

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF METRO COUNCIL'S) RESOLUTION NO. 12- 4325
ACCEPTANCE OF THE RESULTS OF THE)
INDEPENDENT AUDIT REPORT FOR) Introduced by
FINANCIAL ACTIVITY DURING FISCAL) Suzanne Flynn, Metro Auditor
YEAR 2010-2011)

WHEREAS, Oregon Revised Statute 297.465 requires an annual independent audit of Metro's financial statements; and

WHEREAS, Metro Code Section 2.15.80 requires the Metro Auditor to appoint the external certified public accountant to conduct certified financial statement audits as specified in state and local laws; and

WHEREAS, Metro engaged in Contract No. 929814 with Moss Adams LLP, independent Certified Public Accountants to provide the following audit services for each of the fiscal years ending June 30, 2010-2012:

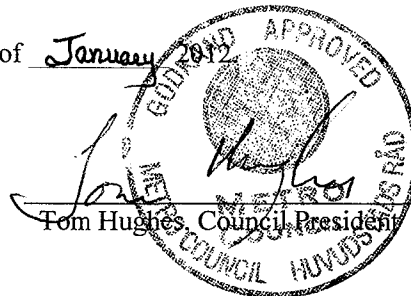
1. Audit of Metro's financial statements (including all costs associated with the Comprehensive Annual Financial Report and applicable management recommendations and comments);
2. Single Audit and applicable management recommendations and comments;
3. Metro Natural Areas Bond Measure Expenditures and applicable management recommendations and comments; and
4. Oregon Zoo Construction Bond Measure Expenditures and applicable management recommendations and comments.

WHEREAS, the annual independent audit for fiscal year ended June 30, 2011 has been completed and an unqualified opinion received from Moss Adams LLP; and

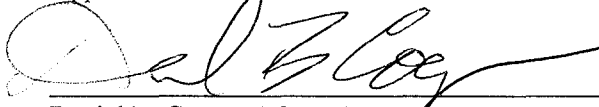
WHEREAS, a separate letter was delivered to management and a management plan of action completed; now, therefore,

BE IT RESOLVED that the Metro Council hereby acknowledges and accepts the results of the independent audit for fiscal year ended June 30, 2011 (Exhibit A).

ADOPTED by the Metro Council this 19th day of January 2012



Approved as to Form:


 Daniel B. Cooper, Metro Attorney

www.oregonmetro.gov



600 NE Grand Ave.
Portland, Oregon
97232-2736

CAFR

**Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2011**



Metro | *Making a great place*

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 for the year ending June 30, 2011

Metro Council President – Tom Hughes

Metro Councilors – Shirley Craddick, District 1; Carlotta Collette, District 2; Carl Hosticka, District 3; Kathryn Harrington, District 4; Rex Burkholder, District 5; Barbara Roberts, District 6.

Auditor – Suzanne Flynn

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Metro CAFR

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2011

Finance and Regulatory Services Department

Director of Finance and Regulatory Services
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Prepared by
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Metro | *Making a great place*

600 NE Grand Ave., Portland, Oregon 97232

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December 2, 2011

To the Council and Citizens of the Metro Region:

In accordance with ORS 297.425, we are pleased to present the Comprehensive Annual Financial Report of Metro, for the year ended June 30, 2011, accompanied by 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, 2011, 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 provides 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 and federal regulations. These rules are incorporated in the Minimum Standards for Audits of Municipal Corporations, as prescribed by the Secretary of State, Government Auditing Standards and in federal regulations such as Office of Management and Budget Circular A-133.

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. 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, 2011, are free of material misstatement. The auditor issued an unqualified ("clean") opinion on Metro's financial statements (see pages 15-16). 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 found in the last section of this report, Audit Comments and Disclosures Required by State and Federal Regulations.

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 1.5 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 1978 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, incorporated in the Oregon Revised Statutes. The District's powers were limited to those granted by the legislature with the implied powers necessary to carry out its duties. Any extension of the District's powers had to 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. In 1995 voters approved a \$135.6 million bond measure to acquire and protect open spaces, parks and streams. The funds have been used to purchase regionally significant open spaces in 14 target areas and six regional trails and greenway areas; construct three regional nature parks and fund 90 local parks projects with local government partners. Because of the demonstrated success, voters approved a second \$227.4 million bond in 2006 to preserve natural areas and stream frontages, maintain and improve water quality and protect fish and wildlife habitat.

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." Metro has emerged as a leader of regional initiatives – a collaborative partner, facilitator, technical assistance provider, process manager and advocate. Metro's *Making a Great Place* initiative demonstrates how new and renewed urban centers can integrate housing, shopping, business and recreation with pedestrian-friendly streets and easy access to transportation. Metro and its county partners recently reached an historic collaborative agreement to guide the future growth of the region for the next 50 years, setting aside 28,000 acres for future development if needed and protecting 270,000 acres of farms, forests and natural areas. Additionally, the 2040 Growth Concept, adopted in 1997, guides the 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 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. Metro has owned and operated the Oregon Zoo, formerly the Washington Park Zoo, since 1979. Voters have approved two general obligation bonds for the zoo, a \$28.8 million measure in 1996 to construct the Great

Northwest project and a \$125 million bond in 2008 to fund capital projects to protect animal health and safety, conserve and recycle water and to improve access to conservation education. The Metropolitan Exposition Recreation Commission (MERC), a department of Metro, operates public assembly facilities including the OCC, PCPA and Expo 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), Chehalem Ridge Natural Area (a 1,143 acre area in the Tualatin Valley near Wilsonville) 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 collection facilities, as well as a latex paint recycling facility. Metro offers a toll-free recycling hotline and website, which helps people learn to recycle everything from yard debris to old paint.

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 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. Unexpected additional resources and budget revisions may be added to the budget during the year 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. Appropriations that have not been expended at year-end lapse and subsequent actual expenditures are charged against the ensuing year's appropriations.

Reporting Entity

For financial reporting purposes, Metro is a primary government under the provisions of *Governmental Accounting Standards Board (GASB) 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 *GASB 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-Hillsboro-Vancouver, OR-WA Primary Metropolitan Statistical Area) is home to over 2.2 million residents, nearly 1.5 million of those residing within the Metro boundary. The "economic region" is comprised of five counties in Oregon and two other counties in Washington. The Portland metropolitan area is a hub for financial activities, domestic and international trade, transportation and services for Oregon, southwest Washington and the Columbia River basin.

Population growth since year 2000 has been surprisingly robust despite two national economic downturns, earlier in 2001 and more recently in 2008. The region saw annual population growth of 1.5 percent or more throughout the decade until this last recession, which reduced population growth to below 0.2 percent annual rate in 2010. Through most of the economic turmoil of the last 10 years, the region's population has been surprisingly resilient. Prior to the recession, the region has consistently seen its average population growth exceed that of statewide and national averages.

As Metro issues this report, the region's nonfarm wage and salary employment totaled 971,600 jobs (Aug. 2011 – unadjusted). The current unemployment rate (as of Aug. 2011, seasonally adjusted) in the region is 9.1 percent (or 9.0 unadjusted), same as the United States and below Oregon's 9.6 percent. From peak to trough, the Portland metropolitan economy has lost nearly 10.0 percent or 100,000 of its jobs since the beginning of the current recession (December 2007). Regional employment losses have been staunch, but a recovery has been slow to materialize, with regional unemployment rates trending lower since late spring.

Job growth has been uneven across industry sectors. Manufacturing job growth has been accelerating since mid-year 2010, especially durable goods production. Led by the region's resilient high-tech industries, manufacturing employment has been expanding at a clip of 2.5 to 3.0 percent year-over-year (y/y). Growth in semi-conductor employment topped 5.5 percent y/y this summer as the U.S. technology sector boosted production. The employment trends in professional business services and trade sectors have also emerged from recession, posting 4.5 and 5.0 percent y/y increases, respectively, during the summer. Health care job trends continued an even pace of growth around 2.5 percent through the recession and nascent recovery phase. Steep declines continue in the construction industry, while weakness in financial activities and layoffs in the government sector offset and dampen overall total job growth in the region.

Portland is establishing itself as an attractive spot for alternative energy research and manufacturing, an area that could pay dividends for a long time in the future. German solar panel maker SolarWorld announced it will consolidate U.S. manufacturing in Hillsboro. Early this year, SoloPower announced it will build a \$340 million solar manufacturing plant in North Portland. Santa Clara based Solaicx will invest \$60 million in tripling the manufacturing capacity of its North Portland plant. ReVolt, a Norwegian high-tech battery technology company, recently made Portland its de facto world headquarters in large part because the region's commitment to renewable technology. Portland's reputation, commitments and public/private investments in solar manufacturing technologies have cemented the region's position as a leader in solar manufacturing, and it provides a bright spot to the region's emerging economic recovery.

The high-technology electronics industry continues to be a strong engine of growth in the region, especially with Intel's commitment to invest between \$6 billion and \$8 billion on future generations of manufacturing technology in its U.S. facilities. Intel's Hillsboro operations are the largest in the world. A new fabrication plant will be built in Hillsboro and upgrades to existing facilities are planned.

Health care remains a steady influence on regional employment growth as the sector represents over 10.0 percent of employment in the region.

Outlook. According to local job data, Portland's economy started 2010 in dismal shape, but has seen subdued improvement since the end of 2010 through 2011. Employment levels in the region remain underwater. Employment in manufacturing, warehousing and retail trade and professional services are beginning to recover, but construction, financial activities (especially real estate related fields), information services, and government sectors are expected to see delays in recovering. The substantial job losses suffered during the recession are expected to endure several more years before reaching pre-recession employment levels. Lackluster job growth is expected to persist for the foreseeable future.

According to IHS Global Insight, a leader in economic and financial analysis and forecasting, weak job prospects will persist into 2013 for the region. Construction declines are expected to overshadow mild employment gains across a variety of non-manufacturing sectors. Manufacturing sectors will see relatively strong job gains, helping offset weaker

than usual service sector gains that would normally be seen at this stage of an economic recovery. The unemployment rate will eventually decline, but not because of immediate strong job growth; instead discouraged workers will stop looking for work. The Metro area is forecasted to average under 2.0 percent annual job growth through 2014, a substantially weaker outlook as compared to past economic rebounds.

According to IHS Global Insight, Portland area new home construction is expected to be subdued and below pre-recession production through 2012. During the recession, home prices have been reset to 2004 nominal price levels in the region and are off 28.0 percent from an earlier peak, according to data from S&P Case-Shiller. The job projections will dampen job prospects in the construction, real estate and home mortgage industries, as well as hamper overall job growth in the region.

The chance of a double-dip recession has been revised upwards recently as U.S. forecast risks have heightened due to the looming European sovereign debt crisis, downgraded consumer sentiment reports, continued weakness in U.S. housing markets, and preponderance of weak U.S. job reports. IHS Global Insight, in its September 2011 U.S. Forecast, has called for a 40.0 percent chance of a double-dip recession. Given the region's weakened state, a U.S. economic downturn would undoubtedly impact the region.

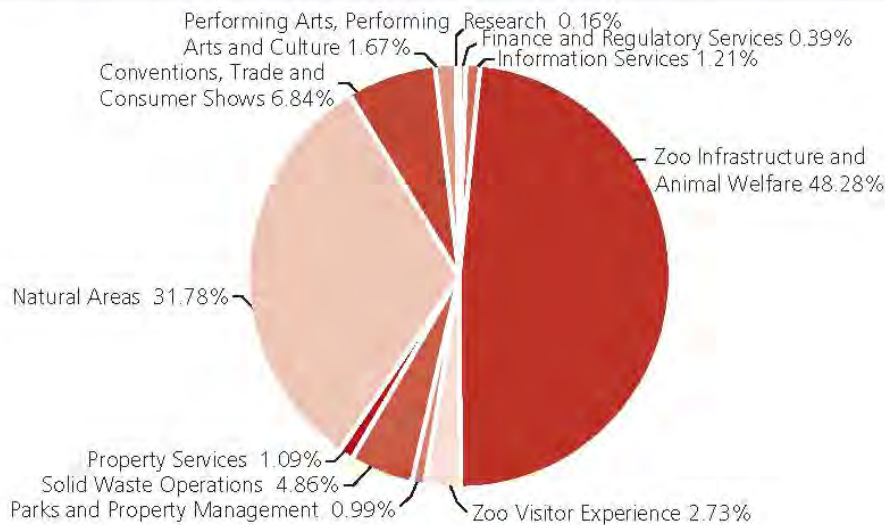
The above forecast provides the backdrop for effects on Metro's operations. The solid waste disposal tonnage began falling precipitously in early 2008. Conditions worsened in 2009 and 2010, reflecting the malaise of the regional economy. Solid waste tonnage figures continue to decline through 2011, but the pace of decline has tapered off. For the year, tonnage figures will show another annual decrease, but the latest forecast remains conservative with some small uptick by the middle of 2012. Studies show a positive correlation between economic activity and garbage waste. Transient lodging tax receipts have begun to recover from the economic slump of the past two years; receipts are expected to be 5.0 percent higher in the coming year. Guests continue to visit the Oregon Zoo in record numbers, and guest spending is beginning to recover to prerecession levels. Despite economic conditions, property tax collections have remained strong and are estimated to be at 94.0 percent.

Long-term financial planning. Metro prepares a five-year Capital Improvement Plan with annual updates as part of its financial planning responsibilities. The Metro Council annually reviews Metro's Capital Asset Management policies as part of the budget process. Metro's capital projects threshold is \$100,000 which is consistent with the State of Oregon's definition of "public improvement."

The adopted Capital Improvement Plan for Metro for fiscal year 2012 through fiscal year 2016 includes 119 capital projects at an estimated total cost of \$295.2 million. Caring for Metro's capital assets is an absolute priority. At the Council's direction Metro has moved carefully and deliberately to evaluate and fund the renewal and replacement requirements for the major operating funds. Significant new capital acquisition and construction have relied on bonded debt financing. The chart below shows the percent of expenditures by program. The largest two programs, Natural Areas and Zoo Infrastructure and Animal Welfare, are the programs expending bond proceeds. Projects for the MERC venues, zoo visitor experience and information services projects are predominantly renewal and replacement projects. The Solid Waste Operations program also includes renewal and replacement projects as well as new projects and landfill remediation.

The financing sources for these capital projects vary by project. 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 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 and funding for these projects is considered when setting the disposal rate. During fiscal year 2011 MERC adopted a new reserve policy that allocated the consolidated fund balance into various specified reserves including renewal and replacement, allowing those facilities to plan projects more consistently with dependable funding.

Capital expenditures by budget program



The Capital Improvement Plan contains a projection from each program on the net impact on operating costs resulting from each capital project. Metro, overall, forecasts it will have a net negative contribution to operations of \$272,000 to \$295,000 per year from the cost increase to operations as a result of the additional natural area acquisitions and the new Natural Areas Information System, as well as additional parks expenses. Several small projects are expected to produce positive cash flows at the Oregon Zoo by increasing attendance.

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 23, 2011, and published in its adopted budget. This latest review incorporated into the policies the requirements of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*.

Oregon Local Budget Law requires that total resources shall equal total requirements in each fund. In addition to this legal requirement, Metro considers a budget to be balanced whenever budgeted revenues equal or exceed budgeted expenditures. Metro’s Council established financial policies to 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 our physical assets. Metro policy provides that it will designate or 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 designated fund balance amounts within the General Fund 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

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 90.0 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 conform to the requirements of Oregon Revised Statutes. The Council readopted the policy on June 23, 2011. 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.

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, 2011.

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 Fiscal Year 2011-12 Adopted Budget*.

Major initiatives. During fiscal year 2011, the Metro Council engaged regional leaders in significant conversation about the future of the region. The lingering economic downturn has renewed a sense that collaboration and partnerships are essential to regional progress and prosperity. The Council amended the Regional Framework Plan to include six characteristics of a successful region, which are reflected in the figure below. The fiscal year 2012 budget is an essential strategy for achieving these outcomes.



In the fiscal year 2012 budget, Metro will deliver its core services with excellence and efficiency to demonstrate how it operates to the 5 million people that directly use its visitor venue, parks and solid waste services. Metro will also deliver on the bond promises for Natural Areas acquisition and protection as well as leveraging local projects through local share and grant programs. If these direct public service programs are the daily essence of Metro, the key initiatives are the future. Under the Council's leadership Metro is directing and driving its land use and transportation programs straight at the regional outcomes in the figure above. These programs include:

- Integrated corridor planning, which is the integration of land use and transportation plans for mobility corridors, will stimulate community and economic development.
- The Research Center has developed a Greenhouse Gas Emissions Analysis Toolkit for use in evaluating policy choices and public investments for their effectiveness in reducing greenhouse gases. This and other analytic tools will support land use and transportation planning for climate smart communities.
- The Community Investment Strategy is focused on the 2040 vision of thriving centers and effective corridors. Working as regional partners, public and private, a Community Investment Initiative Leadership Council will craft an integrated federal, state, regional and local investment strategy to close the gap between the region's needs and financial resources.
- A regional parks system planning effort, pairing internal, cross-functional programs and supported by the Community Investment Strategy, will be key to addressing the long-term operational costs of the more than 11,000 acres of natural lands acquired for the region.
- The future of the regional solid waste system must consider new technologies, more active management of what is in the waste stream and greater product stewardship to prevent materials from entering the waste stream. This future will also require Metro to examine the intensifying tension between its environmental sustainability and its financial sustainability.

