				
Debt service account:				
Debt service-Metro Regional Center	1,504,342	1,504,342	1,504,342	-
Debt service-Washington Park Parking Lot	402,089	402,089	402,089	-
Debt service-Expo Center Hall D	1,192,232	1,192,232	1,192,231	1
Project account:				
Capital outlay-Washington Park Parking Lot	201,200	201,200	-	201,200
Total expenditures	3,299,863	3,299,863	3,098,662	201,201
Revenues under expenditures	(3,291,363)	(3,291,363)	(3,086,436)	204,927
OTHER FINANCING SOURCES				
Transfers in	3,098,663	3,098,663	3,098,663	-
Revenues and other sources over (under) expenditures	(192,700)	(192,700)	12,227	204,927
Beginning fund balance available for appropriation - July 1, 2008	201,000	201,000	232,441	31,441
Unappropriated ending fund balance - June 30, 2009	\$ 8,300	8,300	244,668	236,368

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, 2009**

	Allocated to:		Total
	General	MERC	
REVENUES			
General revenues:			
Investment income	\$ 11,777	449	12,226
Total revenues	11,777	449	12,226
EXPENDITURES			
Debt service account:			
Debt service-Metro Regional Center	1,504,342	-	1,504,342
Debt service-Washington Park Parking Lot	402,089	-	402,089
Debt service-Expo Center Hall D	-	1,192,231	1,192,231
Total expenditures	1,906,431	1,192,231	3,098,662
Revenues under expenditures	(1,894,654)	(1,191,782)	(3,086,436)
OTHER FINANCING SOURCES			
Transfers in	1,906,431	1,192,232	3,098,663
Revenues and other sources over expenditures	11,777	450	12,227
Beginning fund balance available for appropriation - July 1, 2008	220,715	11,726	232,441
Unappropriated ending fund balance - June 30, 2009	\$ 232,492	12,176	244,668

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

METRO**General Renewal and Replacement Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances-****Budget and Actual (Non-GAAP Basis of Budgeting)****For the year ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Operating grants and contributions:				
Grants	\$ -	-	63,764	63,764
General revenues:				
Investment income	317,000	317,000	229,910	(87,090)
Total revenues	317,000	317,000	293,674	(23,326)
EXPENDITURES				
Renewal and Replacement Program	1,993,788	1,993,788	1,545,497	448,291
Contingency	290,000	290,000	-	290,000
Total expenditures	2,283,788	2,283,788	1,545,497	738,291
Revenues under expenditures	(1,966,788)	(1,966,788)	(1,251,823)	714,965
OTHER FINANCING SOURCES (USES)				
Transfers in	1,139,274	1,139,274	1,161,459	22,185
Transfers out	(375,000)	(375,000)	(375,000)	-
Total other financing sources (uses)	764,274	764,274	786,459	22,185
Revenues and other sources under expenditures and other uses	(1,202,514)	(1,202,514)	(465,364)	737,150
Beginning fund balance available for appropriation - July 1, 2008	7,745,889	7,745,889	7,444,289	(301,600)
Unappropriated ending fund balance - June 30, 2009	\$ 6,543,375	6,543,375	6,978,925	435,550

Note: This fund was created by separating renewal and replacement activity from the Metro Capital Fund.

Capital Assets Used in the Operation of Governmental Funds

METRO**Capital Assets Used in the Operation of Governmental Funds****Schedule by Source****June 30, 2009****GOVERNMENTAL FUNDS CAPITAL ASSETS**

Land	\$	196,594,041
Construction in progress		13,097,083
Buildings and exhibits		107,479,577
Improvements		25,409,255
Equipment and vehicles		7,745,938
Office furniture and equipment		3,985,524
Railroad equipment and facilities		1,938,572

Total governmental funds capital assets	\$	356,249,990
---	----	-------------

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE

General Fund	\$	135,634,873
Special Revenue Fund:		
Smith and Bybee Lakes Fund		2,281,031
Capital Projects Funds:		
Zoo Infrastructure and Animal Welfare Fund		776,330
Natural Areas Fund		57,024,651
Open Spaces Fund		129,310,553
Metro Capital Fund		31,222,552

Total governmental funds capital assets	\$	356,249,990
---	----	-------------

METRO

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

June 30, 2009

Function and Activity	Land	Construction in progress	Buildings and Exhibits	Improvements	Equipment and vehicles	Office furniture and equipment	Railroad equipment and facilities	Total
General governmental operations	\$ 588,716	542,891	21,124,570	59,338	1,700,722	3,620,560	-	27,636,797
Regional planning and development	-	-	-	-	-	16,368	-	16,368
Culture and recreation	193,431,875	4,036,909	12,225,513	12,949,137	969,988	-	-	223,613,422
Zoo	2,573,450	8,517,283	74,129,494	12,400,780	5,075,228	348,596	1,938,572	104,983,403
Total	\$ 196,594,041	13,097,083	107,479,577	25,409,255	7,745,938	3,985,524	1,938,572	356,249,990

METRO

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the year ended June 30, 2009**

Function and Activity	Governmental Funds Capital Assets July 1, 2008	Additions	Deductions	Transfers	Governmental Funds Capital Assets June 30, 2009
General governmental operations	\$ 26,529,185	1,157,722	(28,953)	(21,157)	27,636,797
Regional planning and development	16,368	-	-	-	16,368
Culture and recreation	201,213,304	22,869,326	(490,365)	21,157	223,613,422
Zoo	99,639,216	7,891,055	(2,546,868)	-	104,983,403
Total additions	\$ 327,398,073	31,918,103	(3,066,186)	-	356,249,990

Other Financial Schedules

METRO

**Schedule of Property Tax Transactions and Outstanding Receivable
For the year ended June 30, 2009**

Fiscal Year	Original levy or balance of receivable July 1, 2008	Add (deduct)				Property taxes receivable June 30, 2009
		Discounts	Adjustments	Interest	Collections	
2008-09	\$ 46,756,581	(1,143,700)	(136,576)	5,529	(43,824,192)	1,657,642
2007-08	1,379,260	-	(83,492)	15,851	(770,747)	540,872
2006-07	247,486	-	(26,748)	4,994	(90,310)	135,422
2005-06	105,922	-	(18,714)	3,846	(44,013)	47,041
2004-05	41,674	-	(13,799)	1,836	(16,692)	13,019
2003-04	11,409	-	(573)	277	(2,472)	8,641
2002-03 & prior	29,581	-	(1,649)	719	(3,718)	24,933
	<u>\$ 48,571,913</u>	<u>(1,143,700)</u>	<u>(281,551)</u>	<u>33,052</u>	<u>(44,752,144)</u>	<u>2,427,570</u>

Reconciliation to property tax revenue
presented in the Statement of Activities:

Governmental
Activities

Cash collections July 1, 2008 to June 30, 2009

\$ 44,752,144

Accrual of receivables:

July 1, 2008 to August 31, 2008

(265,656)

July 1, 2009 to August 31, 2009

327,394

Timing difference between county tax collector
and county treasurer

(3,770)

Payments in lieu of property taxes

86,984

Taxes earned but not available:

June 30, 2008

(1,549,676)

June 30, 2009

2,100,176

Property tax revenue per Statement of Activities

\$ 45,447,596

METRO
Schedule of Future Bonded Debt Service Requirements
General Obligation Bonds
June 30, 2009

<u>Year of maturity</u>	1995 Series B Open Spaces Program General Obligation Bonds		2002 Series General Obligation Refunding Bonds		2001 Series A General Obligation Refunding Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	-	-	-	-	-	-
2017-18	-	-	-	-	-	-
2018-19	-	-	-	-	-	-
2019-20	-	-	-	-	-	-
2020-21	-	-	-	-	-	-
2021-22	-	-	-	-	-	-
2022-23	-	-	-	-	-	-
2023-24	-	-	-	-	-	-
2024-25	-	-	-	-	-	-
2025-26	-	-	-	-	-	-
Total	\$ 461,896	539,104	60,305,000	11,689,631	19,635,000	2,360,380

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

2005 Series General Obligation Refunding Bonds		2007 Series Natural Areas General Obligation Bonds		2008 Series Oregon Zoo General Obligation Bond		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal (1)	Interest
1,555,000	698,075	12,340,000	4,845,150	-	156,939	25,688,540	9,791,481
1,620,000	643,650	3,910,000	4,228,150	5,000,000	53,000	22,933,356	8,445,427
1,710,000	562,650	4,070,000	4,071,750	-	-	19,080,000	7,280,127
1,795,000	477,150	4,230,000	3,908,950	-	-	20,005,000	6,386,413
1,890,000	387,400	4,400,000	3,739,750	-	-	15,430,000	5,405,787
1,995,000	292,900	4,620,000	3,519,750	-	-	16,245,000	4,598,575
2,095,000	193,150	4,850,000	3,288,750	-	-	17,100,000	3,748,469
2,210,000	88,400	5,095,000	3,046,250	-	-	7,305,000	3,134,650
-	-	5,350,000	2,791,500	-	-	5,350,000	2,791,500
-	-	5,615,000	2,524,000	-	-	5,615,000	2,524,000
-	-	5,895,000	2,243,250	-	-	5,895,000	2,243,250
-	-	6,190,000	1,948,500	-	-	6,190,000	1,948,500
-	-	6,500,000	1,639,000	-	-	6,500,000	1,639,000
-	-	6,825,000	1,314,000	-	-	6,825,000	1,314,000
-	-	7,130,000	1,006,875	-	-	7,130,000	1,006,875
-	-	7,455,000	686,025	-	-	7,455,000	686,025
-	-	7,790,000	350,550	-	-	7,790,000	350,550
<u>14,870,000</u>	<u>3,343,375</u>	<u>102,265,000</u>	<u>45,152,200</u>	<u>5,000,000</u>	<u>209,939</u>	<u>202,536,896</u>	<u>63,294,629</u>

METRO

**Schedule of Future Bonded Debt Service Requirements
Full Faith and Credit and Pension Obligation Bonds
June 30, 2009**

Year of maturity	Full Faith and Credit Bonds				Pension Obligation Bonds	
	Refunding Bonds		Oregon Local Governments		Metro Limited Tax Pension	
	2003 Series		2006 Series		Obligation Bonds Series 2005	
	Principal (2)	Interest	Principal (1)	Interest	Principal (2)	Interest
2009-10	\$ 1,225,000	679,668	600,000	588,631	290,000	1,182,339
2010-11	1,265,000	644,615	625,000	564,131	360,000	1,169,472
2011-12	1,300,000	605,327	650,000	538,631	435,000	1,153,214
2012-13	1,340,000	562,905	675,000	512,131	525,000	1,129,289
2013-14	1,385,000	516,558	705,000	483,650	615,000	1,105,071
2014-15	1,440,000	466,400	735,000	453,050	710,000	1,076,381
2015-16	1,485,000	413,008	765,000	421,175	820,000	1,041,882
2016-17	1,325,000	360,360	795,000	387,528	930,000	1,002,039
2017-18	1,210,000	310,985	830,000	349,387	1,055,000	956,850
2018-19	1,255,000	261,685	870,000	306,887	1,185,000	905,587
2019-20	1,305,000	209,832	915,000	262,263	1,325,000	848,008
2020-21	1,360,000	154,520	960,000	215,388	1,480,000	783,627
2021-22	1,420,000	95,430	1,010,000	169,925	1,645,000	709,567
2022-23	1,475,000	32,450	1,055,000	126,044	1,820,000	627,251
2023-24	-	-	1,095,000	76,250	2,010,000	536,179
2024-25	-	-	1,150,000	24,438	2,210,000	435,598
2025-26	-	-	-	-	2,430,000	325,010
2026-27	-	-	-	-	2,660,000	203,413
2027-28	-	-	-	-	1,405,000	70,306
Total	\$ 18,790,000	5,313,743	13,435,000	5,479,509	23,910,000	15,261,083

(1) The principal amount of the bonds is reported in business-type activities on the statement of net assets net of unamortized premiums, discounts, 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 premiums, discounts and deferred amounts on refunding.

METRO
Schedule of Long-term Bonded Debt Transactions
General Obligation Bonds
For the year ended June 30, 2009

	Principal				
	Outstanding July 1, 2008	Issued During Year	Matured and Paid During Year	Outstanding June 30, 2009	Interest Expenditure
DEBT SERVICE FUND					
1995 Series B Open Spaces					
Program General Obligation					
Bonds with interest rates					
from 5.4 to 5.5%, final					
maturity 9/1/10	\$ 716,671	-	254,775	461,896	245,225
2002 Series					
General Obligation Refunding					
Bonds with interest rates					
from 5.0 to 5.25%, final	66,990,000	-	6,685,000	60,305,000	3,254,688
maturity 9/1/15					
2001 Series A					
General Obligation Refunding					
Bonds with interest rates					
from 4.3 to 5.0%, final					
maturity 1/1/13	23,905,000	-	4,270,000	19,635,000	1,131,545
2005 Series					
General Obligation Refunding					
Bonds with interest rates					
from 3.5 to 5.0%, final					
maturity 1/15/17	16,350,000	-	1,480,000	14,870,000	772,075
2007 Series Natural Areas					
General Obligation Bonds					
with interest rates					
from 4.0 to 5.0%, final					
maturity 6/1/26	114,015,000	-	11,750,000	102,265,000	5,432,650
2008 Series Oregon Zoo					
General Obligation Bond					
with interest rate of 2.12%					
final maturity 12/15/10	-	5,000,000	-	5,000,000	-
Total	\$ 221,976,671	5,000,000	24,439,775	202,536,896	10,836,183

METRO

Schedule of Long-term Bonded Debt Transactions

Revenue, Full Faith and Credit, and Pension Obligation Bonds

For the year ended June 30, 2009

	Principal				
	Outstanding July 1, 2008	Issued During Year	Matured and Paid During Year	Outstanding June 30, 2009	Interest Expenditure
GENERAL FUND					
<u>Full Faith and Credit</u>					
Refunding Bonds 2003 Series					
with interest rates from 2.625 to 4.4%, final maturity 8/1/22	\$ 19,985,000	-	1,195,000	18,790,000	711,431
<u>Pension Obligation</u>					
Metro Limited Tax Series 2005					
with interest rates from 4.437 to 5.5%, final maturity 6/1/28	24,130,000	-	220,000	23,910,000	1,191,973
Total	\$ 44,115,000	-	1,415,000	42,700,000	1,903,404
ENTERPRISE FUNDS					
SOLID WASTE FUND:					
<u>Revenue Bonds</u>					
Waste Disposal System					
Refunding Revenue Bonds 2003 Series					
with interest rates from 2.25 to 2.5%, bonds defeased 12/19/08	\$ 4,585,000	-	4,585,000	-	112,481
MERC FUND:					
<u>Full Faith and Credit</u>					
Oregon Local Governments 2006 Series					
with interest rates from 4.0 to 5.0%, final maturity 12/1/24	\$ 14,015,000	-	580,000	13,435,000	612,231



Statistical Section

This section of Metro's comprehensive annual financial report presents detailed data regarding the current and prior fiscal years for assistance in understanding what the information in the financial statements, note disclosures, and required supplementary information says about Metro's overall financial health. The information is presented in these categories.

Financial Trends Information	<u>Page</u>
These schedules contain trend information to help the reader understand how Metro's financial performance and well-being have changed over time.	130-142
Revenue Capacity Information	
These schedules contain information to help the reader assess the factors affecting Metro's ability to generate its most significant own-source revenue, solid waste fees.	143-145
Debt Capacity Information	
These schedules present information to help the reader assess the affordability of Metro's current levels of outstanding debt and Metro's ability to issue additional debt in the future.	146-154
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which Metro's financial activities take place.	155-156
Operating Information	
These schedules contain information about Metro's operations and resources to help the reader understand how Metro's financial information relates to the services Metro provides and the activities it performs.	157-164
Additional Information	
These schedules present information to meet Metro's continuing disclosure requirements under The Securities and Exchange Commission's Rule 15c2-12 pertaining to governmental debt issuers.	165-168

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. Metro implemented GASB Statement No. 34 in fiscal year 2002; schedules presenting government-wide information include data beginning in that fiscal year and going forward.

METRO
Net Assets by Component
Last Eight Fiscal Years (1)
(accrual basis of accounting), Unaudited

	Fiscal Year		
	2002	2003	2004
GOVERNMENTAL ACTIVITIES			
Invested in capital assets, net of related debt (2) (3)	\$ (43,843,323)	(19,603,144)	(6,201,885)
Restricted	37,354,215	20,629,174	17,989,881
Unrestricted	9,479,810	9,400,821	9,811,543
Total governmental activities net assets	\$ 2,990,702	10,426,851	21,599,539
BUSINESS-TYPE ACTIVITIES			
Invested in capital assets, net of related debt (3)	\$ 221,073,714	271,891,751	268,249,663
Restricted	68,931,726	16,817,817	13,096,821
Unrestricted	50,741,261	44,996,393	42,589,111
Total business-type activities net assets	\$ 340,746,701	333,705,961	323,935,595
PRIMARY GOVERNMENT			
Invested in capital assets, net of related debt (2)	\$ 177,230,391	252,288,607	262,047,778
Restricted	106,285,941	37,446,991	31,086,702
Unrestricted	60,221,071	54,397,214	52,400,654
Total primary government net assets	\$ 343,737,403	344,132,812	345,535,134

(1) Restated for fiscal year 2007 prior period adjustment changing classification of MERC from component unit to business-type activity.