Through the economic downturn which began in 2007, Metro has seen the value of its disciplined financial policies, its strategic use of fund balance to support multi-year initiatives and its willingness to make difficult choices and take another approach. The fiscal year 2012 budget, with a goal of planning for the future, continues this direction by choosing to shift resources towards those key initiatives noted above, making some hard choices to refocus current efforts and even increasing some spending now in order to avoid higher costs in the future.

Awards

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, 2010. This was the nineteenth 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.

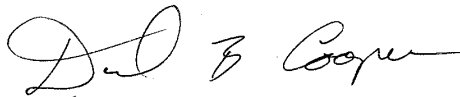
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, Metro also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2010. 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 fifteenth consecutive year that Metro received this award.

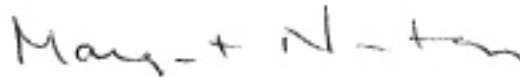
Acknowledgements

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 and the accounting staff of MERC. We especially acknowledge Karla J. Lenox, CPA, Financial Reporting and Control Supervisor, and Donald R. Cox, Jr., MBA, 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,



Daniel B. Cooper
Metro Attorney
Acting Chief Operating Officer
March 2011 to October 2011



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, 2010

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.



A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

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, 2010. This was the nineteenth 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

Name	Position	Term expires
Tom Hughes	Metro Council President	January 2015
Shirley Craddick	Councilor-District 1	January 2015
Carlotta Collette	Councilor-District 2	January 2015
Carl Hosticka	Councilor-District 3	January 2013
Kathryn Harrington	Councilor-District 4	January 2015
Rex Burkholder	Councilor-District 5	January 2013
Barbara Roberts	Councilor-District 6	January 2013
Suzanne Flynn, CIA	Metro Auditor	January 2015

Appointed Officials

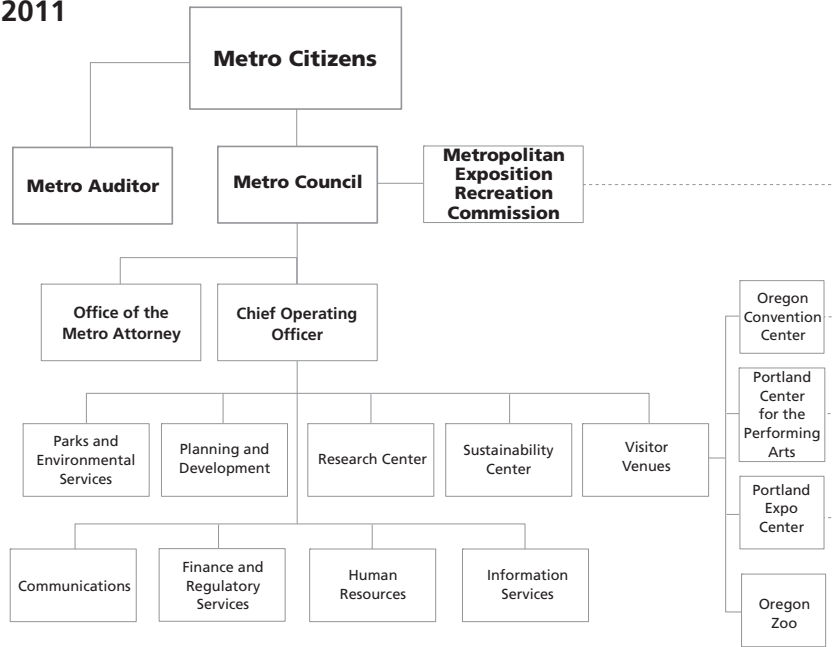
Name	Position
Daniel B. Cooper	Acting Chief Operating Officer
Scott Robinson	Deputy Chief Operating Officer
Alison Kean Campbell	Acting Metro Attorney
Margaret Norton	Director of Finance and Regulatory Services
Mary Rowe	Human Resources Director
Jim Middaugh	Communications Director
Rachel Coe	Information Services Director
Kim Smith	Oregon Zoo Director
Robin McArthur	Planning and Development Director
Michael Hogle	Research Center Director
Paul Slyman	Parks and Environmental Services Director
James Desmond	Sustainability Center Director
Teri Dresler	General Manager of Visitor Venues
Jeff Blosser	Oregon Convention Center Director
Chris Bailey	Portland Exposition Center Director
Robyn Williams	Portland Center for the Performing Arts Director

Registered Agent

Daniel B. Cooper
600 NE Grand Ave.
Portland, OR 97232-2736

Organizational Structure

as of June 30, 2011



METRO ELECTED OFFICIALS

Council President, Tom Hughes; District 1– Shirley Craddick; District 2– Carlotta Collette ; District 3– Carl Hosticka; District 4– Kathryn Harrington; District 5– Rex Burkholder; District 6– Barbara Roberts.

Metro Auditor– Suzanne Flynn

OPERATING DEPARTMENTS

Parks and Environmental Services: Manages Metro’s parks and natural areas including cemeteries and marine facilities; solid waste facilities including transfer station operations and household hazardous waste facilities; and regional headquarters.

Planning and Development: Provides land use and regional transportation planning, facilitating the creation of great places in centers and corridors throughout the region.

Research Center: Supports public policy and regulatory compliance through accurate and reliable data, forecasting, mapping and technical services.

Sustainability Center: Demonstrates and inspires sustainable stewardship of natural resources through acquisition and protection and access to nature; product stewardship and waste reduction initiatives and youth and adult conservation education.

Visitor Venues: Maintains world-class gathering and entertainment spaces for residents and visitors. Hosts 1500 annual event for 1.7 million people, contributing significant economic impact and jobs for the region.

ADMINISTRATIVE AND SUPPORT SERVICES

Council Office and Chief Operating Officer: : The Metro Council provides leadership from a regional perspective, setting overall policy direction and legislative oversight. The Chief Operating Officer, appointed by the President with the consent of Council, is responsible for day-to-day management of the organization.

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

Communications: Advances Metro’s policy initiatives and supports programs through internal and external communication, media relations, marketing, graphic and web design and public engagement.

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

Human Resources: Manages labor relations, benefits and compensation, and recruitment, retention and staff development.

Information Services: Supplies technology-based leadership and solutions.

Office of the Auditor: An independently elected auditor ensures that Metro is accountable to the public; that its activities are transparent; and that its services are of high quality, efficient and effective.



Suzanne Flynn
Metro Auditor

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

December 2, 2011

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, 2011. 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, 2011 are included in the last section of this report, Audit Comments and Disclosures Required by State and Federal Regulations.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read 'Suzanne Flynn'.

Suzanne Flynn
Metro Auditor



REPORT OF INDEPENDENT AUDITOR

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, 2011, 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 100% of the assets, net assets, and revenues of the discretely presented component unit of Metro. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oregon Zoo Foundation, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of The Oregon Zoo Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Metro, as of June 30, 2011, 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.

MOSS ADAMS LLP

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011 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, the schedule of revenues, expenditures and changes in fund balance – budget and actual, and the schedule of funding progress for other post employment benefits on pages 17 through 32, and 79 through 81 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 17 through 32, and page 81 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 79 and 80 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 on pages 1 through 12, other supplementary information on pages 83 through 110, other financial schedules on pages 111 through 118, and statistical section on pages 119 through 158 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information 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 section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. Additionally, the accompanying schedule of expenditures of federal awards on pages 167 through 170 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.



For Moss Adams LLP
Eugene, Oregon
December 2, 2011

METRO

Management's Discussion and Analysis

For the year ended June 30, 2011

As management of Metro, Oregon, we provide readers of Metro's financial statements this narrative overview and analysis of the financial activities of Metro for the year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1-9 of this report. This information is based upon currently known facts, decisions or conditions.

FINANCIAL HIGHLIGHTS

- During fiscal year 2011, Metro acquired ownership of approximately 373 acres and additional easements from willing sellers 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 \$14,288,593 and is reflected in governmental activities capital assets. This amount included the acquisition of 181 acres in the Willamette Narrows and Canemah Bluffs Natural Area.
- The Construction Excise Tax (CET) collected \$1,440,755 during the fiscal year ended June 30, 2011. The cumulative total of CET revenues raised since inception is \$8,892,212 at the end of fiscal year 2011. Of the amount collected in fiscal year 2011, \$571,408 was provided by agreement to other local governments for specified planning activities. Metro has paid out \$5,114,260 to local governments for planning activities since the inception of the program.
- Metro's total debt outstanding decreased \$16,341,588 or 7.1 percent during the current fiscal year. The key factor in this decrease was the scheduled payments of principal maturities on outstanding bonds. Metro also issued \$15,000,000 in 2010 Series Oregon Zoo General Obligation Bonds in a private placement.
- Metro's net assets total \$501,372,311 at June 30, 2011, which reflects an increase of 3.2 percent or \$15,380,961 over the prior year. Governmental activities' net assets increased by \$14,156,954, while business-type activities' net assets increased \$1,224,007 as explained later in this analysis.
- The General Fund reflected a decrease of \$2,100,421 in fund balance from its operations, to a total of \$45,014,428 at June 30, 2011. Beginning fund balance was increased by \$659,362 for the cumulative effect of a change in accounting principle arising from the implementation of *Governmental Accounting Standards Board (GASB) Statement No. 62* which now requires reporting of Transit-Oriented Development (TOD) long-term loans receivable without discount.
- With the implementation in the current year of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, the General Fund's fund balance now reflects the following classifications: Nonspendable resulting from prepaid expenditures of \$800,367, Restricted for TOD purposes, \$13,412,488, Committed for CET purposes of \$3,661,469, and Unassigned fund balance totaling \$27,140,104 at June 30, 2011. Unassigned fund balance in the General Fund represents 40.9 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.

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 natural areas, 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 2011 these activities consisted of the operation of the solid waste system and Metropolitan Exposition-Recreation Commission (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.

The government-wide financial statements can be found on pages 33-37 of this report.

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 better understand 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 to facilitate comparison.

Metro maintains nine individual governmental funds, four of which are presented by Metro as "major funds:" General, General Obligation Bond Debt Service, Zoo Infrastructure and Animal Welfare, and Natural Areas funds. 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 non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Metro adopts an annual appropriated budget for all funds. Budgetary comparison schedules for all appropriated funds are provided following the notes to the financial statements to demonstrate compliance with the adopted budget. 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 39-44 of this report.

- **Proprietary funds** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, including cash flows. Metro includes 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, both of which are considered major funds.

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 which is considered a major fund. 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.

The proprietary fund financial statements can be found on pages 45-50 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 51-76 of this report.

Required Supplementary Information (RSI). In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Metro's General Fund budget-to-actual results and its progress in funding its other post-employment healthcare benefit obligations. RSI can be found on pages 77-82.

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 \$501,372,311 at June 30, 2011, reflecting an increase of 3.2 percent or \$15,380,961 over the prior year. The following table reflects the condensed Government-wide Statement of Net Assets.

Metro's Net Assets						
	Governmental Activities		Business-type Activities		Total - Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 149,423,874	168,976,893	77,196,001	74,313,632	226,619,875	243,290,525
Capital assets	331,424,611	312,652,751	201,652,197	205,434,687	533,076,808	518,087,438
Total assets	480,848,485	481,629,644	278,848,198	292,676,766	759,696,683	761,377,963
Long-term debt outstanding	201,363,251	217,116,174	11,722,499	12,311,164	213,085,750	229,427,338
Other liabilities	16,476,468	15,661,658	28,762,154	30,297,617	45,238,622	45,959,275
Total liabilities	217,839,719	232,777,832	40,484,653	42,608,781	258,324,372	275,386,613
Net assets						
Invested in capital assets, net of related debt	219,717,752	161,033,641	189,929,698	193,123,523	399,322,450	339,047,164
Restricted	47,802,264	47,868,259	1,591,637	2,652,250	49,393,901	50,520,509
Unrestricted	(4,511,250)	39,949,912	46,842,210	41,363,765	52,655,960	96,423,677
Total net assets	\$ 263,008,766	248,851,812	238,363,545	237,139,538	501,372,311	485,991,350

Metro's governmental activities account for the most significant portion of total net assets – totaling \$263,008,766 (52.5 percent), whereas business-type activities account for \$238,363,545 (47.5 percent).

Of Metro's total net assets, 79.6 percent of the total reflects its investment in capital assets, net of related debt, up from 69.8 percent of net assets in the prior year. Metro uses these capital assets to provide services to its citizens, 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, \$189,929,698, 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, \$399,322,450, 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 and natural areas 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 \$18,771,860 associated primarily with Natural Areas acquisitions and construction of capital assets at the Oregon Zoo, a decrease in capital related long-term debt outstanding of \$15,752,923 from principal payments on debt primarily associated with Natural Areas

acquisitions, and a reduction of \$23,917,514 for debt attributed to capital that is related to the local share component of the Natural Areas bonds. 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 due to payment of principal.

In addition, 10.2 percent of net assets are subject to external restrictions for specific purposes, including TOD, Smith and Bybee Lakes management plan, capital projects, community rehabilitation and enhancement, cemetery perpetual care, and debt service. This represents a decrease in restricted net assets of \$1,126,608 (2.2 percent) from the amount at June 30, 2010.

The remaining \$52,655,960 is unrestricted, with \$46,842,210 of this amount attributable to Metro's business-type activities which cannot be used to make up for the decrease reported in governmental activities. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. Unrestricted net assets decreased \$44,461,162 in governmental activities due primarily to the restricting of net assets related to TOD totaling \$13,412,488, Smith and Bybee Lakes totaling \$3,865,963 and a change in the allocation of long-term bonds payable associated with the local share component of the Natural Areas program noted earlier. Unrestricted net assets for governmental activities stood at a deficit of \$4,511,250 at June 30, 2011. This deficit is due primarily to the bonds payable associated with the OCC being accounted for in governmental activities while the associated capital assets are reflected in the business-type activities as noted in the preceding paragraph. Unrestricted net assets in business-type activities increased \$5,478,445 (13.2 percent).

Changes in net assets. As noted earlier, Metro's total net assets increased 3.2 percent over the prior year. Governmental activities' net assets increased by \$13,497,592 (before the cumulative effect of the change in accounting principle for TOD loans) while business-type activities' net assets increased \$1,224,007. The components of the change in net assets are reflected in the condensed information from Metro's Statement of Activities presented in the table below.

The cumulative effect of the change in accounting principle in governmental activities reflects the implementation of *GASB Statement No. 62* which does not permit discounting of TOD program long-term loans receivable as Metro sets the market for these loans. The reported amount of the loans, as well as net assets, was increased by the amount of the previously recorded discount of \$659,362 and the effect on the reported change in net assets for fiscal year 2010 in the table below is an increase of \$38,931.

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2011

Changes in Metro's Net Assets

	Governmental Activities		Business-type Activities		Total - Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ 25,620,809	24,258,779	82,379,974	80,554,854	108,000,783	104,813,633
Operating grants and contributions	10,973,394	14,446,031	1,144,867	1,378,076	12,118,261	15,824,107
Capital grants and contributions	1,866,808	2,725,497	584,808	2,000,000	2,451,616	4,725,497
General revenues						
Property taxes	49,624,399	51,668,586	-	-	49,624,399	51,668,586
Excise taxes	15,507,208	14,373,427	-	-	15,507,208	14,373,427
Local government shared revenues	468,776	509,323	11,558,961	9,941,144	12,027,737	10,450,467
Other	912,546	1,658,426	412,229	537,995	1,324,775	2,196,421
Total revenues	104,973,940	109,640,069	96,080,839	94,412,069	201,054,779	204,052,138
Expenses:						
General government operations	14,456,222	12,779,417	-	-	14,456,222	12,779,417
Regional planning and development	14,816,800	14,978,447	-	-	14,816,800	14,978,447
Culture and recreation	20,351,578	17,316,051	-	-	20,351,578	17,316,051
Zoo	27,400,337	28,311,531	-	-	27,400,337	28,311,531
Interest on long-term debt	9,538,172	10,888,841	-	-	9,538,172	10,888,841
Solid Waste	-	-	51,721,806	64,228,318	51,721,806	64,228,318
MERC	-	-	48,048,265	46,229,249	48,048,265	46,229,249
Total expenses	86,563,109	84,274,287	99,770,071	110,457,567	186,333,180	194,731,854
Increase (decrease) in net assets before transfers	18,410,831	25,365,782	(3,689,232)	(16,045,498)	14,721,599	9,320,284
Transfers	(4,913,239)	553,757	4,913,239	(553,757)	-	-
Increase (decrease) in net assets	13,497,592	25,919,539	1,224,007	(16,599,255)	14,721,599	9,320,284
Net Assets, July 1	248,851,812	222,932,273	237,139,538	253,738,793	485,991,350	476,671,066
Cumulative change in accounting principle	659,362	-	-	-	659,362	-
Net Assets, June 30	\$ 263,008,766	248,851,812	238,363,545	237,139,538	501,372,311	485,991,350

Program revenues generated directly from Metro's operations decreased \$2,792,577 or 2.2 percent from the prior year, while the share of total revenues derived from these sources decreased from the prior year, from 61.4 percent to 61.0 percent. The decrease in program revenues is attributable primarily to a decline in grant revenues as discussed in more detail later in this analysis. A significant portion, 53.7 percent, of Metro's revenues come from, or is based upon, its charges for services. Charges for services revenues include charges to customers for use of Metro facilities and services, such as admission fees and solid waste fees. Charges for services revenues increased 3.0 percent or \$3,187,150 over the prior year. Operating grants and contributions decreased from the prior year by \$3,705,846 or 23.4 percent, primarily in regional planning and related to project work as described further in the analysis of governmental activities. Capital grants and contributions revenue dropped \$2,273,881 overall, down 48.1 percent, primarily a reflection of the one-time \$2,000,000 contribution provided in the prior year to MERC by its concessions contractor to be used for acquisition of concession-related equipment.

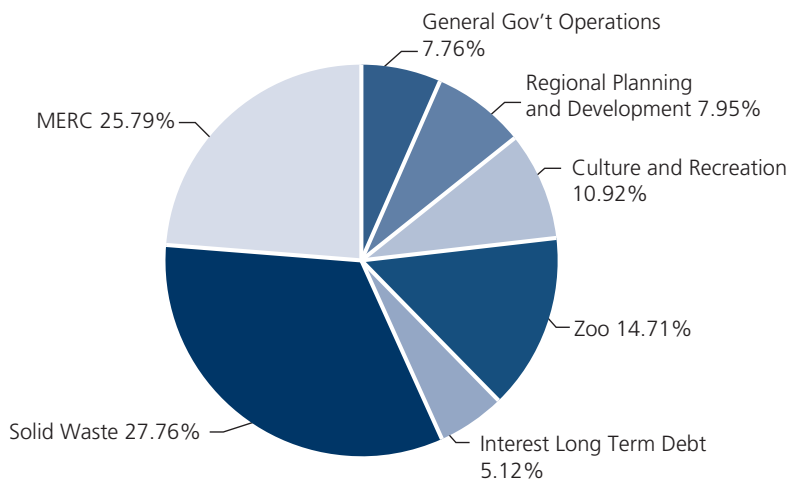
METRO

Management’s Discussion and Analysis, *continued*

For the year ended June 30, 2011

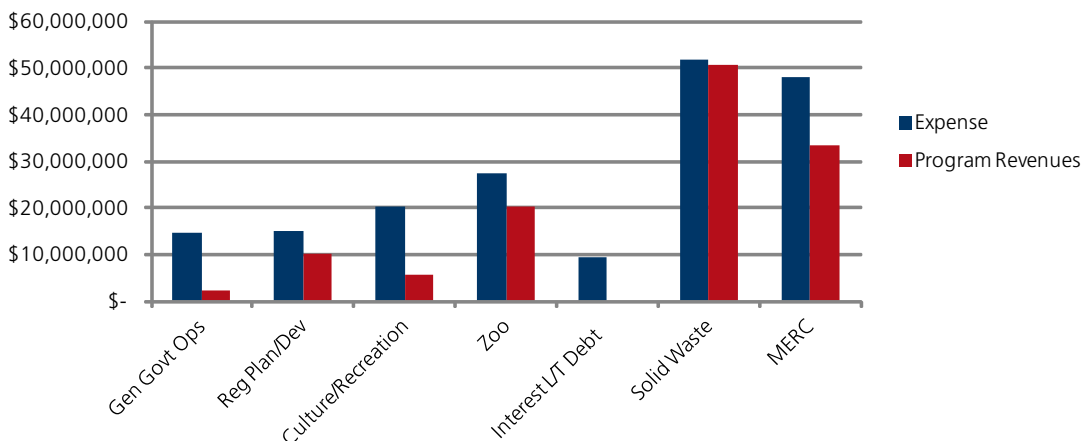
Program expenses for Metro as a whole declined \$8,398,674 or 4.3 percent from the prior year. Adjusting for the prior year’s recognition for the change in estimate for landfill post-closure costs payable of \$13,634,086, however, reflects an overall increase in Metro’s program expenses of \$5,235,412 or 2.9 percent over the prior year. Included in this increase is an expense in fiscal year 2011 of \$2,171,520 in the culture and recreation program for a reduction in Metro capital assets (Springwater and Peninsula Crossing trails) that are owned by other governments. The total cost, net of the above two amounts, of all programs and services increased 1.7 percent or \$3,063,892. Interest on long-term debt decreased by \$1,350,669 or 12.4 percent from the prior year and totaled \$9,538,172 or 5.1 percent of total costs, down from 5.7 percent in the prior year as a result of scheduled principal payments on bonded debt. The chart below provides a graphical view of the distribution of costs to Metro’s programs.

Metro Function/Program Expenses, Fiscal Year 2011



As reflected in the chart below, 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.

Metro Government-Wide Revenues and Expenses, Fiscal Year 2011



The most significant general revenue, property taxes, accounts for 47.3 percent of all governmental activities revenues, up from 47.1 percent in the prior fiscal year. Property taxes are dedicated to repayment of general obligation bond debt or allocated by the Council in support of governmental activities (\$38,083,463 and \$11,540,936, respectively).

Metro assesses an excise tax on users of its goods and services at a flat rate per ton on solid waste activities (\$10.94, which is up from \$9.83 in the prior year) and as a percentage (7.5 percent) of revenues on all other authorized revenues. Excise tax funds primarily general government and planning functions. The excise tax provided \$14,066,453 in general revenue, up \$1,120,756 or 8.7 percent from the prior year. This increase is reflective of the net impact of the change in the tax rates noted earlier to achieve the yield prescribed in Metro Code and the addition of the *PaintCare* program to the revenue tax base.

Metro collected \$1,440,755 in CET during the fiscal year ended June 30, 2011, essentially flat from the prior year, reflective of the stagnation in the housing sector which blunts any recovery in this revenue source. This tax is imposed on new construction within the region, with limited exceptions, and is intended to provide funds to local governments 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.

Local government shared revenues, primarily lodging taxes received in support of MERC operations, were up \$1,577,270 or 15.1 percent and reflective of returning occupancy and room rates in local hotels.

Investment revenues were down \$873,032 (40.2 percent) due to continued spending of bond proceeds and because the average yield earned on pooled cash investments declined with the market in fiscal year 2011. The average yield for the fiscal year was 0.71 percent compared to 1.15 percent in the prior year.

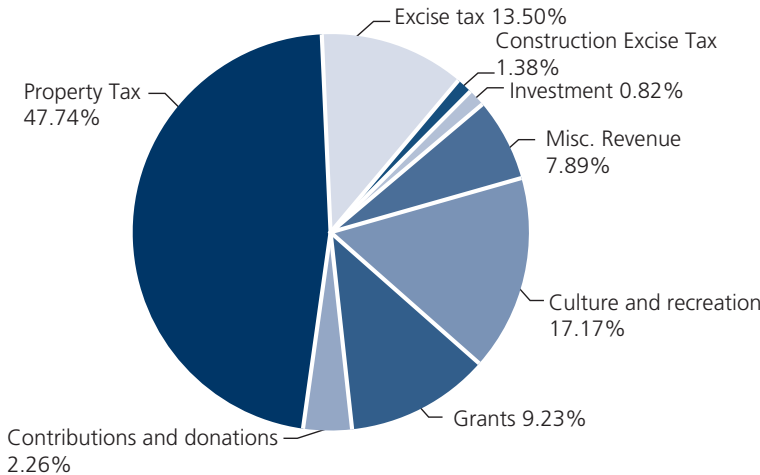
Governmental activities. Governmental activities program revenues were down \$2,969,296 or 7.2 percent and totaled \$38,461,011. Program revenues were up \$1,406,690 in Culture and Recreation programs, while declining in General Government and Regional Planning and Development programs, \$815,433 and \$3,386,423, respectively. Program revenues at the Oregon Zoo were \$174,230 below the prior year.

Charges for services revenues reflected modest increases in all areas. The zoo's revenues in this category were up \$544,038 or 3.1 percent despite some weather-related challenges during the year resulting in a decline in attendance to 1,536,303 visitors. The zoo remains the highest attended fee-based tourist attraction in Oregon. Culture and recreation and general government charges for services revenues were up \$150,178 and \$378,541, respectively, with admission fees to parks and boat ramps down \$87,932 as these facilities suffered from bad weather in both the fall and spring, ending the year with near-flood conditions on the Columbia River. These declines were offset by one-time insurance recoveries of \$159,230 and an increase in general government internal charges for services of \$133,059.

The reduction in grant revenues reflected in the Regional Planning and Development program was due to the majority of the grant funded work on the Final Environmental Impact Statement for the Milwaukie Light Rail project occurring in the prior year – resulting in a \$2,024,924 drop in grant revenues. In addition, oversight work on the *Drive Less Save More* marketing program reverted to Oregon Department of Transportation (ODOT) resulting in a decline of \$1,032,915 in Regional Travel Options grant revenue. Metro did not receive additional TOD funding from Tri-Met by the end of fiscal year 2011, resulting in a similar decrease in revenue of \$1,500,000 from the prior year. These declines were offset to a degree by additional grant revenues for Metro's work on East Metro and Southwest Corridor projects and a Greenhouse Gas Study funded by ODOT, resulting in increases of \$988,253 and \$962,463, respectively.

Metro's general government operations accounted for 7.8 percent or \$14,456,222 of Metro's total program expenses, which was an increase of \$1,676,805 from that reported in the prior year. General government operations rely significantly on general revenues, primarily property taxes, excise taxes and transfers, to offset its net expense of \$12,046,123.

Metro Governmental Activities Sources of Revenue, Fiscal Year 2011



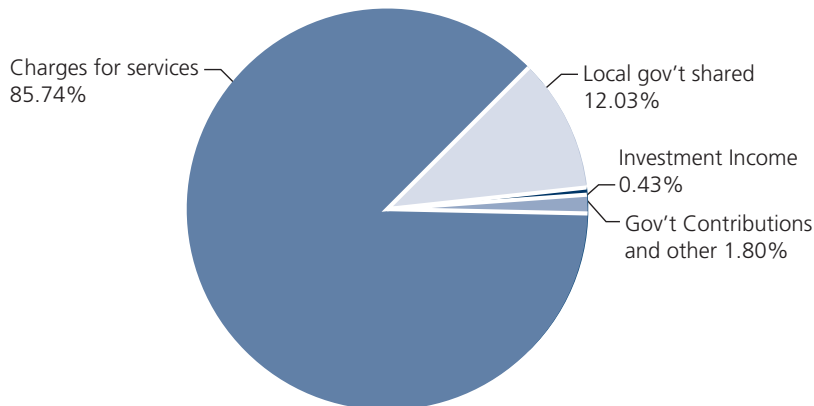
Metro’s regional planning and development activities had total costs of \$14,816,800 for the fiscal year ending June 30, 2011, down \$161,647 or 1.1 percent from the prior year. The level of grants received affects the level of work and expenditures incurred. In addition to the impacts on expenses associated with those grant projects noted earlier, the TOD program made purchases and payments to other governments, which increased \$1,874,295 over the prior year. In addition, this program’s expenses include the write-off of a TOD loan in the amount of \$400,000. The net expense for regional planning and development of \$4,790,540, an increase in net expense of \$3,224,776 from the prior year, is covered by general revenues such as excise taxes and property taxes.

Culture and recreation activities, which include operation of Metro’s regional parks and management of natural areas, accounted for total expenses of \$20,351,578, up \$3,035,527 or 17.5 percent from the prior year. The increase is due, in part, to increased expenses for the local share and capital grant projects funded by the Natural Areas bond program, which totaled \$7,888,442, an increase of \$1,953,623 over the prior year. The Springwater and Peninsula Crossing trail expense noted earlier in this analysis also contributed to the increase. The remaining net expense of Metro’s culture and recreation program, \$14,741,664, 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.

Total expenses for zoo operations totaled \$27,400,337, a decrease of \$911,194 or 3.2 percent from the prior year. The highlight of cost containment was the reduction in electricity and water usage by 5.3 percent and 1.0 percent, respectively. The resulting net expense of \$6,985,599 (a decrease of \$736,864 or 9.5 percent from 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 \$96,080,839, up \$1,668,770 or 1.8 percent. Total expenses, net of the prior year’s post-closure change in estimate noted earlier, increased \$2,946,590 or 3.0 percent to a total of \$99,770,071. These operating activities, as well as a one-time transfer of \$5,225,000 from governmental activities to the Solid Waste enterprise representing funds accumulated for environmental impairment in prior years for associated pollution remediation obligations now reported under *GASB Statement No. 49*, resulted in an increase in net assets of \$1,224,007 for the fiscal year ended June 30, 2011.

Metro Business-Type Activities Sources of Revenue, Fiscal Year 2011



Regional waste tonnage declined 5.6 percent, even more so (6.1 percent) at Metro transfer stations as vertically integrated private facilities directed waste to their own facilities first. Waste streams for construction and demolition have not returned at all; office and business vacancies have reduced commercial waste; and residential “per can” weights, net of recycling, have declined two pounds per week since 2008. The decrease in tonnage was offset by an increase in rates charged (Disposal Fees rose to \$56.45 per ton, compared to \$51.65 per ton in the prior year) resulting in a net increase of \$466,007. The Regional System Fee was reduced to \$16.72 per ton from \$17.53 per ton resulting in an overall decrease of \$1,289,014 from this source. Metro entered into an agreement for recycling paint in a new program titled *PaintCare*. The recycling operations resulting from this agreement provided new revenues of \$1,099,526 in fiscal year 2011.

Solid Waste program expenses were up \$1,127,574, or 2.2 percent, net of the prior year change in post-closure cost estimate. Although tonnage delivered to Metro’s transfer stations decreased from the prior year, facility operations expenses increased \$203,628 due to contract cost of living adjustments and higher costs under two new contracts for transfer station operations in place for the entire fiscal year. Waste transport costs increased by \$576,996, due to higher fuel prices (\$0.70 per gallon) and the increase in weight mile taxes that was effective October 1, 2010, offsetting the 7.5 percent decrease in tonnage delivered. Disposal fees paid to Columbia Ridge Landfill decreased \$1,196,890 resulting from the lower tonnage delivered, while payroll and fringe benefit costs in the Solid Waste program rose \$480,308. The resulting net expense for the Solid Waste activity was \$936,232 for the fiscal 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 totaled \$33,324,075 in fiscal year 2011, up \$339,775 or 1.0 percent from the prior year. Charges for services revenues were up \$1,946,680 or 6.6 percent as OCC experienced stronger than expected convention attendance and spending all year and booked two unanticipated corporate events. Capital Grants and Contributions revenues declined primarily due to the receipt in the prior year of \$2,000,000 provided to MERC by its concessions contractor to be used for acquisition of concession related equipment.

Total expenses for MERC were \$48,048,265, up \$1,819,016 or 3.9 percent. Payroll and fringe benefit costs were up \$490,595 or 3.0 percent from the prior year. The largest increase was reflected in food and beverage expense, up \$742,430 or 7.2 percent. In addition, contributions to other governments consisting of capital assets additions at PCPA that became the property of the City of Portland under terms of an intergovernmental agreement were up \$657,199 over the prior year. The resulting net expense of MERC operations was \$14,724,190 for the fiscal year ended June 30, 2011, compared to \$13,244,949 in the prior year. General revenues used to support this net expense include local government shared revenues (transient lodging taxes) of \$11,558,961.

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 \$112,284,553. This is down considerably from the prior year, due mainly to natural area property purchases and local share and capital grants reflected in the Natural Areas Capital Project Fund, described later.

The General Fund expended \$12,432,590 for general government operations. These operational expenditures included the general government share of costs for the Council Office, Metro Auditor, Office of Metro Attorney, Communications, Human Resources, Finance and Regulatory Services, and Information Services. The General Fund also expended \$1,625,000 for principal payments and \$1,814,087 for the related interest on long-term debt associated with the Metro Regional Center office building and \$547,408 in CET funding provided to local governments noted earlier.

The General Fund expenditures for regional planning and development totaled \$14,797,588 during fiscal year 2011, down \$111,654 or 0.7 percent from the prior year as the work described earlier in this analysis was performed. Culture and recreation expenditures totaled \$9,007,366 during the fiscal year which was \$870,321 higher (10.7 percent) than the prior year, while the zoo's expenditures totaled \$25,030,953, up \$407,815 or 1.7 percent from the prior year. The reasons for these changes mirror those described earlier in the governmental activities portion of this analysis.

In summary, the General Fund reflected a decrease of \$2,100,421 in fund balance from its operations, to a total of \$45,014,428 at June 30, 2011. Metro implemented the provisions of *GASB Statement No. 54* which requires reporting of fund balance within a new classification structure in order to give users information necessary to understand any constraints imposed upon the resources and how these resources may be modified or eliminated. Within the General Fund, *nonspendable* fund balance totaled \$800,367 representing unspendable amounts paid in advance (prepaid), primarily for employee health insurance premiums. *Restricted* fund balance totals \$13,412,488 representing TOD program-related assets held for resale, loans and cash balances restricted for use for that program by intergovernmental agreement with Tri-Met. *Committed* fund balance in the General Fund totals \$3,661,469 and represents amounts the Metro Council has committed from the CET to local governments 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. The remaining fund balance in the General Fund, \$27,140,104 is *unassigned* and represents the amount available for other Metro programs.

Note II.D.10 and Note IV.O provide further information on Metro's fund balance classifications for all governmental funds.

Metro's major governmental funds include the Natural Areas and the Zoo Infrastructure and Animal Welfare capital projects funds. Expenditures for Natural Areas capital outlay and local share and capital grant programs contributed to a \$20,292,919 decrease in fund balance in the Natural Areas Fund. Fund balance totaled \$36,469,224 at June 30, 2011, the majority of which is classified as restricted for these purposes under state law. The Zoo Infrastructure and Animal Welfare Fund accounts for the proceeds of the \$125 million in general obligation bonds approved by the voters in fall 2008. The fund received \$15,000,000 in bond proceeds in fiscal year 2011 while expending \$8,970,310 on

capital projects and ended the year with a fund balance of \$8,876,891. The majority of this amount is restricted for the purposes under which the bonds were issued. Although the capital expenditures in both of these funds reduce fund balance, they create new assets for Metro as reported in the Statement of Net Assets and discussed in the Note IV.D in the financial statements.