(2) These balances include the result of Metro financing capital assets for the business-type activities 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. The primary government totals have been adjusted to match the debt against the assets. These balances increase over time as a result of increases in capital assets, decreases in related long-term debt outstanding, and reductions in the amount of related unspent bond proceeds.

(3) Most of the change between governmental and business-type activities balances between fiscal years 2005 and 2006 is due to the consolidation of Oregon Zoo operations into the General Fund in fiscal year 2006.

2005	2006	2007	2008	2009
4,684,793	72,055,226	70,472,572	101,632,452	142,681,077
16,795,028	21,244,741	24,458,851	27,246,181	41,383,007
16,612,577	35,400,215	57,456,789	59,035,445	38,868,189
<u>38,092,398</u>	<u>128,700,182</u>	<u>152,388,212</u>	<u>187,914,078</u>	<u>222,932,273</u>
264,571,719	204,536,894	199,184,754	198,109,226	197,896,445
11,651,127	12,415,936	12,688,488	16,295,656	14,548,959
48,598,316	39,548,688	43,989,254	45,547,649	41,293,389
<u>324,821,162</u>	<u>256,501,518</u>	<u>255,862,496</u>	<u>259,952,531</u>	<u>253,738,793</u>
269,256,512	276,592,120	269,657,326	299,741,678	320,942,522
28,446,155	33,660,677	37,147,339	43,541,837	55,931,966
65,210,893	74,948,903	101,446,043	104,583,094	99,796,578
<u>362,913,560</u>	<u>385,201,700</u>	<u>408,250,708</u>	<u>447,866,609</u>	<u>476,671,066</u>

METRO
Changes in Net Assets
Last Eight Fiscal Years (1)
(accrual basis of accounting), Unaudited

	Fiscal Year		
	2002	2003	2004
EXPENSES			
Governmental activities:			
General government operations (2)	\$ 3,540,021	2,380,124	2,546,034
Regional planning and development	14,571,106	11,063,962	10,599,654
Culture and recreation	5,943,716	8,094,833	7,774,128
Zoo (2)	-	-	-
Interest on long-term debt	11,419,881	9,167,669	8,324,767
Total governmental activities expenses	\$ 35,474,724	30,706,588	29,244,583
Business-type activities:			
Solid Waste	\$ 48,087,521	49,769,905	48,612,392
Zoo (2)	23,817,594	23,683,884	25,296,229
MERC	30,930,801	37,737,141	45,514,394
Total business-type activities expenses	\$ 102,835,916	111,190,930	119,423,015
Total primary government expenses	\$ 138,310,640	141,897,518	148,667,598
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government operations (2)	\$ 20,438	897	9,470
Regional planning and development	940,949	827,644	972,578
Culture and recreation	2,469,031	2,536,879	2,942,318
Zoo (2)	-	-	-
Operating grants and contributions	10,547,223	7,272,201	7,582,801
Capital grants and contributions (2)	-	-	-
Total governmental activities program revenues	\$ 13,977,641	10,637,621	11,507,167
Business-type activities:			
Charges for services:			
Solid Waste	\$ 46,122,748	48,380,854	50,315,937
Zoo (2)	11,816,937	11,516,328	12,782,768
MERC	17,638,401	20,703,058	25,520,211
Operating grants and contributions (2)	2,955,744	4,307,248	2,087,784
Capital grants and contributions (2)	-	924,333	1,763,235
Total business-type activities program revenues	\$ 78,533,830	85,831,821	92,469,935
Total primary government program revenues	\$ 92,511,471	96,469,442	103,977,102

2005	2006	2007	2008	2009
3,158,675	10,128,233	11,724,680	14,464,735	14,198,441
11,367,579	10,580,855	11,633,709	15,998,524	13,023,497
8,582,520	6,515,693	6,906,903	12,040,343	13,350,232
-	23,159,685	25,165,745	27,268,768	29,426,286
7,679,504	8,421,370	9,626,880	13,228,648	12,121,270
30,788,278	58,805,836	65,057,917	83,001,018	82,119,726
47,697,124	50,565,165	52,805,117	53,514,858	52,014,903
24,158,065	-	-	-	-
41,363,806	42,799,786	45,069,117	44,148,046	46,239,579
113,218,995	93,364,951	97,874,234	97,662,904	98,254,482
144,007,273	152,170,787	162,932,151	180,663,922	180,374,208
2,593	1,377,281	1,359,684	1,440,462	1,394,695
1,215,077	1,547,604	1,024,612	1,271,625	1,682,136
2,699,983	2,568,418	2,519,340	2,824,138	2,648,864
-	14,417,730	15,699,595	15,991,730	18,040,150
8,552,429	12,015,598	9,674,387	14,963,194	13,889,920
-	959,676	1,378,075	2,163,915	8,457,258
12,470,082	32,886,307	31,655,693	38,655,064	46,113,023
51,574,923	53,814,957	54,108,083	53,238,401	50,478,290
13,184,305	-	-	-	-
27,268,341	26,296,316	29,064,019	30,451,878	30,007,172
3,774,815	984,284	692,146	861,851	830,902
786,534	-	-	-	265,740
96,588,918	81,095,557	83,864,248	84,552,130	81,582,104
109,059,000	113,981,864	115,519,941	123,207,194	127,695,127

(Continued)

METRO
Changes in Net Assets, *continued*
Last Eight Fiscal Years (1)
(accrual basis of accounting), Unaudited

	Fiscal Year		
	2002	2003	2004
NET (EXPENSE)/REVENUE			
Governmental activities	\$ (21,497,083)	(20,068,967)	(17,737,416)
Business-type activities	(24,302,086)	(25,359,109)	(26,953,080)
Total primary government net expense	\$ (45,799,169)	(45,428,076)	(44,690,496)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Governmental activities:			
Property taxes (2)	\$ 20,215,467	16,336,901	17,481,813
Excise taxes	7,922,160	9,821,988	10,506,081
Construction excise tax	-	-	-
Cemetery revenue surcharge	-	-	33,086
Unrestricted local government shared revenues	435,786	384,166	476,514
Unrestricted investment earnings	1,947,669	962,061	412,610
Special items	760,350	-	-
Transfers	-	-	-
Total governmental activities	\$ 31,281,432	27,505,116	28,910,104
Business-type activities:			
Property taxes (2)	\$ 8,498,916	8,355,692	8,605,342
Unrestricted local government shared revenues	6,820,346	8,326,852	7,893,216
Unrestricted investment earnings	5,356,090	1,635,825	684,156
Special items	-	-	-
Transfers	(359,510)	-	-
Total business-type activities	\$ 20,315,842	18,318,369	17,182,714
Total primary government	\$ 51,597,274	45,823,485	46,092,818
CHANGE IN NET ASSETS			
Governmental activities	\$ 9,784,349	7,436,149	11,172,688
Business-type activities	(3,986,244)	(7,040,740)	(9,770,366)
Total primary government	\$ 5,798,105	395,409	1,402,322
Prior Period Adjustment	\$ -	-	-

(1) Restated for fiscal year 2007 prior period adjustment changing classification of MERC from component unit to business-type activity.

(2) Changes in general government operations and Zoo related revenues and expenses between fiscal years 2005 and 2006 is due primarily to the consolidation of a number of funds, including former special revenue funds, former internal service funds, and Zoo funds into the General Fund in fiscal year 2006.