The General Obligation Bond Debt Service Fund accounts for debt service requirements. During the fiscal year, property tax revenues used to pay debt service totaled \$38,177,570, down \$2,047,466 from the prior year due to lower assessments required for repayment of the outstanding general obligation bonds. Interest payments on all general obligation bonds totaled \$8,553,504, which was \$1,237,977 lower than the prior year reflecting the decrease in outstanding principal noted above. An additional \$28,768,356 was expended on principal payments, leaving \$14,086,438 in fund balance at fiscal year-end which is restricted by state law for future debt service.

As noted earlier in this analysis, in accordance with *GASB Statement No. 34*, Metro reports certain non-major funds in the Other Governmental Funds column. Total fund balances in these funds increased \$237,217, primarily from donations received for zoo related capital projects. The total fund balance of \$7,837,572 in these funds includes the following:

- Nonspendable corpus of the cemetery perpetual care fund, \$322,246
- Restricted by intergovernmental agreement for Smith and Bybee Lakes Management Plan, \$3,865,963
- Restricted by state law for Open Spaces programs, \$336,148
- Restricted by state law and Metro Code for rehabilitation and enhancement programs, \$1,954,721
- Restricted for zoo capital projects from OZF donations, \$854,813
- Assigned by Metro Council for capital projects, \$479,456
- Assigned by Metro Council for cemetery perpetual care, \$24,225

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 \$58,065,297 at year-end, up 8.0 percent or \$4,283,967. Of this amount in net assets, \$26,111,477 is unrestricted while \$31,953,820 reflects the amount invested in capital assets, net of related debt.

Net assets for MERC totaled \$183,166,961 at June 30, 2011, down \$2,963,191 or 1.6 percent from the prior year, with 86.2 percent of net assets invested in capital assets, net of related debt. Of the remaining net assets, \$1,591,629 is restricted for capital projects and \$23,599,446 is unrestricted, and represents 50.9 percent of annual operating expenses.

The Risk Management Fund, an internal service fund that is incorporated in governmental activities for government-wide reporting, had net assets of \$2,629,579 at June 30, 2011. Total assets were \$3,440,378, primarily in equity in Metro's internal cash and investment pool, which equaled \$3,088,420. Significant liabilities included the actuarially determined accrued self-insurance claims which totaled \$554,010, down \$155,360 from the prior year. Risk Management Fund total net assets decreased \$5,368,660 from the prior year, primarily due to the transfer of \$5,225,000 of environmental impairment related funds to the Solid Waste Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

As noted earlier, Metro's General Fund is used to account for general government operations and the programs of Planning, Parks and Environmental Services, and the Oregon Zoo. Over the course of the fiscal year, the Metro Council revised the budget for the General Fund twice, increasing the total appropriations by 0.3 percent or \$333,210 to bring total requirements to \$104,660,345.

- Ordinance 10-1249 was adopted by the Metro Council on November 18, 2010, increasing appropriations by a total of \$185,863. This amendment extended two limited duration positions to the end of the fiscal year; transferred two positions between departments and fully implemented the closure of the print shop.
- Ordinance 11-1262 was adopted on June 23, 2011, increasing appropriations in the General Fund by \$146,347 to correct several technical items. These items included \$120,000 to provide for building improvements at Metro Regional Center for the Community Café project funded by transfers from MERC which came from a capital contribution by Aramark/Giacometti Joint Partnership.

Local budget law (ORS 294.100 and 294.435(4)) requires local governments to stay within the appropriations set for the fiscal year. There were no expenditures in excess of appropriations in the General Fund for the fiscal year ended June 30, 2011.

The General Fund's zoo operations, recognizing that revenues were down, identified opportunities to cut costs as noted earlier and expended \$2,098,790 less than budgeted. The Planning and Development department expended \$5,204,685 less than budgeted primarily due to the TOD program expending 44.2 percent or \$3,069,411 less than budgeted. The TOD program budget is established to provide full available funds to allow for pursuit of unexpected opportunities. Additional year-end underspending in Planning and Development included \$800,000 due to delayed start-ups in the Corridors program.

The General Fund's fund balance on a budgetary basis dropped \$1,230,541 during the year, ending at \$28,964,227. This differs from the General Fund balance reported in the Governmental Fund statements due to the consolidation of portions of the General Revenue Bond Fund as noted earlier in this analysis, as well as the additional bad debt expense of \$400,000 for the write-off of one TOD loan required for reporting in accordance with governmental generally accepted accounting principles.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Metro's investment in capital assets for its governmental and business type activities amounts to \$533,076,808 (net of accumulated depreciation) as of June 30, 2011. This investment 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 \$14,989,370 or 2.9 percent, net of accumulated depreciation. Metro reflects an increase of \$18,771,860 or 6.0 percent in capital assets attributable to governmental activities and a decrease of \$3,782,490 or 1.8 percent in business-type activity capital assets (additional capital assets, less increases in accumulated depreciation).

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Management's Discussion and Analysis, *continued*

For the year ended June 30, 2011

Metro's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$215,500,133	\$209,278,199	19,329,786	19,329,786	234,829,919	228,607,985
Intangible - easements	3,601,692	1,041,412	-	-	3,601,692	1,041,412
Artwork	472,884	271,595	-	-	472,884	271,595
Buildings and Exhibits	70,643,086	64,625,503	173,167,667	176,665,132	243,810,753	241,290,635
Improvements	12,273,731	14,386,992	1,343,703	1,599,899	13,617,434	15,986,891
Equipment and Vehicles	3,476,136	3,209,227	6,189,532	6,658,670	9,665,668	9,867,897
Intangible - software	464,203	434,146	167,208	230,356	631,411	664,502
Office furniture/equip	481,828	496,071	453,387	203,943	935,215	700,014
Railroad equip/facilities	87,251	6,882	-	-	87,251	6,882
Construction in Progress	24,423,667	18,902,724	1,000,914	746,901	25,424,581	19,649,625
Total	\$331,424,611	312,652,751	201,652,197	205,434,687	533,076,808	518,087,438

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

- Metro acquired ownership of approximately 373 acres and additional easements from willing sellers from the proceeds of the Natural Areas general obligation bonds. The total capitalized cost for the property and easements acquired and stabilized in the current fiscal year under this program was \$14,288,963 and is reflected in governmental activities capital assets. This amount included the acquisition of 181 acres in the Willamette Narrows and Canemah Bluffs Natural Area in June 2011.
- The Oregon Zoo continued work on the Comprehensive Capital Master Plan and received the schematic design report for the Onsite Elephant Habitat, including perimeter service road, train relocation and the first phase of utility infrastructure improvements. Additional progress was made on planning for the polar bear, primate and Conservation Discovery Zone projects. Filtration system piping, chiller and ozone equipment installations were completed for the Penguin Life Support System Upgrade project. The Water Main Building project was completed in fiscal year 2011. The Veterinary Medical Center building continued to take shape with installation of the building's concrete walls, roof and interior floor slabs. Review of internal mechanical and electrical systems and specialized finishes, such as surgery suites and animal caging, was nearing completion. These projects are all funded by bond proceeds with total capitalized costs in fiscal year 2011 of \$8,970,310.

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

Long-term debt. At the end of the current fiscal year, Metro had total bonded debt outstanding of \$213,085,750 net of discounts and deferred amounts on refunding. Of this amount, \$163,799,185 comprises debt backed by property tax assessments and the remainder of \$49,286,565 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.

METRO

Management's Discussion and Analysis, *continued*

For the year ended June 30, 2011

The following table provides a summary of Metro's debt activity. 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	
	2011	2010	2011	2010	2011	2010
Gen. obligation bonds	\$163,799,185	\$178,115,055	-	-	163,799,185	178,115,055
Full Faith & Credit/Revenue	37,564,066	39,001,119	11,722,499	12,311,164	49,286,565	51,312,283
Total	\$201,363,251	217,116,174	11,722,499	12,311,164	213,085,750	229,427,338

Metro's total debt decreased \$16,341,588 or 7.1 percent during the current fiscal year. The key factor in this decrease was the scheduled payments of principal maturities on outstanding bonds.

Metro also issued \$15,000,000 2010 Oregon Zoo General Obligation Bonds on August 5, 2010 as private placement carrying an interest rate of 1.31 percent and maturing in December 2012. These bonds were issued as taxable Build America Bonds (BABs). Metro receives a subsidy payment from the federal government equal to 35.0 percent of the interest payment, resulting in a true interest cost on this issue of 0.8491 percent. Additional issues under the voter authorized Zoo Infrastructure and Animal Welfare bonds will be made as overall project planning and permitting progresses in future years on these zoo projects.

Metro 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 also has \$105,000,000 in remaining voter approved general obligation bond authorization for zoo infrastructure and animal welfare.

Ratings on Metro's individual bonds remained unchanged during the fiscal year. Standard & Poors reconfirmed its AAA rating on Metro bonds by letter in March 2011.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10.0 percent of its total assessed valuation. The current debt limitation for Metro is \$19,693,064,360, 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 IV.K through IV.L in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Metro considered many factors when setting the fiscal year 2012 budget, including the current economic environment. Metro regional job growth remains subdued and uneven across many industry sectors. The Portland regional economy edged up by 1.0 percent year over year in the latest August employment report, but at this stage of a recovery it is surprisingly weak. Emerging first from the recession include the region's high-tech electronics industry, trade and transportation/warehousing, and professional business service sectors. However, employment in the metropolitan region remains well below pre-recession levels. Net job losses from peak to trough during this recession have exceeded 100,000 jobs, with industries tied to the housing market still cutting employment. Unemployment rates in the Portland region topped 11.3 percent in mid-2009 and have retreated slowly as job cuts decelerated and industries began cautiously rehiring again this year. The region's unemployment rate now stands at 8.9 percent (July 2011).

Portland's economy remains "underwater," but economic conditions have shown positive gains since the latter half of 2010. The manufacturing sector has made a turnaround, but will take more than a year or two in order to return to pre-recession employment levels. Problems persist in industries closely tied to the housing market. Home prices continue to deteriorate leaving substantial number of Americans underwater with their mortgages. Home construction lending remains constrained and weak job prospects depress consumer urges to take on new housing debt. Consequently, residential home construction is off over 75.0 percent from before the recession in the Portland region. Regional employment growth continues to be negative in construction, real estate, and wood products industries.

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 and semi-conductor manufacturing. Portland is an attractive option to firms looking to invest on the West Coast but wanting lower costs than Seattle or California. Regional growth is projected to remain tepid through the end of this year and deep into 2013 when employment is projected to return to pre-recession levels. Both employment and population growth in the region are expected to settle back into a pattern of expected growth that will be slightly faster than projected national and statewide growth rates. The region is trying to diversify its high-tech sector and evolve to include sustainable solar technologies, biotechnologies and grow its advance manufacturing industries. Other important industry clusters include activewear and outdoor gear, and software engineering.

In recognition of this economic environment, the Metro fiscal year 2012 budget sets Metro on a five year path to preserve its financial sustainability, to provide the highest public service, to deliver on the promises made to voters and to invest in the region's future. By law, Metro must present a balanced budget and when accounting for all resources and requirements the budget totals \$385,135,735, down 10.9 percent from fiscal year 2011.

The delays in federal reauthorizations of transportation funds have significantly reduced federal planning grants and complicated project planning. Some corridor work may therefore proceed at a slower pace to match when revenue becomes available and work will proceed on the special grant funded Greenhouse Gas and Corridors Alternatives Analysis.

Solid Waste rates will be \$89.53 per ton, an increase of \$3.68 over rates in effect for fiscal year 2011. Tonnage estimates, contract escalators and concerns about increasing fuel prices are the primary factors in the rate increase.

Transient lodging taxes receipts have begun to recover from the economic slump of the past two years and are expected to be 5.0 percent higher in the coming year. Tied to CPI which remains low, the excise tax yield for fiscal year 2012 increases very modestly at 1.6 percent. Because the tonnage period includes significant declines of the past two years, the rate increases \$0.86 per ton. Excise tax on other Metro facilities and services remains at 7.5 percent. Property taxes are levied for both operations and debt service. The operating levy has a permanent rate of .0966. The levy for general obligation debt will decrease from \$39 million to \$28 million, based upon debt schedules and cash flow requirements.

Metro's financial policies are the backbone of Metro's financial accountability and transparency. By operating within this framework Metro has demonstrated that it is an admirable steward of the public's financial and physical assets, that it delivers on the promises made to the voters, and that it weighs the risks and benefits of its decisions carefully. This thoughtful and focused approach has enabled Metro to continue to move itself and the region forward, in spite of the economic climate.

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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Oregon Zoo Foundation
ASSETS				
Equity in internal cash and investment pool	\$ 36,361,006	65,350,552	101,711,558	2,902,337
Investments	-	-	-	8,404,646
Receivables (net of allowance for uncollectibles):				
Property taxes	583,240	-	583,240	-
Trade	341,605	6,771,431	7,113,036	153,412
Other	2,080,049	5,457,609	7,537,658	190,624
Interest	133,920	171,931	305,851	-
Grants	3,544,772	-	3,544,772	-
Internal balances	2,868,713	(2,868,713)	-	-
Inventories	67,170	236,059	303,229	-
Prepaid items	800,367	410,515	1,210,882	-
Net pension asset	17,928,459	-	17,928,459	-
Other assets	107,500	74,979	182,479	50,639
Restricted assets:				
Equity in internal cash and investment pool	30,595,008	1,591,638	32,186,646	-
Investments	41,857,259	-	41,857,259	-
Receivables (net of allowance for uncollectibles):				
Property taxes	1,941,547	-	1,941,547	-
Other	300,250	-	300,250	-
Interest	195,700	-	195,700	-
Assets held for resale	8,789,267	-	8,789,267	-
Prepaid items	8,042	-	8,042	-
Loans receivable	920,000	-	920,000	-
Capital assets:				
Land, intangibles, artwork and construction in progress	243,998,376	20,330,700	264,329,076	-
Other capital assets (net of accumulated depreciation)	87,426,235	181,321,497	268,747,732	41,564
Total assets	\$ 480,848,485	278,848,198	759,696,683	11,743,222
LIABILITIES				
Accounts payable	\$ 6,816,561	5,277,759	12,094,320	410,757
Salaries, withholdings and payroll taxes payable	2,054,349	1,031,769	3,086,118	2,268
Contracts payable	383,375	-	383,375	966,359
Accrued interest payable	1,954,884	43,829	1,998,713	-
Accrued self-insurance claims	554,010	-	554,010	-
Unearned revenue	1,614,325	2,402,134	4,016,459	2,107,835

(Continued)

METRO

Statement of Net Assets, *continued*
June 30, 2011

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Oregon Zoo Foundation
LIABILITIES, Continued				
Deposits payable	\$ 80,295	1,329,563	1,409,858	44,663
Other liabilities	10,055	842,408	852,463	-
Payable from restricted assets:				
Contracts payable	-	-	-	76,433
Non-current liabilities:				
Due within one year:				
Bonds payable	24,980,000	650,000	25,630,000	-
Post-closure costs payable	-	718,106	718,106	-
Compensated absences	2,206,169	1,067,319	3,273,488	-
Due in more than one year:				
Bonds payable (net of unamortized premium or discount and deferred amount on refunding)	176,383,251	11,072,499	187,455,750	-
Net other postemployment benefits obligation	727,911	637,840	1,365,751	-
Post-closure costs payable	-	13,571,552	13,571,552	-
Pollution remediation obligation	-	1,839,875	1,839,875	-
Compensated absences	74,534	-	74,534	-
Total liabilities	\$ 217,839,719	40,484,653	258,324,372	3,608,315
NET ASSETS				
Invested in capital assets, net of related debt (1)	219,717,752	189,929,698	399,322,450	41,564
Restricted for:				
Transit oriented development projects	13,412,488	-	13,412,488	-
Smith and Bybee Lakes management plan	3,865,963	-	3,865,963	-
Rehabilitation and enhancement	1,954,721	-	1,954,721	-
Debt service	14,401,985	8	14,401,993	-
Capital projects	13,820,636	1,591,629	15,412,265	-
Perpetual care-non-expendable	346,471	-	346,471	-
Zoo purposes:				
Expendable	-	-	-	952,421
Non-expendable	-	-	-	50,000
Unrestricted (1)	(4,511,250)	46,842,210	52,655,960	7,090,922
Total net assets	\$ 263,008,766	238,363,545	501,372,311	8,134,907

(1) See Note II D 10 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, 2011

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental activities:				
General government operations	\$ 14,456,222	2,120,491	278,991	10,617
Regional planning and development	14,816,800	1,364,601	8,661,659	-
Culture and recreation	20,351,578	3,985,483	497,815	1,126,616
Zoo	27,400,337	18,150,234	1,534,929	729,575
Interest on long-term debt	9,538,172	-	-	-
Total governmental activities	86,563,109	25,620,809	10,973,394	1,866,808
Business-type activities:				
Solid Waste	51,721,806	50,782,440	3,134	-
MERC	48,048,265	31,597,534	1,141,733	584,808
Total business-type activities	99,770,071	82,379,974	1,144,867	584,808
Total primary government	\$ 186,333,180	108,000,783	12,118,261	2,451,616
Component Unit:				
Oregon Zoo Foundation	\$ 4,967,566	4,589,147	1,251,980	-

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, 2010, as previously stated