2005	2006	2007	2008	2009
(18,318,196)	(25,919,529)	(33,402,224)	(44,345,954)	(36,006,703)
(16,630,077)	(12,269,394)	(14,009,986)	(13,110,774)	(16,672,378)
(34,948,273)	(38,188,923)	(47,412,210)	(57,456,728)	(52,679,081)
17,545,652	27,804,374	28,686,523	46,901,621	45,447,596
13,577,891	14,243,252	14,834,721	14,367,409	12,976,156
-	-	1,806,012	2,483,137	1,734,579
25,270	21,395	33,000	23,267	24,168
540,690	547,512	519,463	545,550	500,473
839,350	2,315,910	4,945,208	9,182,961	4,996,270
-	357,921	-	-	-
306,009	533,324	(289,417)	275,192	120,655
32,834,862	45,823,688	50,535,510	73,779,137	65,799,897
8,941,517	-	-	-	-
7,683,769	8,852,246	9,976,554	11,156,012	10,702,508
1,196,367	2,078,669	3,104,993	2,828,289	1,714,787
-	(357,921)	-	-	-
(306,009)	(533,324)	289,417	(275,192)	(120,655)
17,515,644	10,039,670	13,370,964	13,709,109	12,296,640
50,350,506	55,863,358	63,906,474	87,488,246	78,096,537
14,516,666	19,904,159	17,133,286	29,433,183	29,793,194
885,567	(2,229,724)	(639,022)	598,335	(4,375,738)
15,402,233	17,674,435	16,494,264	30,031,518	25,417,456
1,976,193	4,613,707	6,554,744	9,584,383	-

METRO
Fund Balances, Governmental Funds
Last Eight Fiscal Years (1)
(modified accrual basis of accounting), Unaudited

	Fiscal Year		
	2002	2003	2004
General Fund (1)			
Reserved	\$ -	-	-
Unreserved	1,288,482	1,648,753	2,561,919
Total general fund	\$ 1,288,482	1,648,753	2,561,919
All Other Governmental Funds (1)			
Reserved	\$ 13,094,846	12,292,783	10,451,417
Unreserved, reported in:			
Special Revenue Funds	9,332,740	9,548,645	10,476,628
Capital Projects Funds	15,737,419	9,415,427	5,564,935
Permanent Funds	-	-	-
Total all other governmental funds	\$ 38,165,005	31,256,855	26,492,980

(1) Changes in General Fund and Other Governmental Funds fund balances between fiscal years 2005 and 2006 is due primarily to the consolidation of a number of funds, including former special revenue funds, former internal service funds, and Zoo funds into the General Fund in fiscal year 2006. In addition, capital projects related funds for regional parks and the Zoo were also consolidated into the Metro Capital fund.

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
-	7,333,324	8,518,324	9,088,951	9,462,022
<u>4,443,897</u>	<u>25,630,402</u>	<u>34,564,077</u>	<u>28,607,477</u>	<u>35,517,221</u>
<u>4,443,897</u>	<u>32,963,726</u>	<u>43,082,401</u>	<u>37,696,428</u>	<u>44,979,243</u>
10,155,731	10,680,405	12,082,430	13,661,489	13,133,831
12,592,408	5,679,471	5,930,679	6,052,654	6,221,690
4,413,313	9,151,671	131,173,017	110,314,883	85,037,915
-	178,943	222,452	256,340	288,683
<u>27,161,452</u>	<u>25,690,490</u>	<u>149,408,578</u>	<u>130,285,366</u>	<u>104,682,119</u>

METRO
Changes in Fund Balances, Governmental Funds
Last Eight Fiscal Years (1)
(modified accrual basis of accounting), Unaudited

	Fiscal Year		
	2002	2003	2004
REVENUES (1)			
Property taxes	\$ 19,235,074	16,494,258	17,536,825
Excise taxes	7,922,160	9,821,988	10,506,081
Construction excise tax	-	-	-
Cemetery revenue surcharge	-	-	33,086
Local government shared revenues	435,786	384,166	476,514
Investment income	1,515,629	725,628	267,466
Government fees	265,558	207,705	244,119
Culture and recreation fees	1,085,371	1,218,280	1,204,030
Other fees	1,259,528	1,393,044	1,617,773
Internal charges for services	779,805	579,082	875,511
Licenses and permits	-	-	-
Miscellaneous revenue	40,156	30,192	95,673
Grants	10,151,521	6,814,472	7,061,492
Government contributions	73,085	116,929	104,508
Contributions and donations	322,617	340,800	416,801
Capital grants	-	-	-
Capital contributions and donations	-	-	-
Total revenues	\$ 43,086,290	38,126,544	40,439,879
EXPENDITURES (1)			
General government operations	\$ 3,824,481	2,981,919	2,625,450
Regional planning and development	15,016,781	11,134,840	10,453,513
Culture and recreation	7,837,607	8,892,911	7,714,121
Zoo	-	-	-
Debt service:			
Principal	9,019,895	9,835,232	11,586,058
Interest	9,879,518	7,834,398	8,007,626
Capital outlay	10,426,457	4,407,455	3,861,065
Total expenditures	\$ 56,004,739	45,086,755	44,247,833
Excess of revenues over (under) expenditures	\$ (12,918,449)	(6,960,211)	(3,807,954)

2005	2006	2007	2008	2009
17,653,137	27,850,826	28,669,525	46,312,638	44,897,096
13,577,891	14,243,252	14,834,721	14,341,764	12,971,067
-	-	1,806,012	2,483,137	1,734,579
25,270	21,395	33,000	23,267	24,168
540,690	547,512	519,463	545,550	500,473
625,190	2,068,326	4,536,529	8,802,118	4,715,238
352,195	490,892	441,531	576,342	481,480
1,125,860	14,712,855	15,860,633	16,728,873	17,893,774
1,438,929	3,237,906	3,012,834	2,569,892	3,246,604
790,222	514,885	661,007	849,709	917,250
-	402,300	409,332	405,408	388,375
235,784	573,107	221,369	397,731	838,365
6,871,101	10,682,649	8,015,836	13,961,401	12,382,032
46,865	-	342,540	12,500	266,319
1,634,463	1,332,949	1,316,011	1,391,471	1,241,569
-	-	-	-	1,851,255
-	959,676	1,378,075	2,163,915	6,606,003
44,917,597	77,638,530	82,058,418	111,565,716	110,955,647
3,541,419	8,853,776	9,634,211	12,752,353	12,251,458
11,624,509	10,553,489	11,896,946	15,951,042	12,974,517
9,085,680	6,349,345	7,737,303	13,218,846	12,057,905
-	20,908,177	22,974,261	25,527,960	26,112,124
10,640,155	12,478,037	12,703,945	24,181,585	26,447,275
7,534,732	8,304,109	8,469,032	14,847,345	12,745,812
2,425,758	5,210,036	12,320,285	29,890,673	31,911,433
44,852,253	72,656,969	85,735,983	136,369,804	134,500,524
65,344	4,981,561	(3,677,565)	(24,804,088)	(23,544,877)

(Continued)

METRO

Changes in Fund Balances, Governmental Funds, *continued*
Last Eight Fiscal Years (1)
(modified accrual basis of accounting), Unaudited

	Fiscal Year		
	2002	2003	2004
OTHER FINANCING SOURCES (USES)			
Bond principal	\$ 47,855,350	100,681,603	-
Premium on bonds	-	-	-
Loan proceeds	-	-	-
Sale of capital assets	-	-	-
Transfers in	6,965,963	6,873,213	7,056,279
Payment to refunded bond escrow agent	(47,943,691)	(100,272,797)	-
Transfers out	(5,528,185)	(6,869,687)	(7,099,034)
Total other financing sources (uses)	\$ 1,349,437	412,332	(42,755)
Special item	\$ -	-	-
Net change in fund balances	\$ (11,569,012)	(6,547,879)	(3,850,709)
Prior period adjustment	\$ -	-	-
Debt service as a percentage of noncapital expenditures	43.5%	44.8%	49.5%

(1) Changes in revenues and expenditures between fiscal years 2005 and 2006 is due primarily to the consolidation of a number of funds, including former special revenue funds, former internal service funds, and Zoo funds into the General Fund in fiscal year 2006.

2005	2006	2007	2008	2009
18,085,000	24,290,000	124,295,000	-	5,000,000
1,230,005	23,286	6,383,369	-	-
-	-	592,500	-	-
-	-	-	16,000	100,000
10,306,075	4,288,434	2,933,742	8,574,992	9,390,120
(19,112,101)	-	-	-	-
(10,000,066)	(3,752,514)	(3,695,027)	(8,296,089)	(9,265,675)
508,913	24,849,206	130,509,584	294,903	5,224,445
-	(24,022,369)	-	-	-
574,257	5,808,398	126,832,019	(24,509,185)	(18,320,432)
1,976,193	4,613,707	7,004,744	-	-
43.9%	31.2%	29.4%	37.4%	38.2%

METRO

Solid Waste Tonnage by Waste Type and Destination (1)

Last Ten Fiscal Years

Unaudited

Fiscal year ended June 30,	Waste (2)				Organic (3)	ECU (4)	Regional Total All Waste Types
	Metro- Owned Facilities	Total Per Ton Rate	Privately- Owned Facilities	Total Per Ton Rate	Metro- Owned Facilities	Privately- Owned Facilities	
2000	698,535	\$ 62.50	538,760	\$ 14.00	9,478	28,318	1,275,091
2001	641,220	62.50	547,429	17.58	13,084	32,180	1,233,913
2002	603,946	62.50	589,111	17.94	13,446	45,320	1,251,823
2003	570,165	66.23	628,973	21.39	11,888	151,178	1,362,204
2004	564,337	67.18	673,500	22.89	13,460	312,587	1,563,884
2005	572,611	70.96	730,127	23.67	13,881	309,636	1,626,255
2006	589,140	71.41	749,948	22.87	19,340	356,044	1,714,472
2007	610,854	69.86	783,698	21.92	21,639	183,291	1,599,482
2008	592,950	71.14	745,684	22.31	26,003	146,652	1,511,289
2009	514,709	75.75	676,963	25.01	27,832	151,488	1,370,992

(1) Waste generated in the Metro region 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 per ton rate (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. ECU is often generated by one or two large remediation projects in the region; therefore tonnage may vary considerably year to year.