Cumulative change in accounting principle

Net assets - July 1, 2010, as restated

Net assets-June 30, 2011

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
(12,046,123)	-	(12,046,123)	
(4,790,540)	-	(4,790,540)	
(14,741,664)	-	(14,741,664)	
(6,985,599)	-	(6,985,599)	
(9,538,172)	-	(9,538,172)	
<u>(48,102,098)</u>	<u>-</u>	<u>(48,102,098)</u>	
-	(936,232)	(936,232)	
-	(14,724,190)	(14,724,190)	
<u>-</u>	<u>(15,660,422)</u>	<u>(15,660,422)</u>	
<u>(48,102,098)</u>	<u>(15,660,422)</u>	<u>(63,762,520)</u>	
			<u>873,561</u>
\$ 49,624,399	-	49,624,399	-
14,066,453	-	14,066,453	-
1,440,755	-	1,440,755	-
27,056	-	27,056	-
468,776	11,558,961	12,027,737	-
885,490	412,229	1,297,719	688,866
(4,913,239)	4,913,239	-	-
<u>61,599,690</u>	<u>16,884,429</u>	<u>78,484,119</u>	<u>688,866</u>
<u>13,497,592</u>	<u>1,224,007</u>	<u>14,721,599</u>	<u>1,562,427</u>
248,851,812	237,139,538	485,991,350	6,572,480
659,362	-	659,362	-
<u>249,511,174</u>	<u>237,139,538</u>	<u>486,650,712</u>	<u>6,572,480</u>
<u>\$ 263,008,766</u>	<u>238,363,545</u>	<u>501,372,311</u>	<u>8,134,907</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 Communications, Council Office, Finance and Regulatory Services, Human Resources, Information Services, Metro Auditor, Office of Metro Attorney, Oregon Zoo, Parks and Environmental Services (parks, marine facilities, pioneer cemeteries, and golf course components), Planning and Development (land use, urban growth management, and environmental and transportation planning), Research Center, Sustainability Center, and special and non-departmental appropriations. The principal resources of the fund are charges for services, grants, property taxes, construction excise tax, 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 principal 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 grants, 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, 2011

	General	Debt Service
ASSETS		
Equity in internal cash and investment pool	\$ 36,411,896	13,757,549
Investments	-	-
Receivables:		
Property taxes	583,240	1,941,547
Trade	341,605	-
Other	1,738,615	-
Interest	121,790	71,059
Grants	3,544,772	-
Inventories	67,170	-
Assets held for resale	8,789,267	-
Prepaid items	800,367	-
Loans receivable	920,000	-
Other assets	107,500	-
Restricted assets:		
Equity in internal cash and investment pool	28	-
Total assets	\$ 53,426,250	15,770,155
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 4,735,986	-
Salaries, withholdings and payroll taxes payable	1,955,308	-
Contracts payable	-	-
Deferred revenue	515,883	1,683,717
Unearned revenue	1,114,325	-
Deposits payable	80,295	-
Other liabilities	10,025	-
Total liabilities	8,411,822	1,683,717
Fund balances:		
Nonspendable	800,367	-
Restricted	13,412,488	14,086,438
Committed	3,661,469	-
Assigned	-	-
Unassigned	27,140,104	-
Total fund balances	45,014,428	14,086,438
Total liabilities and fund balances	\$ 53,426,250	15,770,155
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).		
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
3,410,710	2,348,507	7,938,904	63,867,566
7,144,992	34,712,267	-	41,857,259
-	-	-	2,524,787
-	-	-	341,605
-	300,000	250	2,038,865
13,784	85,896	26,567	319,096
-	-	-	3,544,772
-	-	-	67,170
-	-	-	8,789,267
1,186	6,856	-	808,409
-	-	-	920,000
-	-	-	107,500
-	-	-	28
10,570,672	37,453,526	7,965,721	125,186,324
1,389,639	374,275	70,593	6,570,493
31,572	56,778	-	2,043,658
272,570	53,249	57,556	383,375
-	-	-	2,199,600
-	500,000	-	1,614,325
-	-	-	80,295
-	-	-	10,025
1,693,781	984,302	128,149	12,901,771
1,186	6,856	322,246	1,130,655
8,875,705	36,462,368	7,011,645	79,848,644
-	-	-	3,661,469
-	-	503,681	503,681
-	-	-	27,140,104
8,876,891	36,469,224	7,837,572	112,284,553
10,570,672	37,453,526	7,965,721	
			331,424,611
			17,928,459
			2,199,600
			5,498,292
			(206,326,749)
			\$ 263,008,766

METRO

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the year ended June 30, 2011

	General	Debt Service
REVENUES		
Property taxes	\$ 11,569,455	38,177,570
Excise taxes	14,068,190	-
Construction excise tax	1,440,755	-
Cemetery revenue surcharge	-	-
Local government shared revenues	468,776	-
Investment income	282,580	132,893
Government fees	301,329	-
Culture and recreation fees	17,889,858	-
Other fees	3,309,488	-
Internal charges for services	2,797,314	-
Licenses and permits	379,485	-
Miscellaneous revenue	910,880	-
Grants	9,465,745	-
Government contributions	9,128	56,377
Contributions and donations	1,291,007	-
Capital grants	10,617	-
Capital contributions and donations	-	-
Total revenues	64,194,607	38,366,840
EXPENDITURES		
Current:		
General government operations	12,432,590	-
Regional planning and development	14,797,588	-
Culture and recreation	9,007,366	-
Zoo	25,030,953	-
Debt service:		
Principal	1,625,000	28,768,356
Interest	1,814,087	8,553,504
Capital outlay	1,660,063	-
Total expenditures	66,367,647	37,321,860
Revenues over (under) expenditures	(2,173,040)	1,044,980
OTHER FINANCING SOURCES (USES)		
Bond principal	-	-
Sale of capital assets	3,716	-
Transfers in	732,390	-
Transfers out	(663,487)	-
Total other financing sources (uses)	72,619	-
Net change in fund balances	(2,100,421)	1,044,980
Fund balances - July 1, 2010, as previously stated	46,455,487	13,041,458
Cumulative change in accounting principle	659,362	-
Fund balances - July 1, 2010, as restated	47,114,849	13,041,458
Fund balances - June 30, 2011	\$ 45,014,428	14,086,438

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
-	-	-	49,747,025
-	-	-	14,068,190
-	-	-	1,440,755
-	-	26,861	26,861
-	-	-	468,776
56,583	322,830	58,367	853,253
-	-	-	301,329
-	250	-	17,890,108
-	-	-	3,309,488
-	-	-	2,797,314
-	-	-	379,485
-	1,134	31,070	943,084
-	146,095	-	9,611,840
-	-	-	65,505
-	5,000	43	1,296,050
-	-	-	10,617
-	261,530	729,575	991,105
56,583	736,839	845,916	104,200,785
-	-	-	12,432,590
-	-	-	14,797,588
-	7,888,442	519,495	17,415,303
-	-	-	25,030,953
-	-	-	30,393,356
-	-	-	10,367,591
8,970,310	13,141,316	459,692	24,231,381
8,970,310	21,029,758	979,187	134,668,762
(8,913,727)	(20,292,919)	(133,271)	(30,467,977)
15,000,000	-	-	15,000,000
-	-	75,000	78,716
-	-	295,488	1,027,878
(16,336)	(30,464)	-	(710,287)
14,983,664	(30,464)	370,488	15,396,307
6,069,937	(20,323,383)	237,217	(15,071,670)
2,806,954	56,792,607	7,600,355	126,696,861
-	-	-	659,362
2,806,954	56,792,607	7,600,355	127,356,223
8,876,891	36,469,224	7,837,572	112,284,553

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, 2011

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

Net change in fund balances-total governmental funds	\$	(15,071,670)
<p>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.</p>		
Expenditures for capital assets	\$ 26,243,714	
Less current year depreciation	<u>(4,822,169)</u>	21,421,545
<p>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.</p>		
		(2,649,685)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred property taxes	(122,625)	
Change in other deferred revenue	<u>148,457</u>	25,832
<p>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.</p>		
		(5,271,891)
<p>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.</p>		
Bonds issued	(15,000,000)	
Principal payments on bonds	<u>30,393,356</u>	15,393,356
<p>Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.</p>		
Other postemployment benefits	(141,918)	
Compensated absences	22,415	
Amortization of deferred amounts on refunding	359,567	
Amortization of net pension asset	(1,059,810)	
Accrued interest on long-term debt	<u>469,851</u>	<u>(349,895)</u>
Change in net assets of governmental activities	\$	<u><u>13,497,592</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, 2011

	<u>Business-type Activities- Enterprise Funds</u>			<u>Governmental Activities- Internal Service Fund</u>
	<u>Solid Waste</u>	<u>MERC</u>	<u>Total</u>	<u>Risk Management</u>
ASSETS				
Current assets:				
Equity in internal cash and investment pool	\$ 41,390,971	23,959,581	65,350,552	3,088,420
Receivables:				
Trade	3,789,823	2,981,608	6,771,431	-
Other	1,252,463	4,205,146	5,457,609	341,434
Interest	136,084	35,847	171,931	10,524
Inventories	236,059	-	236,059	-
Prepaid items	-	410,515	410,515	-
Other assets	25,658	49,321	74,979	-
Total current assets	46,831,058	31,642,018	78,473,076	3,440,378
Noncurrent assets:				
Restricted equity in internal cash and investment pool	-	1,591,638	1,591,638	-
Capital assets, net	31,953,820	169,698,377	201,652,197	-
Total noncurrent assets	31,953,820	171,290,015	203,243,835	-
Total assets	78,784,878	202,932,033	281,716,911	3,440,378
LIABILITIES				
Current liabilities:				
Accounts payable	3,654,225	1,623,534	5,277,759	246,068
Salaries, withholdings and payroll taxes payable	355,187	676,582	1,031,769	10,691
Accrued interest payable	-	43,829	43,829	-
Accrued self-insurance claims	-	-	-	554,010
Unearned revenue	-	2,402,134	2,402,134	-
Deposits payable	-	1,329,563	1,329,563	-
Other liabilities	-	842,408	842,408	30
Bonds payable-current	-	650,000	650,000	-
Post-closure costs payable-current	718,106	-	718,106	-
Compensated absences-current	433,691	633,628	1,067,319	-
Total current liabilities	5,161,209	8,201,678	13,362,887	810,799

(Continued)

METRO
Statement of Net Assets
Proprietary Funds, *continued*
June 30, 2011

	<u>Business-type Activities- Enterprise Funds</u>		<u>Total</u>	<u>Governmental Activities- Internal Service Fund</u>
	<u>Solid Waste</u>	<u>MERC</u>		<u>Risk Management</u>
LIABILITIES, <i>Continued</i>				
Noncurrent liabilities:				
Bonds payable (net of unamortized discount and deferred amount on refunding)	\$ -	11,072,499	11,072,499	-
Net other postemployment benefits obligation	224,945	412,895	637,840	-
Post-closure costs payable	13,571,552	-	13,571,552	-
Pollution remediation obligation	1,761,875	78,000	1,839,875	-
Total non-current liabilities	15,558,372	11,563,394	27,121,766	-
Total liabilities	20,719,581	19,765,072	40,484,653	810,799
NET ASSETS				
Invested in capital assets, net of related debt	31,953,820	157,975,878	189,929,698	-
Restricted for:				
Debt service	-	8	8	-
Capital projects	-	1,591,629	1,591,629	-
Unrestricted	26,111,477	23,599,446	49,710,923	2,629,579
Total net assets	\$ 58,065,297	183,166,961	241,232,258	2,629,579
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(2,868,713)	
Net assets of business-type activities		\$ 238,363,545		

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, 2011

	Business-type Activities- Enterprise Funds		Total	Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC		
OPERATING REVENUES				
Charges for services	\$ 50,747,756	31,597,534	82,345,290	705,162
Internal charges for services	34,684	-	34,684	10,092,868
Government contributions	-	767,020	767,020	-
Total operating revenues	50,782,440	32,364,554	83,146,994	10,798,030
OPERATING EXPENSES				
Payroll and fringe benefits	8,228,742	16,980,888	25,209,630	258,744
Depreciation and amortization	1,548,244	5,684,075	7,232,319	-
Administration	4,565,238	2,492,498	7,057,736	-
Facility operations	9,019,572	7,078,736	16,098,308	-
Marketing	-	3,038,636	3,038,636	-
Food and beverage	-	11,077,632	11,077,632	-
Disposal fees	10,254,987	-	10,254,987	-
Waste transport	9,811,973	-	9,811,973	-
Special waste disposal fees	806,848	-	806,848	-
Consulting services	2,806,709	-	2,806,709	-
Charges for services	2,116,816	-	2,116,816	-
Insurance	-	-	-	9,359,368
Claims	-	-	-	1,520,425
Actuarial claims (reduction)	-	-	-	(155,360)
Other materials and services	575,471	-	575,471	41,920
Total operating expenses	49,734,600	46,352,465	96,087,065	11,025,097
Operating income (loss)	1,047,840	(13,987,911)	(12,940,071)	(227,067)
NON-OPERATING REVENUES (EXPENSES)				
Local government shared revenue	100	11,558,861	11,558,961	-
Investment income	301,014	111,215	412,229	32,239
Grants	3,134	-	3,134	56,998
Contributions and donations	-	374,713	374,713	-
Contributions to other governments	-	(930,503)	(930,503)	-
Gain (loss) on disposal of capital assets	27,882	(91,477)	(63,595)	-
Waste reduction grants	(1,993,659)	-	(1,993,659)	-
Interest expense	-	(598,480)	(598,480)	-
Total non-operating revenues (expenses)	(1,661,529)	10,424,329	8,762,800	89,237
Income (loss) before capital contributions and transfers	(613,689)	(3,563,582)	(4,177,271)	(137,830)
Capital grants	-	584,808	584,808	-
Transfers in	5,413,487	475,000	5,888,487	-
Transfers out	(515,831)	(459,417)	(975,248)	(5,230,830)
Change in net assets	4,283,967	(2,963,191)	1,320,776	(5,368,660)
Total net assets - July 1, 2010	53,781,330	186,130,152		7,998,239
Total net assets - June 30, 2011	\$ 58,065,297	183,166,961		2,629,579
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(96,769)	
Change in net assets of business-type activities			\$ 1,224,007	

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, 2011

	Business-type Activities- Enterprise Funds		Total	Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC		
Cash flows from operating activities:				
Receipts from customers	\$ 50,840,667	29,968,324	80,808,991	8,909,850
Receipts from other governments	-	767,020	767,020	-
Receipts from interfund services provided	-	-	-	1,183,018
Other operating receipts	-	-	-	386,038
Payments to suppliers for goods and services	(36,820,701)	(20,111,730)	(56,932,431)	(9,353,698)
Payments for claims	-	-	-	(1,520,425)
Payments to employees for services	(8,260,564)	(16,910,956)	(25,171,520)	(258,309)
Payments for interfund services used	(4,565,238)	(2,492,498)	(7,057,736)	-
Net cash provided by (used in) operating activities	1,194,164	(8,779,840)	(7,585,676)	(653,526)
Cash flows from noncapital financing activities:				
Local government shared revenues	100	11,111,665	11,111,765	-
Grants received	3,134	-	3,134	50,478
Contributions and donations	-	374,713	374,713	-
Payments and contributions to other governments	-	(930,503)	(930,503)	-
Grants to others	(1,993,659)	-	(1,993,659)	-
Transfers from other funds	5,413,487	475,000	5,888,487	-
Transfers to other funds	(515,831)	(459,417)	(975,248)	(5,230,830)
Net cash provided by (used in) noncapital financing activities	2,907,231	10,571,458	13,478,689	(5,180,352)
Cash flows from capital and related financing activities:				
Capital grants	-	584,808	584,808	-
Principal payment on bonds	-	(625,000)	(625,000)	-
Interest payments	-	(564,132)	(564,132)	-
Acquisition and construction of capital assets	(472,554)	(3,075,977)	(3,548,531)	-
Proceeds from sale of capital assets	33,961	1,146	35,107	-
Net cash provided by (used in) capital and related financing activities	(438,593)	(3,679,155)	(4,117,748)	-
Cash flows from investing activities:				
Investment income	305,272	131,314	436,586	55,536
Net cash provided by investing activities	305,272	131,314	436,586	55,536
Net increase (decrease) in cash including restricted amounts	3,968,074	(1,756,223)	2,211,851	(5,778,342)
Cash at beginning of year including restricted amounts	37,422,897	27,307,442	64,730,339	8,866,762
Cash at end of year including restricted amounts	\$ 41,390,971	25,551,219	66,942,190	3,088,420

(Continued)

METRO
Statement of Cash Flows
Proprietary Funds, *continued*
For the year ended June 30, 2011

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Fund Risk Management
	Solid Waste	MERC	Total	
Equity in internal cash and investment pool	\$ 41,390,971	23,959,581	65,350,552	3,088,420
Restricted equity in internal cash and investment pool	-	1,591,638	1,591,638	-
	<u>\$ 41,390,971</u>	<u>25,551,219</u>	<u>66,942,190</u>	<u>3,088,420</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,047,840	(13,987,911)	(12,940,071)	(227,067)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,548,244	5,684,075	7,232,319	-
Change in assets and liabilities:				
Trade/other accounts receivable	58,227	(1,293,530)	(1,235,303)	(319,124)
Inventory	(55,459)	-	(55,459)	-
Other assets	7,658	938,655	946,313	-
Accounts payable	(719,278)	1,032,369	313,091	48,017
Salaries, withholdings and payroll taxes payable/compensated absences	(81,318)	69,932	(11,386)	(22)
Contracts payable	(100,000)	-	(100,000)	-
Accrued self-insurance claims	-	-	-	(155,360)
Unearned revenue	-	(241,761)	(241,761)	-
Deposits payable	47,490	(93,919)	(46,429)	-
Other liabilities	-	(887,750)	(887,750)	30
Post-closure liability	(699,240)	-	(699,240)	-
Pollution remediation liability	140,000	-	140,000	-
Total adjustments	146,324	5,208,071	5,354,395	(426,459)
Net cash provided by (used in) operating activities	\$ 1,194,164	(8,779,840)	(7,585,676)	(653,526)
Noncash investing, capital, and financing activities:				
Investment income relating to the change in the fair value of investments	\$ (32,588)	(19,493)	(52,081)	5,099

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

I. 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, five recommended to the Council by local governments and two directly appointed by the Council President, and all confirmed by the Council. MERC is not legally separate from Metro.

II. 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.

A. THE REPORTING ENTITY

1. Primary Government

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.

2. 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.

B. BASIC FINANCIAL STATEMENTS

1. **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.

2. **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.

C. 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 revenue arising from federal and state grants to be available in the period when the underlying related expenditures for reimbursement based grants have been incurred, if it is known that all eligibility requirements that allow for billing of the amount to the grantor agency under the applicable grant agreement have been satisfied. All other revenue is considered available if

METRO

Notes to the Financial Statements, *continued*

For the year ended June 30, 2011

received within 60 days of fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on long-term debt that is recorded when due and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, excise taxes, 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 Communications, Council Office, Finance and Regulatory Services, Human Resources, Information Services, Metro Auditor, Office of Metro Attorney, Oregon Zoo, Parks and Environmental Services (parks, marine facilities, pioneer cemeteries, and golf course components), Planning and development (land use, urban growth management, and environmental and transportation planning), Research Center, Sustainability Center, 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. This fund does not currently meet the numeric criteria as described above, but for reporting consistency, Metro has chosen to report it as major as it will likely meet the criteria in the years ahead as project activity increases.

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.

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.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. 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 recommended by Metro's Investment Advisory Board and adopted by 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).

2. 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 2011 allocated indirect costs to grants at a rate of approximately 27 percent of the related direct personnel costs.

3. 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 when consumed. Payments to vendors for services that will benefit future periods are recorded as prepaid items using the consumption method.

4. 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.

5. 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.

6. Restricted Assets

Resources for future payment of bonds and certain long-term liabilities or activities have been classified as restricted assets on the statement of net assets because their use is limited by certain applicable agreements or state laws. Assets of the Debt Service, Zoo Infrastructure and Animal Welfare, Natural Areas, and Open Spaces Funds are restricted by state law controlling the use of bond proceeds. Assets of the Smith and Bybee Lakes Fund, a portion of the Metro Capital Fund and a portion of the General Fund related to the TOD program are restricted by contractual agreements with third parties. Assets of the Rehabilitation and Enhancement and the Cemetery Perpetual Care Funds are restricted by state law and/or Metro Code.

7. Capital Assets

Capital assets, which include land, intangible easements, artwork, construction in progress, buildings and exhibits, improvements, equipment and vehicles, intangible software, 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. No interest was incurred or capitalized in fiscal year 2011.

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

Asset	Years
Buildings and exhibits	20-50
Improvements	10-65
Equipment and vehicles	8-20
Intangible-software	5-20
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.

8. Long-term Obligations

In the government-wide financial statements, and in 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.

9. 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.

10. Fund Balances and Net Assets

Fund balance is classified in the governmental fund financial statements in five components to give users information necessary to understand any constraints imposed upon the resources and how those constraints may be modified or eliminated. Fund balance is classified as *nonspendable* when amounts cannot be spent because they are either in nonspendable form, such as prepaid expenditures and inventory, or are legally required to remain intact, such as the corpus of a permanent fund. Amounts classified as *restricted* fund balance are amounts with constraints imposed externally by creditors, grantors, contributors, or the laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The Metro Council annually adopts the budget in the form of an ordinance which designates what, if any, amount of resources are to be used for specific purposes and reported as *committed* fund balance. These commitments can be modified or rescinded only by Metro Council adoption of an ordinance. *Assigned* fund balance is either a result of establishment of a governmental fund other than the General Fund by the Metro Council or by the action of the Chief Operating Officer to report amounts that are for specific purposes narrower than that of the overall fund established by the Council. *Unassigned* fund balance is available for other uses. 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. Within unrestricted amounts, committed amounts are considered to have been spent first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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-

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Notes to the Financial Statements, *continued*

For the year ended June 30, 2011

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.

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

The governmental fund balance sheet includes 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	\$ 401,269,941	-	-
Accumulated depreciation	(69,845,330)	-	-
Net pension asset	-	17,928,459	-
Net other postemployment benefits obligation	-	-	(727,911)
Accrued interest payable	-	-	(1,954,884)
Bonds payable (net of unamortized premium and deferred amount on refunding)	-	-	(201,363,251)
Compensated absences	-	-	(2,280,703)
Net adjustment to fund balance-total governmental funds to arrive at net assets-governmental activities	\$ 331,424,611	17,928,459	(206,326,749)

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. CHANGE IN ACCOUNTING PRINCIPLE

In past fiscal years, long-term loans receivable were presented net of discount in accordance with private sector guidance. Metro adopted the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* during fiscal year 2011, and that standard does not allow discounting when the government is considered to set the market rate for such loans. This results in Metro reflecting a cumulative change in accounting principle of \$659,362 in both the governmental funds' statement of revenues, expenditures and changes in fund balances, and the government-wide statement of activities. The effect on net income is an increase of \$38,931 for fiscal year 2010.

IV. DETAILED NOTES ON ALL FUNDS

A. 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."

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

METRO

Notes to the Financial Statements, *continued*

For the year ended June 30, 2011

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).

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, 2011, 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	\$ -	1,230,000	1,230,000	-	1,230,000	-
U.S. Government securities - USGSE	28,150,608	58,188,784	86,339,392	5,576,699	80,762,693	-
State Treasurer's investment pool	13,706,651	23,101,878	36,808,529	36,808,529	-	-
Total Investments	41,857,259	82,520,662	124,377,921	42,385,228	81,992,693	-
Cash deposits	-	51,377,542				
Total cash and investments	41,857,259	133,898,204				
Per statement of net assets:						
Unrestricted	-	101,711,558				
Restricted	41,857,259	32,186,646				
Total	\$ 41,857,259	133,898,204				

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 AA+ by Standard & Poor's and Aaa by Moody's Investors Service. 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*

For the year ended June 30, 2011

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 Revised Statutes Chapter 295 governs 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. The Oregon Treasury monitors each depository bank and ensures compliance with collateralization requirements for all Oregon public fund deposits. Banks are 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. Public entities are required to verify that deposit accounts in excess of federal deposit insurance limits are maintained only 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, 2011, 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, 2011 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)	19.9%	40.0%	-	32.9%
Federal Farm Credit Bank (FFCB)	21.3%	40.0%	-	30.1%
State Treasurer's Investment Pool	21.6%	100.0%	63.0%	-

B. 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
Westgate	3950 SW Cedar Hills Boulevard, Beaverton, OR	\$2,000,000
Hillsboro Main Street	350 East Main Street, Hillsboro, OR	584,774
Milwaukie Town Center	10700 SE McLoughlin Boulevard, Milwaukie, OR	719,617
Gresham Civic NW	Adjusted Parcel, Gresham Station North, Gresham, OR	2,480,922
Gresham Civic NE	NW Civic Drive & NW 15th, Gresham, OR	1,185,000
Gresham Civic SW	Parcel II, South of Light Rail, Gresham, OR	1,463,104
The Crossings	Section 4, Township 1, South Range 3 East (Parcel 2), Gresham, OR	355,850
		<u>\$8,789,267</u>

METRO

Notes to the Financial Statements, *continued*

For the year ended June 30, 2011

C. 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. Loans receivable at June 30 are as follows:

Maximum Term	Interest Rate	Loan Receivable	First Annual Payment	Last Annual Payment
50 years	0 to 1%	\$555,000	March 15, 2026	March 15, 2056
50 years	0 to 1%	365,000	March 1, 2028	March 1, 2058
	Total	<u>\$920,000</u>		

Loans receivable are not discounted in accordance with guidance in GASB Statement No. 62.

D. CAPITAL ASSETS

Capital asset balances and activity for fiscal year 2011 were as follows:

	Balance July 1, 2010	Increases	Decreases	Transfers	Balance June 30, 2011
Governmental activities:					
Capital assets, non-depreciable:					
Land	\$ 209,278,199	3,617,125	(2,055,298)	4,660,107	215,500,133
Intangible-easements	1,041,412	430,534	(149,734)	2,279,480	3,601,692
Artwork	271,595	200,000	-	1,289	472,884
Construction in progress	18,902,724	17,608,893	(172,572)	(11,915,378)	24,423,667
Total non-depreciable	<u>229,493,930</u>	<u>21,856,552</u>	<u>(2,377,604)</u>	<u>(4,974,502)</u>	<u>243,998,376</u>
Capital assets, depreciable:					
Buildings and exhibits	107,805,576	1,149,846	(62,678)	7,289,079	116,181,823
Improvements	26,797,278	287,995	(358,951)	(1,226,786)	25,499,536
Equipment and vehicles	8,069,927	1,264,807	(366,534)	(153,384)	8,814,816
Intangible-software	2,941,841	1,235,981	-	(1,304,332)	2,873,490
Office furniture and equipment	1,212,136	354,230	(94,670)	348,258	1,819,954
Railroad equipment and facilities	1,965,976	94,303	-	21,667	2,081,946
Total depreciable	<u>148,792,734</u>	<u>4,387,162</u>	<u>(882,833)</u>	<u>4,974,502</u>	<u>157,271,565</u>
Accumulated depreciation:					
Buildings and exhibits	(43,180,073)	(2,362,226)	3,562	-	(45,538,737)
Improvements	(12,410,286)	(988,207)	150,399	22,289	(13,225,805)
Equipment and vehicles	(4,860,700)	(1,040,434)	362,645	199,809	(5,338,680)
Intangible-software	(2,507,695)	(211,929)	-	310,337	(2,409,287)
Office furniture and equipment	(716,065)	(205,439)	94,146	(510,768)	(1,338,126)
Railroad equipment and facilities	(1,959,094)	(13,934)	-	(21,667)	(1,994,695)
Total accumulated depreciation	<u>(65,633,913)</u>	<u>(4,822,169)</u>	<u>610,752</u>	<u>-</u>	<u>(69,845,330)</u>
Total capital assets, depreciable, net	<u>83,158,821</u>	<u>(435,007)</u>	<u>(272,081)</u>	<u>4,974,502</u>	<u>87,426,235</u>
Governmental activities					
capital assets, net	\$ 312,652,751	21,421,545	(2,649,685)	-	331,424,611

METRO

Notes to the Financial Statements, *continued*

For the year ended June 30, 2011

	Balance July 1, 2010	Increases	Decreases	Transfers	Balance June 30, 2011
Business-type activities:					
Capital assets, non-depreciable:					
Land	\$ 19,329,786	-	-	-	19,329,786
Construction in progress	746,901	918,427	(41,876)	(622,538)	1,000,914
Total non-depreciable	20,076,687	918,427	(41,876)	(622,538)	20,330,700
Capital assets, depreciable:					
Buildings and exhibits	274,556,076	1,940,791	-	406,708	276,903,575
Improvements	16,653,016	-	-	13,995	16,667,011
Equipment and vehicles	17,517,653	356,760	(528,905)	201,835	17,547,343
Intangible-software	541,027	17,344	-	-	558,371
Office furniture and equipment	453,819	315,209	(72,394)	-	696,634
Total depreciable	309,721,591	2,630,104	(601,299)	622,538	312,372,934
Accumulated depreciation:					
Buildings and exhibits	(97,890,944)	(5,848,753)	-	3,789	(103,735,908)
Improvements	(15,053,117)	(270,191)	-	-	(15,323,308)
Equipment and vehicles	(10,858,983)	(971,944)	476,905	(3,789)	(11,357,811)
Intangible-software	(310,671)	(80,492)	-	-	(391,163)
Office furniture and equipment	(249,876)	(60,939)	67,568	-	(243,247)
Total accumulated depreciation	(124,363,591)	(7,232,319)	544,473	-	(131,051,437)
Total capital assets, depreciable, net	185,358,000	(4,602,215)	(56,826)	622,538	181,321,497
Business-type activities					
capital assets, net	\$ 205,434,687	(3,683,788)	(98,702)	-	201,652,197

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, 2011.

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	\$ 896,375
Regional planning and development	1,515
Culture and recreation	1,628,330
Zoo	2,295,949

Total depreciation expense - governmental activities \$ 4,822,169

Business-type activities:

Solid Waste	\$ 1,548,244
MERC	5,684,075

Total depreciation expense - business-type activities \$ 7,232,319

METRO

Notes to the Financial Statements, *continued*

For the year ended June 30, 2011

E. 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, 2011 were:

	Deferred	Unearned
Delinquent property taxes-General Fund	\$ 505,357	-
Delinquent property taxes-Debt Service Fund	1,683,717	-
Other delinquent revenue-General Fund	10,526	-
Long-term receivable-Natural Areas Fund	-	500,000
Grant and contract drawdowns prior to meeting all eligibility requirements-General Fund	-	186,639
Advance ticket sales/registrations-General Fund	-	927,686
	<u>\$2,199,600</u>	<u>1,614,325</u>

F. 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.

G. PENSION PLAN

1. 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/>.

2. 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 6.0 percent of their gross

earnings to OPSRP/PERS. The required employee contribution is paid by Metro for most employees in conformance with its personnel policies; however, some union employees are required to pay the 6.0 percent contribution in accordance with the collective bargaining agreements covering those employees. Metro's current required employer contribution rates, based on the 2007 valuation, are 3.16 percent of covered employees' salaries for the OPSRP plan, and 2.49 percent for the PERS plan. Metro also charges an internal rate of 3.0 percent of payroll to departments to fund the repayment of pension obligation bonds issued in fiscal year 2006.

3. Annual Pension Cost/Pension Asset

For fiscal year 2011, Metro's annual pension cost was \$2,464,602. This amount consisted of Metro's actual required contributions of \$565,353 to the OPSRP plan and \$839,439 for the PERS plan, as well as \$1,059,810 in amortization of pension assets of the PERS plan. In addition, Metro paid \$2,725,459 for the 6.0 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 \$17,928,459 at June 30, 2011. Metro's required employer contribution was determined as part of an actuarial valuation at December 31, 2007.

Three-year historical trend information:

Fiscal year ended June 30:	OPSRP Plan		PERS Plan	
	Annual Pension Cost (APC)	Percentage of APC Contributed	Annual Pension Cost (APC)	Percentage of APC Contributed
2009	988,954	100%	2,819,298	100%
2010	480,609	100%	1,922,731	100%
2011	565,353	100%	1,899,249	100%

H. OTHER POSTEMPLOYMENT BENEFITS

1. 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. As required by state law, 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.

2. Funding Policy

Metro has not established a trust fund for future net OPEB obligations. At June 30, 2011, 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. The Metro Council is the authority for setting and modifying the funding policy. Metro contributed an estimated \$156,248 of implicit subsidies in postemployment health care in fiscal year 2011.

METRONotes to the Financial Statements, *continued*

For the year ended June 30, 2011

3. 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, 2011 is:

Annual Required Contribution (ARC)	\$ 463,393
Interest on prior year Net OPEB Obligation	43,816
Adjustment to ARC	(80,601)
Annual OPEB cost	426,608
Estimated benefits payments	(156,248)
Increase in Net OPEB Obligation	270,360
Net OPEB Obligation – beginning of year	1,095,391
Net OPEB Obligation – end of year	<u>\$1,365,751</u>
Percentage of annual OPEB cost contributed	37%

Additional information for fiscal year 2011 and the two preceding years is:

Fiscal year ended June 30:	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2009	\$536,401	25%	\$ 802,624
2010	\$408,728	28%	\$1,095,391
2011	\$426,608	37%	\$1,365,751

The net OPEB obligation will be liquidated by the General, Solid Waste, and MERC Funds.

4. Funding Status/Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,007,784, and the actuarial value of assets was zero, resulting in an UAAL of \$3,007,784. The covered payroll was \$51,603,332 for fiscal year 2011, and the UAAL as a percentage of covered payroll was 6.0 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.

5. 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 July 1, 2009 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 percent, and health care cost trend rate of 10 percent initially, decremented to an ultimate rate of 5 percent in the 31st 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 an open 20 year amortization methodology. The remaining amortization period at June 30, 2011 is 20 years.

I. COMMITMENTS

1. 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. Effective July 1, 2010, Metro received a reduction of \$0.93 per ton from the rate that would have otherwise been charged for disposal at Columbia Ridge Landfill. For fiscal year 2011, this resulted in a contracted per ton unit price of \$24.84 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).

2. Waste Transport

Solid waste transport from Metro facilities to the Columbia Ridge Landfill and other disposal sites is privately contracted through December 31, 2019. The contract specifies a per load unit price that is adjusted annually on July 1 in an amount equivalent to 75 percent of the CPI. As required per the contract agreement, the per load unit price increased by \$9.94 as of October 1, 2010 to \$601.31 per load to accommodate increase in the weight mile tax. For fiscal year 2011 the unit price equated to a per ton rate of \$17.53.

3. Metro South Station

Operations of Metro South, solid waste transfer station and materials recovery facility, are privately contracted through March 31, 2017. For fiscal year 2011, the agreement sets an annual fixed payment of \$937,937, a price of \$4.82 per ton of Compensable Solid Waste, and a price of \$10.97 per ton of Recoverable Waste. The contractor also receives incentives for materials recovered from the waste stream and not sent to the Columbia Ridge Landfill. All payments are adjusted annually on July 1 in an amount equivalent to 85 percent of the CPI. The first annual adjustment on this contract is to be made on July 1, 2011.