Source: Metro Parks and Environmental Services Department.

METRO
Solid Waste Disposal Rates
Last Ten Fiscal Years
Unaudited

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
METRO FACILITIES										
Disposal fee (1) (2)	\$ 38.61	29.75	29.75	33.02	42.55	45.55	46.80	46.20	47.09	49.00
Disposal fee - unspecified (1) (2)	-	4.32	3.96	-	-	-	-	-	-	-
Metro facility fee (1) (2)	1.15	2.55	2.55	2.55	-	-	-	-	-	-
Regional transfer fee (1) (2)	7.00	6.56	6.56	7.53	-	-	-	-	-	-
Regional system fee	14.00	12.90	12.90	15.00	16.57	15.09	14.54	13.57	14.08	16.04
Excise tax (2)	-	4.68	5.04	6.39	6.32	8.58	8.33	8.35	8.23	8.97
Rehabilitation & enhancement and host fee	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
DEQ fees - orphan sites	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
DEQ fees - promotion	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11
Total rate per ton (3)	\$ 62.50	62.50	62.50	66.23	67.18	70.96	71.41	69.86	71.14	75.75
Transaction fee-scalehouse	\$ 5.00	5.00	5.00	6.00	6.00	7.50	7.50	8.50	8.50	8.50
Transaction fee-automated	\$ -	-	-	-	-	-	-	3.00	3.00	3.00
PRIVATELY-OWNED FACILITIES										
Regional system fee	\$ 14.00	12.90	12.90	15.00	16.57	15.09	14.54	13.57	14.08	16.04
Excise tax (4)	-	4.68	5.04	6.39	6.32	8.58	8.33	8.35	8.23	8.97
Total rate per ton	\$ 14.00	17.58	17.94	21.39	22.89	23.67	22.87	21.92	22.31	25.01

(1) Beginning with fiscal year 2004, the noted fees were combined into the disposal fee.

(2) For fiscal year 2000, excise tax is included in the noted fees.

(3) Rates are per ton of mixed waste disposal. For fiscal year 2009, minimum charge is \$25.00 for 440 pounds or less.
DEQ rates are set by the State of Oregon Department of Environmental Quality.

(4) For fiscal year 2000, excise tax was charged on gross revenue, not per ton.

Source: Metro Parks and Environmental Services Department.

METRO
Principal Solid Waste Fee Payers
Current Year and Seven Years Ago (1)
Unaudited

Customer/Payer	2009			2002		
	Fees Paid (2)	Rank	Percentage of Total Solid Waste Fee Revenue	Fees Paid (2)	Rank	Percentage of Total Solid Waste Fee Revenue
Waste Management of Oregon	\$ 8,000,002	1	16.56 %	8,325,504	1	18.50 %
AGG	2,355,275	2	4.88	1,917,138	3	4.26
Oregon City Garbage Company	2,305,043	3	4.77	2,142,693	2	4.76
Trashco Services Inc	1,674,668	4	3.47	1,101,034	7	2.45
Portland Disposal & Recycling	1,602,004	5	3.32	1,677,167	4	3.73
Keller Drop Box Inc	1,588,876	6	3.29	1,110,123	6	2.47
Allied Waste Services of Portland	1,377,984	7	2.85	-	-	-
Gresham Sanitary Service Inc	1,288,039	8	2.67	1,129,161	5	2.51
Heiberg Garbage Service	1,205,745	9	2.50	845,170	10	1.88
Oak Grove Disposal Company Inc	1,076,349	10	2.23	865,564	9	1.92
River City Disposal Company Inc	-	-	-	982,396	8	2.18
Total	\$ 22,473,985		46.54 %	\$ 20,095,950		44.66 %

(1) Data from nine years ago is not available due to a change in computer systems. The 2002 information presented is the oldest data available.

(2) Customers pay a per ton rate for solid waste disposal. The per ton rate includes various fee components which change each fiscal year. See page 144 for rate detail.

Sources: Metro Parks and Environmental Services Department and Metro Accounting Division.

METRO

Ratios of Outstanding Debt by Type

Last Eight Fiscal Years (1)

Unaudited

Fiscal year ended June 30,	Governmental Activities					
	General Obligation Bonds	General Revenue Refunding Bonds	Full Faith and Credit Refunding Bonds	Pension Obligation Bonds	Loans Payable	Capital Leases
2002	\$ 177,847,373	\$ 22,710,000	\$ -	\$ -	\$ 151,185	\$ 146,747
2003	165,364,313	22,070,000	-	-	129,694	75,135
2004	153,820,393	-	20,380,000	-	106,844	-
2005	143,000,238	-	19,565,000	-	82,550	-
2006	131,647,201	-	22,295,000 (2)	24,290,000	507,151	-
2007	244,378,256	-	21,155,000	24,290,000	1,072,239	-
2008	221,976,671	-	19,985,000	24,130,000	592,500	-
2009	202,536,896	-	18,790,000	23,910,000	-	-

(1) Restated for fiscal year 2007 prior period adjustment changing classification of MERC from component unit to business-type activity.

(2) Zoo operations became governmental activities in fiscal year 2006.

(3) See page 155 for personal income and population data.

* Not available

Business-type Activities

<u>Revenue Bonds</u>	<u>Full Faith and Credit Bonds</u>	<u>Loans Payable</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (3)</u>	<u>Per Capita (3)</u>
\$ 25,590,000	\$ -	\$ 19,790,280	\$ 246,235,585	0.38 %	\$ 165.91
16,410,000	-	19,343,935	223,393,077	0.34	148.54
16,410,000	4,055,000	15,121,263	209,893,500	0.30	137.87
10,275,000	3,855,000	14,620,186	191,397,974	0.26	123.97
8,045,000	14,700,000 (2)	164,470	201,648,822	0.26	128.51
5,810,000	14,570,000	154,191	311,429,686	0.37	195.45
4,585,000	14,015,000	143,911	285,428,082	N/A *	176.79
-	13,435,000	133,632	258,805,528	N/A *	158.61

METRO
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Fiscal year ended June 30,	General Bonded Debt Outstanding			Real Market Value (1)	Percentage of Actual Real Market Value of Property	Per Capita (2)
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Net General Bonded Debt			
2000	\$ 195,329,198	\$ 8,483,200	\$ 186,845,998	\$ 105,147,450,817	0.18 %	\$ 129.38
2001	186,845,998	8,938,625	177,907,373	113,011,064,594	0.16	121.25
2002	177,847,373	9,798,060	168,049,313	123,050,948,638	0.14	113.23
2003	165,364,313	11,543,920	153,820,393	128,542,544,330	0.12	102.28
2004	153,820,393	10,328,133	143,492,260	138,455,070,187	0.10	94.25
2005	143,000,238	10,004,443	132,995,795	146,360,729,671	0.09	86.14
2006	131,647,201	10,680,405	120,966,796	156,666,228,799	0.08	77.09
2007	244,378,256	12,082,430	232,295,826	181,787,247,525	0.13	145.79
2008	221,976,671	13,661,489	208,315,182	207,455,843,980	0.10	129.03
2009	202,536,896	13,133,831	189,403,065	218,478,090,509	0.09	116.08

Sources:

(1) The Departments of Assessment and Taxation for Multnomah, Clackamas and Washington Counties.

(2) See page 155 for population data.

METRO

Direct and Overlapping Governmental Activities Debt

As of June 30, 2009

Unaudited

Overlapping government	Percent within District	Overlapping	
		Gross property tax backed debt	Net property tax backed debt
Clackamas County	73.83 %	\$ 55,257,665	\$ 34,720,627
North Clackamas Parks & Rec. District	100.00	13,760,000	-
Oak Lodge Water District 4	100.00	1,075,000	1,075,000
Clackamas County RFPD 1	86.66	21,868,222	4,319,916
Clackamas County SD 3J (West Linn-Wilsonville)	93.97	228,622,278	189,028,735
Clackamas County SD 7J (Lake Oswego)	100.00	117,610,654	75,406,819
Clackamas County SD 12 (N Clackamas)	98.59	390,757,446	287,483,762
Clackamas County SD 62 (Oregon City)	67.61	68,415,369	37,635,552
Clackamas County SD 115 (Gladstone)	100.00	60,528,135	45,489,730
Clackamas County SD 86 (Canby)	15.23	14,615,996	9,575,024
Clackamas Community College	73.33	65,558,361	27,389,315
City of Gladstone	100.00	2,355,000	-
City of Happy Valley	100.00	4,910,000	4,910,000
City of Lake Oswego	100.00	83,380,000	23,380,000
City of Milwaukie	100.00	5,140,000	875,000
City of Oregon City	99.95	19,225,171	2,603,669
City of West Linn	100.00	15,195,000	12,140,000
City of Wilsonville	100.00	13,505,000	-
Columbia County SD 1J (Scappoose)	5.25	1,921,049	1,921,049
Northwest Regional ESD	70.66	5,363,124	-
Multnomah County	98.63	274,071,855	55,796,122
Port of Portland	90.66	65,558,329	-
Multnomah County Drainage District 1	100.00	5,105,000	-
Tri-Met	97.83	35,590,481	35,590,481
Multnomah County SD 1J (Portland)	99.16	476,669,241	14,963,108
Multnomah County SD 3 (Parkrose)	100.00	8,470,000	8,470,000
Multnomah County SD 7 (Reynolds)	100.00	142,488,450	50,325,000
Multnomah County SD 28J (Centennial)	100.00	35,379,733	34,841,400
Multnomah County SD 40 (David Douglas)	100.00	72,400,000	72,400,000
Multnomah County SD 51J (Riverdale)	100.00	30,590,157	30,590,157
Multnomah County SD 10J (Gresham-Barlow)	96.03	104,524,213	50,024,006
Multnomah County SD 10J (Orient 6 Bond)	77.83	135,911	135,911
Multnomah ESD	98.73	36,316,469	-
Mt. Hood Community College	85.91	49,996,984	4,849,422
Portland Community College	91.25	388,183,604	213,828,095

(Continued)

METRO

Direct and Overlapping Governmental Activities Debt, *continued*

As of June 30, 2009

Unaudited

Overlapping government	Percent within District	Overlapping	
		Gross property tax backed debt	Net property tax backed debt
City of Fairview	100.00 %	\$ 2,110,000	\$ 1,625,000
City of Gresham	100.00	27,365,000	-
City of Portland	100.00	707,094,606	111,986,416
City of Troutdale	100.00	9,450,000	9,450,000
Washington County	92.74	103,394,823	29,245,275
Tualatin Hills Park & Rec. District	99.95	71,830,720	71,650,806
Forest Grove RFPD	7.21	13,696	13,696
Tualatin Valley Fire & Rescue District	96.55	45,376,150	27,998,050
Washington County SD 15 (Forest Grove)	77.61	57,599,926	32,523,650
Washington County SD 23J (Tigard-Tualatin)	99.26	134,046,122	128,541,658
Washington County SD 48J (Beaverton)	99.68	597,878,012	417,236,738
Washington County SD 88J (Sherwood)	79.60	110,659,109	100,324,727
Washington County SD 1J (Hillsboro)	83.64	307,371,287	221,734,687
Washington County SD 1J (Reedville Bond)	97.98	759,350	759,350
City of Beaverton	99.98	13,106,919	-
City of Cornelius	93.78	3,033,624	412,610
City of Durham	100.00	1,570,000	1,570,000
City of Forest Grove	99.58	7,244,409	3,191,523
City of Hillsboro	98.27	24,222,988	-
City of Sherwood	99.99	13,451,920	10,189,399
City of Tigard	100.00	11,835,874	10,011,895
City of Tualatin	100.00	10,570,000	10,570,000
Clackamas County ESD	74.20	20,023,329	-
Clackamas County SD 46 (Oregon Trail)	6.62	7,602,519	7,602,519
Sunrise Water Authority	98.80	513,785	513,785
East Multnomah Soil & Water Conservation	99.31	1,310,859	1,310,859
Totals		\$ 5,203,978,924	\$ 2,528,230,543

Note: "Gross property tax backed debt" includes all general obligation bonds and full faith and credit bonds.

"Net Property tax backed debt" is gross property tax backed debt less self-supporting unlimited tax general obligation, self-supporting full faith and credit debt, and revenue bonds.

Source: The Municipal Debt Advisory Commission, State of Oregon

METRO
Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited

Legal Debt Margin Calculation for Fiscal Year 2009

True cash value	\$	218,478,090,509
Debt limit (10% of true cash value)		21,847,809,051
Debt applicable to limit:		
Gross bonded debt principal	\$	258,671,896
Less legal deductions from debt limit:		
Full Faith and Credit Refunding Bonds Refunding Bonds 2003 Series		(18,790,000)
Full Faith and Credit Oregon Local Governments Bonds 2006 Series		(13,435,000)
Metro Limited Tax Pension Obligation Bonds Series 2005		(23,910,000)
Total net debt applicable to limit		202,536,896
Legal debt margin	\$	21,645,272,155

	Fiscal Year			
	2000	2001	2002	2003
Debt limit	\$ 10,514,745,082	11,301,106,459	12,305,094,864	12,854,254,433
Total net debt applicable to limit	195,329,198	186,845,998	177,847,373	165,364,313
Legal debt margin	\$ 10,319,415,884	11,114,260,461	12,127,247,491	12,688,890,120
Total net debt applicable to the limit as a percentage of the debt limit	1.86%	1.65%	1.45%	1.29%

Note: ORS 268.520 sets a debt limit of 10% of the true cash value of all taxable property within the district.

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

Fiscal Year					
2004	2005	2006	2007	2008	2009
13,845,507,019	14,636,072,967	15,666,622,880	18,178,724,753	20,745,584,398	21,847,809,051
153,820,393	143,000,238	131,647,201	244,378,256	221,976,671	202,536,896
13,691,686,626	14,493,072,729	15,534,975,679	17,934,346,497	20,523,607,727	21,645,272,155
1.11%	0.98%	0.84%	1.34%	1.07%	0.93%

METRO
Pledged Revenue Coverage
Last Ten Fiscal Years
Unaudited

Solid Waste Revenue Bonds

Fiscal year ended June 30,	Solid Waste		Less:		Debt service (1)		Coverage
	operating revenue		operating expenses	Net available revenue	Principal	Interest	
2000	\$ 53,275,735	\$	45,930,547	\$ 7,345,188	\$ 1,577,500	624,398	3.34
2001	50,297,847		43,537,879	6,759,968	2,364,493	544,176	2.32
2002	47,291,208		44,642,220	2,648,988	1,001,037	1,643,109	1.00
2003	49,037,072		45,362,166	3,674,906	629,526	1,294,455	1.91
2004	50,652,679		44,068,880	6,583,799	256,944	117,060	17.60
2005	51,935,277		44,695,266	7,240,011	830,493	1,501,060	3.11
2006	55,276,659		47,332,824	7,943,835	781,768	1,555,221	3.40
2007	56,198,701		49,919,528	6,279,173	640,903	1,600,400	2.80
2008	55,134,283		50,918,534	4,215,749	2,265,000	108,963	1.78
2009 (2)	-		-	-	-	-	-

(1) 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.

(2) The bonds to which pledged revenue coverage covenants applied were defeased in fiscal year 2009.

Note: The coverage information in this schedule is presented based on the formula required by bond covenants, which specifies that Metro shall maintain its existing solid waste disposal system and establish rates to produce net revenues each year which at least equal 110% of annual debt service. Under the covenants, operating expenses exclude depreciation, amortization and capital assets.

METRO
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Fiscal year ended June 30,	Population (1)	Total Personal income (in thousands) (2)	Per capita personal income (2)	Portland metropolitan unemployment rate (2)
2000	1,444,219	\$ 62,189,975	\$ 32,121	4.4 %
2001	1,467,300	63,933,229	32,356	6.0
2002	1,484,150	64,908,688	32,270	7.8
2003	1,503,900	66,576,262	32,709	8.3
2004	1,522,400	69,328,033	33,738	7.0
2005	1,543,910	73,287,419	35,115	5.8
2006	1,569,170	79,013,985	37,157	5.0
2007	1,593,370	84,151,048	38,842	4.8
2008	1,614,465	N/A	* N/A *	5.8
2009	1,631,665 (3)	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.

(3) Preliminary estimate

Sources: Population Research Center, Portland State University.
Oregon Employment Department.
U.S. Department of Commerce, Bureau of Economic Analysis (BEA).