4. Metro Central Station

Operations of Metro Central, solid waste transfer station and materials recovery facility, are privately contracted through March 31, 2017. For fiscal year 2011, the agreement sets an annual fixed payment of \$2,065,174, a price of \$3.17 per ton of Compensable Solid Waste, and a price of \$14.32 per ton of Recoverable Waste. The contractor also receives incentives for materials recovered from the waste stream and not sent to the Columbia Ridge Landfill. All payments are adjusted annually on July 1 in an amount equivalent to 87 percent of the CPI. The first annual adjustment on this contract is to be made on July 1, 2011.

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Notes to the Financial Statements, *continued*

For the year ended June 30, 2011

The following table presents approximate annual commitments based on forecasted refuse tons and a 4 percent annual inflation factor for all of the previously described contracts:

Fiscal year ending June 30:	Columbia Ridge Landfill	Waste Transport	Metro South	Metro Central
	Variable payment based on tons	Variable payment based on loads	Variable payment based on tons	Variable payment based on tons
2012	\$ 9,030,199	8,090,236	3,844,920	4,033,254
2013	9,102,256	8,104,241	3,865,095	4,052,126
2014	9,358,810	8,415,107	4,002,524	4,184,270
2015	9,633,185	8,762,084	4,158,289	4,329,053
2016	9,916,444	9,118,960	4,321,345	4,466,141
Thereafter	37,096,387	35,008,521	3,324,868	3,451,970
Total	\$84,137,281	77,499,149	23,517,041	24,516,814

5. Construction Projects

Metro is committed under a number of contracts for construction services. The amount of uncompleted contracts totals \$4,952,561 at June 30, 2011.

J. LEASE OBLIGATIONS

1. 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 \$11,234 per month through October 31, 2014. \$134,614 was paid on the lease in fiscal year 2011.

The future minimum lease payments are as follows:

Fiscal year ending June 30:	Fiscal year ending June 30:	Fiscal year ending June 30:	Fiscal year ending June 30:
2012	\$ 134,814	2027-31	\$ 674,070
2013	134,814	2032-36	674,070
2014	134,814	2037-41	674,070
2015	134,814	2042-46	674,070
2016	134,814	2047-51	674,070
2017-21	674,070	2052-56	674,070
2022-26	674,070	2057-61	674,070
		Total	\$9,751,546

K. BONDS PAYABLE*Governmental Activities***1. 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>
2012	\$ 8,265,000	2,159,687
2013	8,690,000	1,735,813
2014	9,140,000	1,278,637
2015	9,630,000	785,925
2016	10,155,000	266,569
	\$45,880,000	<u>6,226,631</u>
Unamortized costs/premium	2,686,057	
Deferred amount on refunding	(1,799,609)	
Per statement of net assets	<u>\$46,766,448</u>	

2. 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:

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 5,035,000	486,040
2013	5,290,000	264,500
Per statement of net assets	<u>\$10,325,000</u>	<u>750,540</u>

METRONotes to the Financial Statements, *continued*

For the year ended June 30, 2011

3. 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 4.0 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
2012	\$ 1,710,000	562,650
2013	1,795,000	477,150
2014	1,890,000	387,400
2015	1,995,000	292,900
2016-17	4,305,000	281,550
	\$11,695,000	2,001,650
Unamortized costs/premium	497,462	
Deferred amount on refunding	(402,373)	
Per statement of net assets	\$11,790,089	

4. 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 bonds under the authorization is anticipated to be issued in 2013.

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
2012	\$ 4,070,000	4,071,750
2013	4,230,000	3,908,950
2014	4,400,000	3,739,750
2015	4,620,000	3,519,750
2016	4,850,000	3,288,750
2017-21	28,145,000	12,553,500
2022-26	35,700,000	4,996,450
	\$86,015,000	36,078,900
Unamortized costs/premium	4,737,648	
Per statement of net assets	\$90,752,648	

5. 2010 Series Oregon Zoo General Obligation Bond

In prior years, the region's voters granted authority 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 first series of this bond for \$5,000,000 was paid off in fiscal year 2010. In fiscal year 2011, another \$15,000,000 of the authorization was issued as a two-year private placement bond with an interest rate of 1.31 percent. These bonds were issued as taxable Build America Bonds (BABs). Metro receives a subsidy payment from the federal government equal to 35 percent of the interest payment, resulting in a net true interest cost on this issue of .8491 percent. The balance of the bonds is to be repaid with proceeds of Metro's *ad valorem* property tax levied each year. The remaining portion of the bond authorization will be issued in the future as program needs dictate, currently estimated at half of the remaining balance for the spring of 2012.

The principal and interest payments are due as follows:

Fiscal year ending June 30:	Principal	Interest
2012	\$4,165,000	54,396

6. 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 3.125 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
2012	\$ 1,300,000	605,327
2013	1,340,000	562,905
2014	1,385,000	516,558
2015	1,440,000	466,400
2016	1,485,000	413,008
2017-21	6,455,000	1,297,382
2022-23	2,895,000	127,880
	\$16,300,000	3,989,460
Unamortized costs/discount	(101,759)	
Deferred amount on refunding	(1,695,736)	
Per statement of net assets	\$14,502,505	

7. 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.

METRONotes to the Financial Statements, *continued*

For the year ended June 30, 2011

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 4.613 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
2012	\$ 435,000	1,153,214
2013	525,000	1,129,289
2014	615,000	1,105,071
2015	710,000	1,076,381
2016	820,000	1,041,882
2017-21	5,975,000	4,496,111
2022-26	10,115,000	2,633,605
2027-28	4,065,000	273,719
	\$23,260,000	12,909,272
Unamortized costs/premium	(198,439)	
Per statement of net assets	\$23,061,561	

*Business-type Activities***8. 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
2012	\$ 650,000	538,631
2013	675,000	512,131
2014	705,000	483,650
2015	735,000	453,050
2016	765,000	421,175
2017-21	4,370,000	1,521,453
2022-25	4,310,000	396,657
	\$12,210,000	4,326,747
Unamortized costs/discount	89,995	
Deferred amount on refunding	(577,496)	
Per statement of net assets	\$11,722,499	

L. CHANGES IN LONG-TERM LIABILITIES

The following changes occurred during fiscal year 2011 in long-term liabilities:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 171,848,356	15,000,000	(28,768,356)	158,080,000	23,245,000
Full faith and credit bonds	17,565,000	-	(1,265,000)	16,300,000	1,300,000
Pension obligation bonds	23,620,000	-	(360,000)	23,260,000	435,000
Less deferred amounts:					
For premium or discount	8,650,579	-	(1,029,610)	7,620,969	-
On refunding	(4,567,761)	-	670,043	(3,897,718)	-
Total bonds payable	217,116,174	15,000,000	(30,752,923)	201,363,251	24,980,000
Net other postemployment benefits	585,993	236,915	(94,997)	727,911	-
Compensated absences	2,303,118	2,280,703	(2,303,118)	2,280,703	2,206,169
Governmental activity					
Long-term liabilities	\$ 220,005,285	17,517,618	(33,151,038)	204,371,865	27,186,169
Business-type activities:					
Bonds payable:					
Full faith and credit bonds	\$ 12,835,000	-	(625,000)	12,210,000	650,000
Less deferred amounts:					
For premium or discount	96,703	-	(6,708)	89,995	-
On refunding	(620,539)	-	43,043	(577,496)	-
Total bonds payable	12,311,164	-	(588,665)	11,722,499	650,000
Post-closure costs payable	14,988,898	-	(699,240)	14,289,658	718,106
Pollution remediation obligation	1,699,875	211,306	(71,306)	1,839,875	-
Net other postemployment benefits	509,398	189,693	(61,251)	637,840	-
Compensated absences	1,076,949	1,067,319	(1,076,949)	1,067,319	1,067,319
Business-type activity					
Long-term liabilities	\$ 30,586,284	1,468,318	(2,497,411)	29,557,191	2,435,425

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 General Fund and the Natural Areas Fund, and net other postemployment benefits are charged to the General Fund.

M. POLLUTION REMEDIATION OBLIGATION

Metro follows the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* to account for its pollution remediation liabilities.

Two Metro properties have pollution remediation obligations where obligating events have occurred and amounts are 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 for this work has been estimated at \$2,049,941. Actual cost may vary due to inflation or deflation, changes in technology, or changes in regulations. During fiscal year 2011, Metro paid \$71,306 (\$288,066 cumulative to date) in remediation costs reducing the remaining estimated liability to \$1,761,875 at June 30, 2011. 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.

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, 2011.

N. POST-CLOSURE COST PAYABLE

The St. Johns Landfill was closed for operations in a prior year. Closure and post-closure care costs were originally 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. State and federal laws and regulations require Metro to perform certain post-closure maintenance and monitoring functions for thirty years after closure. At June 30, 2011, there were fifteen years remaining until the post-closure care requirement is completed in fiscal year 2026.

The total post-closure cost of the St. Johns Landfill as of June 30, 2011 is estimated to be \$55,027,987 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 \$699,240 in closure costs as the closure process continued (\$40,738,329 cumulative to date); reducing the remaining estimated liability to \$14,289,658 at June 30, 2011.

Metro is required by state and federal laws and regulations to provide financial assurance for the coverage of these overall post-closure care estimated costs. Metro is currently providing this financial assurance through an Alternative Financial Assurance Mechanism which has been approved by the Oregon Department of Environmental Quality (DEQ) and consists of its Solid Waste Fund, a post-closure funding guarantee of future revenues to cover these costs and a Landfill Post-Closure Account. Metro is required to submit annual re-certifications of this mechanism. DEQ approved the 2010 submission and is reviewing the 2011 submission.

METRO

Notes to the Financial Statements, *continued*

For the year ended June 30, 2011

O. FUND BALANCE CLASSIFICATIONS

Fund balance classifications as presented on the governmental funds balance sheet are further detailed below:

	General Fund	Debt Service Fund	Major Capital Project Funds			Total
			ZIAW Fund	Natural Areas Fund	Other Funds	
Fund balances:						
Nonspendable:						
Prepays and inventory	\$ 800,367	-	1,186	6,856	-	808,409
Corpus of permanent fund	-	-	-	-	322,246	322,246
Total nonspendable	800,367	-	1,186	6,856	322,246	1,130,655
Restricted for:						
TOD projects	13,412,488	-	-	-	-	13,412,488
Debt service on GO bonds	-	14,086,438	-	-	-	14,086,438
Smith & Bybee Lakes management plan	-	-	-	-	3,865,963	3,865,963
Rehabilitation/Enhancement	-	-	-	-	1,954,721	1,954,721
Capital projects:						
OZF donations	-	-	-	-	854,813	854,813
Bond funded programs	-	-	8,875,705	36,462,368	336,148	45,674,221
Total restricted	13,412,488	14,086,438	8,875,705	36,462,368	7,011,645	79,848,644
Committed to:						
Construction excise tax for development planning	3,661,469	-	-	-	-	3,661,469
Assigned to:						
Other capital projects	-	-	-	-	479,456	479,456
Permanent fund programs	-	-	-	-	24,225	24,225
Total assigned	-	-	-	-	503,681	503,681
Unassigned:	27,140,104	-	-	-	-	27,140,104
Total fund balances	\$ 45,014,428	14,086,438	8,876,891	36,469,224	7,837,572	112,284,553

P. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2011 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>\$2,868,713</u>

Interfund transfers for the fiscal year by fund were:

<i>Transfers out</i>	<i>Transfers in</i>				Total
	General	Non-major governmental	Solid Waste	MERC	
General	\$ -	-	188,487	475,000	663,487
Zoo Infrastructure	16,336	-	-	-	16,336
Natural Areas	30,464	-	-	-	30,464
Solid Waste	220,343	295,488	-	-	515,831
MERC	459,417	-	-	-	459,417
Risk Management	5,830	-	5,225,000	-	5,230,830
Total	<u>\$732,390</u>	<u>295,488</u>	<u>5,413,487</u>	<u>475,000</u>	<u>6,916,365</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 support to Solid Waste for the Sustainability Center, and Tourism Opportunity and Competiveness Account funding provided to MERC; Solid Waste Fund Solid Waste Information System funding provided to the General Fund, and fees dedicated to the Rehabilitation and Enhancement Fund; MERC transfers to General Fund for Hoyt Street Café improvements; Risk Management return of pollution remediation liability funding to Solid Waste; and transfers to the General Fund for Pension Obligation bonds debt service by subject funds.

Q. 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 is protected by ORS Chapter 30, the Oregon Tort Claims Act, which contains statutory claim limits of \$533,300 per claim and \$1,066,700 per occurrence. These statutory limits are indexed and change every year on July 1. Metro carries an excess liability policy of \$5 million, with a \$1 million deductible, which is intended to insure possible liability outside the Oregon Tort Claims Act.
- Property damage to Metro owned facilities: this risk is covered with a commercial property insurance policy. The property policy insures \$624,839,000 of property values with a \$500,000,000 blanket policy and a \$500,000 deductible.

METRO

Notes to the Financial Statements, *continued*

For the year ended June 30, 2011

- 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 estimate of liabilities for unpaid claims as of June 30, 2011. 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 \$554,010 reported as accrued self-insurance claims in the Risk Management Fund at June 30, 2011 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 an assumed average investment rate of 1.0 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
2009-2010	\$804,619	1,059,064	1,154,313	709,370
2010-2011	\$709,370	1,365,065	1,520,425	554,010

R. CONTINGENT LIABILITIES

1. 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.

2. 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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Program revenues:				
Charges for services:				
Government fees	\$ 81,664	81,664	301,329	219,665
Culture and recreation fees	19,244,736	19,244,736	17,889,858	(1,354,878)
Other fees	3,591,513	3,591,513	3,309,488	(282,025)
Licenses and permits	406,000	406,000	379,485	(26,515)
Pension debt service assessment	1,414,472	1,414,472	1,550,837	136,365
Miscellaneous revenue	138,500	138,500	368,214	229,714
Operating grants and contributions:				
Grants	11,705,714	11,705,714	9,421,745	(2,283,969)
Government contributions	1,604,464	1,790,327	9,128	(1,781,199)
Contributions and donations	1,054,600	1,054,600	1,291,007	236,407
General revenues:				
Taxes:				
Property taxes	11,294,190	11,294,190	11,569,455	275,265
Excise taxes	14,903,937	14,903,937	14,068,190	(835,747)
Construction excise tax	1,300,000	1,300,000	1,440,755	140,755
Local government shared revenue	571,000	571,000	468,776	(102,224)
Investment income	235,000	235,000	230,215	(4,785)
Total revenues	67,545,790	67,731,653	62,298,482	(5,433,171)
EXPENDITURES				
Communications	2,514,675	2,515,796	2,368,447	147,349
Council office	3,496,913	3,701,124	3,264,909	436,215
Finance and regulatory services	3,358,417	3,364,337	3,097,435	266,902
Human resources	1,836,807	1,842,888	1,817,978	24,910
Information services	3,058,380	3,058,594	2,884,515	174,079
Metro auditor	671,433	672,078	612,596	59,482
Office of Metro attorney	2,012,886	2,013,825	1,839,519	174,306
Oregon Zoo	27,204,192	27,224,181	25,125,391	2,098,790
Parks and environmental services	6,942,305	6,919,414	6,496,666	422,748
Planning and development	15,414,229	15,562,488	10,357,803	5,204,685
Research center	4,631,745	4,672,052	4,196,799	475,253
Sustainability center	5,470,794	5,314,248	4,578,230	736,018

(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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Expenditures, continued:				
Special appropriations	\$ 5,201,637	5,201,637	1,223,367	3,978,270
Former ORS 197.352 claims & judgments	100	100	-	100
Non-departmental:				
Debt service	1,529,472	1,529,472	1,529,472	-
Contingency	3,478,646	3,441,260	-	3,441,260
Total expenditures	86,822,631	87,033,494	69,393,127	17,640,367
Revenues under expenditures	(19,276,841)	(19,301,841)	(7,094,645)	12,207,196
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,916	1,916
Transfers in	10,428,004	10,574,351	10,200,742	(373,609)
Transfers out	(4,313,554)	(4,338,554)	(4,338,554)	-
Total other financing sources (uses)	6,114,450	6,235,797	5,864,104	(371,693)
Revenues and other sources under expenditures and other uses	(13,162,391)	(13,066,044)	(1,230,541)	11,835,503
Beginning fund balance available for appropriation - July 1, 2010	26,354,341	26,354,341	30,194,768	3,840,427
Unappropriated ending fund balance - June 30, 2011	\$ 13,191,950	13,288,297	28,964,227	15,675,930
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			(1,230,541)	
General Revenue Bond Fund-General, from page 109			1,628	
General Renewal and Replacement Fund, from page 110			(471,508)	
Additional expenses required by Governmental GAAP:				
Bad debt expense-TOD loan			(400,000)	
General Fund net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds			\$ (2,100,421)	

METRO
 Schedule of Funding Progress
 Other Postemployment Benefits
 June 30, 2011

<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%	\$43,483,110	8%
July 1, 2009	\$ -	\$3,007,784	\$3,007,784	0%	\$49,864,609	6%

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 four budget amendments during the year ended June 30, 2011. One of the amendments would be considered significant. In June 2011 the Metro Council acknowledged the receipt of \$1,217,000 in additional food and beverage revenue at the Oregon Convention Center and provided for additional associated expenditure appropriation as a result of the increased revenue.

2. 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 resources are investment income and sale of capital assets.