METRO
Principal Employers (1)
Current Year and Nine Years Ago
Unaudited

Employer	2009			2000		
	Employees	Rank	Percentage of Total Metropolitan Area Employment	Employees	Rank	Percentage of Total Metropolitan Area Employment
State of Oregon	21,600	1	2.13 %	8,400	6	0.84 %
US Government	18,300	2	1.81	17,600	1	1.77
Intel Corporation	16,740	3	1.65	11,000	2	1.11
Providence Health System	14,839	4	1.46	8,938	5	0.90
Safeway Inc, Portland division	13,000	5	1.28	-	-	-
Oregon Health & Science University	11,500	6	1.14	9,300	4	0.93
Fred Meyer Stores	8,500	7	0.84	10,100	3	1.01
Kaiser Foundation Health Plan of the NW	8,221	8	0.81	-	-	-
Legacy Health System	8,196	9	0.81	6,731	7	0.68
Nike, Inc	7,648	10	0.75	-	-	-
Portland Public Schools	-	-	-	6,200	8	0.62
City of Portland	-	-	-	5,172	9	0.52
Freightliner	-	-	-	5,000	10	0.50
Total	128,544		12.68 %	88,441		8.88 %

(1) Portland OR MSA consisting of Clackamas, Columbia, Multnomah, Washington and Yamhill counties.

Sources: Portland Business Alliance, Oregon Employment Division
and the Portland Metropolitan Chamber of Commerce.

METRO
Full-Time Equivalent Employees by Function/Program
Last Ten Fiscal Years (1)
Unaudited

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
FUNCTIONS/PROGRAMS										
Primary Government:										
<i>Governmental activities:</i>										
General government operations	132.51	128.00	131.50	132.75	119.85	122.20	125.50	134.70	142.96	149.78
Regional planning and development	86.65	79.31	80.25	79.00	80.10	73.15	78.60	81.40	82.08	83.65
Culture and recreation	49.75	49.75	49.50	48.00	42.10	44.10	45.15	42.40	55.65	63.65
Zoo	152.85	163.60	-	-	-	-	149.13	149.13	151.96	155.98
Total governmental activities	421.76	420.66	261.25	259.75	242.05	239.45	398.38	407.63	432.65	453.06
<i>Business-type activities:</i>										
Solid Waste	96.85	106.25	110.15	109.15	108.70	106.20	106.20	106.75	106.75	109.00
Zoo	-	-	167.03	169.73	160.23	151.85	-	-	-	-
MERC	164.50	159.90	152.00	193.00	180.25	157.00	156.00	163.00	186.00	191.00
Total business-type activities	261.35	266.15	429.18	471.88	449.18	415.05	262.20	269.75	292.75	300.00
Total primary government	683.11	686.81	690.43	731.63	691.23	654.50	660.58	677.38	725.40	753.06
				(2)	(3)	(4)			(5)	(6)

(1) Restated for fiscal year 2007 prior period adjustment changing classification of MERC from component unit to business-type activity.

(2) Increase over previous fiscal year is due primarily to personnel needs related to the expansion of the Oregon Convention Center and Expo Center facilities.

(3) Decrease from previous fiscal year is due primarily to reevaluation of personnel needs related to the expansion of the Oregon Convention Center, reductions related to the spend down of the Open Spaces program, and reductions in general government and Zoo due to fiscal constraints of the agency.

(4) Decrease from previous fiscal year is due primarily to reevaluation of personnel needs in response to economic downturns, the completion of the expansion of the Oregon Convention Center and reductions at the Zoo due to fiscal constraints of the agency.

(5) Increase over previous fiscal year is due primarily to personnel additions resulting from the passage of the Natural Areas bond measure and increased service demands at the Oregon Zoo and MERC due to economic recovery. Some stagehands at MERC became full-time in fiscal year 2008.

(6) Increase over previous fiscal year is due primarily to personnel additions resulting from the passage of the Natural Areas bond measure and increased service demands at the Oregon Zoo and MERC due to economic recovery.

Source: Metro Adopted Budget documents.

METRO
Operating Indicators by Function/Program
Last Eight Fiscal Years
Unaudited

	Fiscal Year		
	2002	2003	2004
FUNCTIONS/PROGRAMS			
Primary Government:			
<i>Governmental activities:</i>			
General government operations:			
Business licenses issued	2,787	3,034	2,939
Live broadcast of Metro Council meetings (1)	-	38	40
Presentations to citizens, business, and other groups by Councilors and COO (1)	138	267	315
General obligation bond rating:			
Moody's	Aa1	Aa1	Aa1
Standard and Poor's	AA+	AA+	AA+
Regional planning and development:			
Data Resource Center sales of maps and aerals	\$ 134,271	137,352	145,649
Culture and recreation:			
Visitors to Blue Lake Park, Oxbow Park and Chinook Landing	751,916	713,276	728,910
Volunteer visits (2)	1,259	1,478	1,575
Volunteer hours	16,785	14,312	20,100
Acres acquired in Open Spaces and Natural Areas land target areas	834	168	80
Zoo:			
Adult admission price	\$ 7.50	8.00	9.00
Annual attendance	1,319,459	1,293,597	1,318,458
Volunteer hours	127,000	118,500	122,000
Enterprise revenue as percentage of operating revenue	52.4%	53.3%	57.9%
Contributions and donations as percent of total revenue	5.7%	5.6%	3.3%
<i>Business-type activities:</i>			
Solid Waste:			
Recycling Information Center calls/hits on website (3)	110,320	108,652	126,245
Students reached in elementary and secondary school presentations	29,911	37,478	41,055
Regional recovery rate (4)	47.9%	53.5%	56.1%
Hazardous waste net cost per pound	\$ 0.98	0.90	0.72
Gallons of recycled paint produced	104,148	116,107	167,040
Latex paint revenue	\$ 351,503	539,135	693,774

2005	2006	2007	2008	2009
3,003	2,980	3,032	3,011	2,876
40	38	36	34	N/A
322	461	562	630	N/A
Aa1 AAA	Aa1 AAA	Aaa AAA	Aaa AAA	Aaa AAA
177,211	185,182	178,972	175,897	137,344
721,800	656,616	695,176	711,009	824,375
1,421	1,100	1,687	5,169	4,780
30,519	22,570	14,642	18,196	17,000
116	42	316	426	312
9.50	9.50	9.75	9.75	9.75
1,336,287	1,365,459	1,508,564	1,500,570	1,621,567
143,500	151,533	156,839	168,795	183,711
58.7%	61.1%	60.2%	56.0%	61.8%
5.3%	4.9%	4.6%	5.0%	7.0%
126,949	139,830	134,489	147,186	148,465
44,314	43,692	43,420	57,189	41,045
57.0%	58.6%	55.4%	55.1%	56.8%
0.87	0.89	0.78	0.82	0.87
137,075	102,196	92,982	119,536	99,253
755,560	809,484	955,802	1,009,012	1,159,152

(Continued)

METRO
Operating Indicators by Function/Program, *continued*
Last Eight Fiscal Years
Unaudited

	Fiscal Year		
	2002	2003	2004
MERC:			
Annual attendance			
Oregon Convention Center	450,000	577,328	668,911
Expo Center	582,884	534,367	501,670
Portland Center for the Performing Arts	969,000	947,338	900,000
Number of events/performances			
Oregon Convention Center	55	66	91
Expo Center	100	102	92
Portland Center for the Performing Arts	950	902	978
Capacity			
Occupancy rate (75% considered maximum)			
Oregon Convention Center	65%	55%	37%

(1) This indicator discontinued in 2009.

(2) The methodology for tracking volunteers was changed in 2008 from hours to visits; it was not possible to restate data prior to 2008.

(3) WebTrends tracking of website usage began in 2004.

(4) Regional recovery rate is calculated by taking total waste generated in the region divided by amount recycled plus DEQ credits up to 6% for waste prevention, reuse, and home composting.

Source: Various Metro departments.

2005	2006	2007	2008	2009
700,360	633,575	608,673	639,000	574,199
469,943	470,984	477,072	510,141	454,005
797,752	953,863	862,897	817,637	930,841
93	85	91	104	92
100	102	98	107	110
937	980	1,113	827	1,061
48%	39%	42%	46%	41%

METRO
Capital Asset Statistics by Function/Program
Last Eight Fiscal Years
Unaudited

	Fiscal Year		
	2002	2003	2004
FUNCTIONS/PROGRAMS			
Primary Government:			
<i>Governmental activities:</i>			
General government operations:			
Regional Center facilities	1	1	1
Square footage	110,000	110,000	110,000
Parking spaces - Regional Center garage	162	162	162
Parking spaces - Irving Street garage	485	485	485
Culture and recreation:			
Regional park facilities	5	5	5
Acres	1,572	1,572	1,572
Cemeteries	14	14	14
Acres	67	67	67
Golf facilities	1	1	1
Acres	232	232	232
18-hole courses	2	2	2
Marine facilities	3	3	3
Natural Areas	7	7	7
Acres	2,422	2,422	2,422
Open Spaces land target areas	20	20	20
Acres	7,767	7,935	8,015
Natural Areas land target areas	-	-	-
Acres	-	-	-
Zoo:			
Acres	65	65	65
Buildings and exhibits	62	62	62
Railways	1	1	1
<i>Business-type activities:</i>			
Solid Waste:			
Transfer stations (including hazardous waste facilities)	2	2	2
Latex paint facilities	1	1	1
Closed landfills maintained	1	1	1
MERC:			
Convention Centers	1	1	1
Square footage	500,000	907,000	907,000
Parking spaces	800	800	800
Exposition Centers	1	1	1
Square footage	330,000	330,000	330,000
Parking spaces	2,200	2,200	2,200

Note: No capital asset indicators are available for the regional planning and development function.

Source: Various Metro departments.

2005	2006	2007	2008	2009
1	1	1	1	1
110,000	110,000	110,000	110,000	110,000
162	162	162	162	162
485	485	485	485	485
5	5	5	5	6
1,572	1,572	1,572	1,572	1,701
14	14	14	14	14
67	67	67	67	67
1	1	1	1	1
232	232	232	232	232
2	2	2	2	2
3	3	3	3	3
7	7	7	7	7
2,422	2,422	2,422	2,422	2,422
20	20	20	20	20
8,131	8,173	8,185	8,185	8,001
-	-	27	27	27
-	-	304	730	1,037
65	65	65	65	65
63	65	70	70	70
1	1	1	1	1
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
907,000	907,000	907,000	907,000	907,000
800	800	800	800	800
1	1	1	1	1
330,000	330,000	330,000	330,000	330,000
2,200	2,200	2,200	2,200	2,200

METRO
Property Tax Levies and Collections (1)
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
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
2006	28,618,145	27,115,918	94.8	668,916	27,784,834	97.1	1,100,030	3.8
2007	29,415,279	27,895,188	94.8	650,052	28,545,240	97.0	1,140,509	3.9
2008	48,123,417	45,437,777	94.4	676,085	46,113,862	95.8	1,815,332	3.8
2009	46,756,581	43,824,192	93.7	927,952	44,752,144	95.7	2,427,570	5.2

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

METRO**Assessed and Real Market Value of Taxable Property**

Last Ten Fiscal Years

Unaudited

Fiscal year ended June 30,	Real property		Personal property	
	Assessed value	Real market value	Assessed value	Real market value
2000	\$ 68,119,873,420	\$ 96,442,637,972	\$ 4,599,178,731	\$ 4,855,164,356
2001	72,324,619,679	103,550,908,925	4,778,797,938	5,014,856,997
2002	76,887,078,626	113,257,470,348	5,241,574,117	5,332,826,767
2003	80,537,735,166	119,083,633,530	5,171,288,194	5,260,708,472
2004	83,831,528,669	129,455,074,198	4,953,228,970	5,027,676,572
2005	87,594,182,912	137,358,990,439	4,844,569,951	4,933,679,306
2006	91,988,728,939	147,912,179,454	4,818,026,408	4,927,283,069
2007	96,689,252,140	172,711,048,668	4,957,074,851	5,044,779,069
2008	101,956,444,799	197,962,560,247	5,205,212,864	5,295,350,718
2009	106,884,314,269	208,683,033,872	5,461,575,352	5,562,877,902

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

Public utility property		Total		Ratio of total assessed to total real market value
Assessed value	Real market value	Assessed value	Real market value	
\$ 3,539,158,652	\$ 3,849,648,489	\$ 76,258,210,803	\$ 105,147,450,817	72.5 %
3,906,448,496	4,445,298,672	81,009,866,113	113,011,064,594	71.7
4,360,911,274	4,460,651,523	86,489,564,017	123,050,948,638	70.3
4,128,896,729	4,198,202,328	89,837,920,089	128,542,544,330	69.9
3,953,101,838	3,972,319,417	92,737,859,477	138,455,070,187	67.0
4,047,402,277	4,068,059,926	96,486,155,140	146,360,729,671	65.9
3,796,815,443	3,826,766,276	100,603,570,790	156,666,228,799	64.2
3,968,232,130	4,031,419,788	105,614,559,121	181,787,247,525	58.1
4,053,406,742	4,197,933,015	111,215,064,405	207,455,843,980	53.6
4,168,433,884	4,232,178,735	116,514,323,505	218,478,090,509	53.3

METRO

Principal Property Tax Taxpayers Within the District by County

(amounts expressed in thousands)

June 30, 2009

Unaudited

<u>Taxpayer account</u>	<u>Type of business</u>	<u>Assessed valuation</u>	<u>Percent of total valuation</u>
MULTNOMAH COUNTY			
Port of Portland	Marine and aviation facilities	\$ 422,052	0.81 %
Portland General Electric Co.	Electric utility	346,006	0.66
Qwest Corporation	Telecommunications	276,085	0.53
Pacificorp (PP&L)	Electric utility	249,095	0.48
Weston Investment Co. LLC	Nonresidential construction	222,420	0.43
Verizon Communications	Telecommunications	190,287	0.37
Boeing Company	Aircraft manufacturing	181,111	0.35
Oregon Steel Mills, Inc.	Steel products	179,314	0.34
Northwest Natural Gas Co.	Natural gas utility	165,077	0.32
LC Portland LLC	Commercial rental partnership	153,028	0.29
All other taxpayers	-	49,721,696	95.42
Total		\$ 52,106,171	100.00 %
WASHINGTON COUNTY			
Intel Corporation	Computer electronics	\$ 1,101,357	2.73 %
Nike, Inc.	Athletic apparel	411,843	1.02
Verizon Communications	Telecommunications	404,629	1.00
Pacific Realty Associates	Real estate	283,367	0.70
Portland General Electric Co.	Electric utility	273,290	0.68
Northwest Natural Gas Co.	Natural gas utility	224,393	0.56
Maxim Integrated Products, Inc.	Semiconductor manufacturing	171,437	0.43
Tektronix, Inc.	Computer electronics	135,300	0.34
ERP Operating LP	Real estate	115,413	0.29
PS Business Parks LP	Commercial property manager	102,806	0.26
All other taxpayers	-	37,048,626	91.99
Total		\$ 40,272,461	100.00 %
CLACKAMAS COUNTY			
Shorenstein Properties LLC	Real estate	\$ 239,650	0.99 %
General Growth Properties, Inc.	Real estate	214,878	0.89
Portland General Electric Co.	Electric utility	201,726	0.84
Fred Meyer, Inc.	Retailer	146,196	0.61
Northwest Natural Gas Co.	Natural gas utility	123,191	0.51
PCC Structurals, Inc.	Metal castings and machining	92,686	0.38
Xerox Corporation	Document management	71,920	0.30
Qwest Corporation	Telecommunications	60,428	0.25
Mentor Graphics Corp.	Electronics	52,780	0.22
Verizon Communications	Telecommunications	51,447	0.21
All other taxpayers	-	22,880,790	94.80
Total		\$ 24,135,692	100.00 %

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



AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Oregon Administrative Rules 162-010-0000 through 162-010-0330 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *OREGON AUDITING STANDARDS***

Metro Council and Metro Auditor
Portland, Oregon

We have audited the basic financial statements of Metro as of and for the year ended June 30, 2009 and have issued our report thereon dated December 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. 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

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, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-0000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2009 and 2010.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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 Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, except those noted below.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Metro's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Metro's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.

Our testing of the schedule of expenditures of federal awards (SEFA) identified two grant programs originating from federal sources that were not identified by management as federal awards and were initially excluded from the SEFA. In addition, given the size and risk analysis, both programs required testing under OMB circular A-133 and the Single Audit Act. Metro's processes and internal controls over reporting of potential federal programs were not sufficient to identify these programs as federally sourced, and could have led to non-compliance with provisions of OMB Circular A-133 and the Single Audit Act.

Also, during our testing of procurement for the Single Audit, we noted two instances in eleven contracts tested where the contract did not include Metro's standard federal clauses used to ensure contractors are aware that the project is federally sourced and additional federal compliance requirements are applicable to the project.

The above matters are reported in further detail in the Schedule of Findings and Questioned Costs included in a separately bound report with Metro's Single Audit reports. Further, additional best practice observations and recommendations were included in a letter issued separately to management.

This report is intended solely for the information of the Metro Council and Metro Auditor, management, and the State of Oregon and is not intended to be and should not be used by anyone other than those specified parties.



For Moss Adams LLP
Eugene, Oregon
December 7, 2009