Metro Capital Fund

This fund accounts for all major capital development projects of Metro not funded by bond proceeds. The principal sources of revenue is 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, 2011

	Special Revenue		
	Smith and Bybee Lakes	Rehabilitation and Enhancement	Total
ASSETS			
Equity in internal cash and investment pool	\$ 3,857,199	1,995,173	5,852,372
Receivables:			
Other	-	-	-
Interest	13,015	6,610	19,625
Total assets	\$ 3,870,214	2,001,783	5,871,997
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,251	47,062	51,313
Contracts payable	-	-	-
Total liabilities	4,251	47,062	51,313
FUND BALANCES			
Nonspendable	-	-	-
Restricted	3,865,963	1,954,721	5,820,684
Assigned	-	-	-
Total fund balances	3,865,963	1,954,721	5,820,684
Total liabilities and fund balances	\$ 3,870,214	2,001,783	5,871,997

Open Spaces	Capital Projects		Permanent Cemetery Perpetual Care	Total Nonmajor Governmental Funds
	Metro Capital	Total		
335,026	1,406,180	1,741,206	345,326	7,938,904
-	250	250	-	250
1,122	4,675	5,797	1,145	26,567
<u>336,148</u>	<u>1,411,105</u>	<u>1,747,253</u>	<u>346,471</u>	<u>7,965,721</u>
-	19,280	19,280	-	70,593
-	57,556	57,556	-	57,556
-	76,836	76,836	-	128,149
-	-	-	322,246	322,246
336,148	854,813	1,190,961	-	7,011,645
-	479,456	479,456	24,225	503,681
<u>336,148</u>	<u>1,334,269</u>	<u>1,670,417</u>	<u>346,471</u>	<u>7,837,572</u>
<u>336,148</u>	<u>1,411,105</u>	<u>1,747,253</u>	<u>346,471</u>	<u>7,965,721</u>

METRO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2011

	Special Revenue		
	Smith and Bybee Lakes	Rehabilitation and Enhancement	Total
REVENUES			
Cemetery revenue surcharge	\$ -	-	-
Investment income	29,390	14,647	44,037
Miscellaneous revenue	-	-	-
Contributions and donations	43	-	43
Capital contributions and donations	-	-	-
Total revenues	29,433	14,647	44,080
EXPENDITURES			
Current:			
Culture and recreation	189,895	329,600	519,495
Capital outlay	-	-	-
Total expenditures	189,895	329,600	519,495
Revenues over (under) expenditures	(160,462)	(314,953)	(475,415)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	-
Transfers in	-	295,488	295,488
Total other financing sources (uses)	-	295,488	295,488
Net change in fund balances	(160,462)	(19,465)	(179,927)
Fund balances - July 1, 2010	4,026,425	1,974,186	6,000,611
Fund balances - June 30, 2011	\$ 3,865,963	1,954,721	5,820,684

Open Spaces	Capital Projects		Permanent Cemetery Perpetual Care	Total Nonmajor Governmental Funds
	Metro Capital	Total		
-	-	-	26,861	26,861
2,461	9,417	11,878	2,452	58,367
-	31,070	31,070	-	31,070
-	-	-	-	43
-	729,575	729,575	-	729,575
2,461	770,062	772,523	29,313	845,916
-	-	-	-	519,495
78,819	380,873	459,692	-	459,692
78,819	380,873	459,692	-	979,187
(76,358)	389,189	312,831	29,313	(133,271)
75,000	-	75,000	-	75,000
-	-	-	-	295,488
75,000	-	75,000	-	370,488
(1,358)	389,189	387,831	29,313	237,217
337,506	945,080	1,282,586	317,158	7,600,355
336,148	1,334,269	1,670,417	346,471	7,837,572

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Operating grants and contributions:				
Government contributions	\$ -	-	56,377	56,377
General revenues:				
Taxes:				
Property taxes	37,189,159	37,189,159	38,177,570	988,411
Investment income	100,000	100,000	132,893	32,893
Total revenues	37,289,159	37,289,159	38,366,840	1,077,681
EXPENDITURES				
Debt service:				
Principal	28,768,356	28,768,356	28,768,356	-
Interest	8,557,427	8,557,427	8,553,504	3,923
Total expenditures	37,325,783	37,325,783	37,321,860	3,923
Revenues over (under) expenditures	(36,624)	(36,624)	1,044,980	1,081,604
Beginning fund balance available for appropriation - July 1, 2010	12,045,000	12,045,000	13,041,458	996,458
Unappropriated ending fund balance - June 30, 2011	\$ 12,008,376	12,008,376	14,086,438	2,078,062

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
General revenues:				
Investment income	\$ 21,213	21,213	56,583	35,370
Total revenues	21,213	21,213	56,583	35,370
EXPENDITURES				
Oregon Zoo	15,356,392	15,356,392	8,718,750	6,637,642
Contingency	1,476,683	1,476,683	-	1,476,683
Total expenditures	16,833,075	16,833,075	8,718,750	8,114,325
Revenues under expenditures	(16,811,862)	(16,811,862)	(8,662,167)	8,149,695
OTHER FINANCING SOURCES (USES)				
Bond principal	15,000,000	15,000,000	15,000,000	-
Transfers out	(294,915)	(294,915)	(267,896)	27,019
Total other financing sources (uses)	14,705,085	14,705,085	14,732,104	27,019
Revenues and other sources over (under) expenditures and other uses	(2,106,777)	(2,106,777)	6,069,937	8,176,714
Beginning fund balance available for appropriation - July 1, 2010	2,121,338	2,121,338	2,806,954	685,616
Unappropriated ending fund balance - June 30, 2011	\$ 14,561	14,561	8,876,891	8,862,330

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ -	-	250	250
Miscellaneous revenue	-	-	1,134	1,134
Operating grants and contributions:				
Grants	913,210	913,210	146,095	(767,115)
Contributions and donations	30,000	30,000	5,000	(25,000)
Capital grants and contributions:				
Capital contributions and donations	-	-	261,530	261,530
General revenues:				
Investment income	505,750	505,750	322,830	(182,920)
Total revenues	1,448,960	1,448,960	736,839	(712,121)
EXPENDITURES				
Sustainability center	46,703,288	46,703,288	19,604,953	27,098,335
Contingency	3,988,905	3,988,905	-	3,988,905
Total expenditures	50,692,193	50,692,193	19,604,953	31,087,240
Revenues under expenditures	(49,243,233)	(49,243,233)	(18,868,114)	30,375,119
OTHER FINANCING USES				
Transfers out	(1,502,241)	(1,502,241)	(1,455,269)	46,972
Revenues under expenditures and other uses	(50,745,474)	(50,745,474)	(20,323,383)	30,422,091
Beginning fund balance available for appropriation - July 1, 2010	50,775,000	50,775,000	56,792,607	6,017,607
Unappropriated ending fund balance - June 30, 2011	\$ 29,526	29,526	36,469,224	36,439,698

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 1,000	1,000	-	(1,000)
Operating grants and contributions:				
Contributions and donations	-	-	43	43
General revenues:				
Investment income	39,870	39,870	29,390	(10,480)
Total revenues	40,870	40,870	29,433	(11,437)
EXPENDITURES				
Parks and environmental services	130,000	130,000	101,043	28,957
Contingency	200,000	200,000	-	200,000
Total expenditures	330,000	330,000	101,043	228,957
Revenues under expenditures	(289,130)	(289,130)	(71,610)	217,520
OTHER FINANCING USES				
Transfers out	(111,379)	(111,379)	(88,852)	22,527
Revenues under expenditures and other uses	(400,509)	(400,509)	(160,462)	240,047
Beginning fund balance available for appropriation - July 1, 2010	3,987,047	3,987,047	4,026,425	39,378
Unappropriated ending fund balance - June 30, 2011	\$ 3,586,538	3,586,538	3,865,963	279,425

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
General revenues:				
Investment income	\$ 19,883	19,883	14,647	(5,236)
Total revenues	19,883	19,883	14,647	(5,236)
EXPENDITURES				
Sustainability center	409,639	409,639	296,638	113,001
Contingency	300,000	300,000	-	300,000
Total expenditures	709,639	709,639	296,638	413,001
Revenues under expenditures	(689,756)	(689,756)	(281,991)	407,765
OTHER FINANCING SOURCES (USES)				
Transfers in	367,984	367,984	295,488	(72,496)
Transfers out	(32,962)	(32,962)	(32,962)	-
Total other financing sources (uses)	335,022	335,022	262,526	(72,496)
Revenues and other sources under expenditures and other uses	(354,734)	(354,734)	(19,465)	335,269
Beginning fund balance available for appropriation - July 1, 2010	1,988,304	1,988,304	1,974,186	(14,118)
Unappropriated ending fund balance - June 30, 2011	\$ 1,633,570	1,633,570	1,954,721	321,151

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
General revenues:				
Investment income	\$ 3,189	3,189	2,461	(728)
Total revenues	3,189	3,189	2,461	(728)
EXPENDITURES				
Sustainability center	622,131	622,131	78,819	543,312
Total expenditures	622,131	622,131	78,819	543,312
Revenues under expenditures	(618,942)	(618,942)	(76,358)	542,584
OTHER FINANCING SOURCES				
Sale of capital assets	300,000	300,000	75,000	(225,000)
Revenues and other sources under expenditures	(318,942)	(318,942)	(1,358)	317,584
Beginning fund balance available for appropriation - July 1, 2010	318,942	318,942	337,506	18,564
Unappropriated ending fund balance - June 30, 2011	\$ -	-	336,148	336,148

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ -	-	31,070	31,070
Operating grants and contributions:				
Grants	49,500	49,500	-	(49,500)
Capital grants and contributions:				
Capital contributions and donations	136,830	136,830	729,575	592,745
General revenues:				
Investment income	3,900	3,900	9,417	5,517
Total revenues	190,230	190,230	770,062	579,832
EXPENDITURES				
Capital program	559,500	559,500	380,873	178,627
Contingency	418,368	418,368	-	418,368
Total expenditures	977,868	977,868	380,873	596,995
Revenues over (under) expenditures	(787,638)	(787,638)	389,189	1,176,827
Beginning fund balance available for appropriation - July 1, 2010	787,638	787,638	945,080	157,442
Unappropriated ending fund balance - June 30, 2011	\$ -	-	1,334,269	1,334,269

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
General revenues:				
Taxes:				
Cemetery revenue surcharge	\$ 23,300	23,300	26,861	3,561
Investment income	3,163	3,163	2,452	(711)
Total revenues	26,463	26,463	29,313	2,850
Beginning fund balance available for appropriation - July 1, 2010	316,297	316,297	317,158	861
Unappropriated ending fund balance - June 30, 2011	\$ 342,760	342,760	346,471	3,711

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Government fees	\$ 1,140,125	1,140,125	871,496	(268,629)
Culture and recreation fees	3,800	3,800	3,868	68
Solid waste fees	54,868,671	54,868,671	49,770,737	(5,097,934)
Other fees	45,000	45,000	41,087	(3,913)
Internal charges for services	-	-	1,722	1,722
Miscellaneous revenue	33,000	33,000	66,383	33,383
Operating grants and contributions:				
Grants	1,411,752	1,411,752	3,134	(1,408,618)
General revenues:				
Local government shared revenue	-	-	100	100
Investment income	357,537	357,537	301,014	(56,523)
Total revenues	57,859,885	57,859,885	51,059,541	(6,800,344)
EXPENDITURES				
Operating Account:				
Finance and administrative services	2,181,465	2,181,465	2,062,435	119,030
Sustainability center	8,099,252	8,099,252	6,299,138	1,800,114
Parks and environmental services	39,691,715	39,691,715	35,956,915	3,734,800
Landfill Closure Account:				
Parks and environmental services	3,003,783	3,003,783	79,606	2,924,177
Renewal and Replacement Account:				
Parks and environmental services	980,000	980,000	457,207	522,793
General Account:				
Parks and environmental services	1,542,500	1,542,500	77,805	1,464,695
Contingency	14,540,763	14,514,416	-	14,514,416
Total expenditures	70,039,478	70,013,131	44,933,106	25,080,025

(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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
Revenues over (under) expenditures	\$ (12,179,593)	(12,153,246)	6,126,435	18,279,681
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	33,961	33,961
Transfers in	5,446,449	5,446,449	5,446,449	-
Transfers out	(6,995,233)	(7,021,580)	(6,797,204)	224,376
Total other financing sources (uses)	(1,548,784)	(1,575,131)	(1,316,794)	258,337
Revenues and other sources over (under) expenditures and other uses	(13,728,377)	(13,728,377)	4,809,641	18,538,018
Beginning fund balance available for appropriation - July 1, 2010	36,535,502	36,535,502	37,982,914	1,447,412
Unappropriated ending fund balance - June 30, 2011	\$ 22,807,125	22,807,125	42,792,555	19,985,430

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Program revenues:				
Charges for services:				
Culture and recreation fees	\$ 30,017,258	31,278,213	31,476,362	198,149
Miscellaneous revenue	123,197	123,197	121,174	(2,023)
Operating grants and contributions:				
Government contributions	756,907	756,907	767,020	10,113
Contributions and donations	585,500	585,500	374,713	(210,787)
Capital grants and contributions:				
Capital grants	653,216	679,517	584,808	(94,709)
General revenues:				
Local government shared revenue	10,602,508	10,558,553	11,558,861	1,000,308
Investment income	235,523	235,523	111,164	(124,359)
Total revenues	42,974,109	44,217,410	44,994,102	776,692
EXPENDITURES				
MERC	43,669,107	44,999,107	42,414,375	2,584,732
Contingency	2,652,773	1,202,773	-	1,202,773
Total expenditures	46,321,880	46,201,880	42,414,375	3,787,505
Revenues over (under) expenditures	(3,347,771)	(1,984,470)	2,579,727	4,564,197
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,146	1,146
Transfers in	475,000	475,000	475,000	-
Transfers out	(3,681,630)	(3,801,630)	(3,787,561)	14,069
Total other financing sources (uses)	(3,206,630)	(3,326,630)	(3,311,415)	15,215
Revenues and other sources under expenditures and other uses	(6,554,401)	(5,311,100)	(731,688)	4,579,412
Beginning fund balance available for appropriation - July 1, 2010	24,850,944	24,850,944	27,089,536	2,238,592
Unappropriated ending fund balance - June 30, 2011	\$ 18,296,543	19,539,844	26,357,848	6,818,004

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, 2011

	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	\$ 4,809,641	-	4,809,641
MERC Fund	-	(731,688)	(731,688)
General Revenue Bond Fund-Expo	-	52	52
Budget resources not qualifying as revenues under GAAP:			
Revenue deferred	(5,814)	-	(5,814)
Sale of capital assets	(33,961)	(1,146)	(35,107)
Additional revenues required by GAAP:			
Gain on disposal of capital assets	27,882	-	27,882
Budget requirements not qualifying as expenses under GAAP:			
Payment of post-closure liability	699,240	-	699,240
Payment of pollution remediation liability	71,306	-	71,306
Capital assets additions	472,554	3,075,977	3,548,531
Principal and interest payments on bonds	-	670,814	670,814
Additional expenses required by GAAP:			
Increase in pollution remediation liability estimate	(211,306)	-	(211,306)
Depreciation and amortization	(1,548,244)	(5,684,075)	(7,232,319)
Loss on disposal of capital assets	-	(91,477)	(91,477)
Amortization of bond discount and costs	-	(36,336)	(36,336)
Other postemployment benefits	(49,496)	(78,947)	(128,443)
Vacation benefits	52,165	(42,536)	9,629
Accrued interest on bonds	-	(43,829)	(43,829)
Change in net assets presented in the statement of revenues, expenses and changes in fund net assets for proprietary funds	\$ 4,283,967	(2,963,191)	1,320,776

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Other fees	\$ -	-	193,883	193,883
Internal charges for services	9,470,278	9,470,278	8,909,849	(560,429)
Miscellaneous revenue	5,000	5,000	511,280	506,280
Operating grants and contributions:				
Grants	50,000	50,000	56,998	6,998
General revenues:				
Investment income	25,000	25,000	32,239	7,239
Total revenues	9,550,278	9,550,278	9,704,249	153,971
EXPENDITURES				
Finance and administrative services	12,498,637	12,498,637	11,030,927	1,467,710
Contingency	528,084	528,084	-	528,084
Total expenditures	13,026,721	13,026,721	11,030,927	1,995,794
Revenues under expenditures	(3,476,443)	(3,476,443)	(1,326,678)	2,149,765
OTHER FINANCING SOURCES (USES)				
Transfers in	1,186,095	1,186,095	1,183,018	(3,077)
Transfers out	(5,225,000)	(5,225,000)	(5,225,000)	-
Total other financing sources (uses)	(4,038,905)	(4,038,905)	(4,041,982)	(3,077)
Revenues and other sources under expenditures and other uses	(7,515,348)	(7,515,348)	(5,368,660)	2,146,688
Beginning fund balance available for appropriation - July 1, 2010	8,142,227	8,142,227	7,998,239	(143,988)
Unappropriated ending fund balance - June 30, 2011	\$ 626,879	626,879	2,629,579	2,002,700

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
General revenues:				
Investment income	\$ 2,300	2,300	1,679	(621)
Total revenues	2,300	2,300	1,679	(621)
EXPENDITURES				
Debt service account:				
Debt service-Metro Regional Center	1,504,945	1,504,945	1,504,945	-
Debt service-Washington Park Parking Lot	404,670	404,670	404,670	-
Debt service-Expo Center Hall D	1,189,132	1,189,132	1,189,131	1
Project account:				
Capital outlay-Washington Park Parking Lot	219,090	219,090	-	219,090
Total expenditures	3,317,837	3,317,837	3,098,746	219,091
Revenues under expenditures	(3,315,537)	(3,315,537)	(3,097,067)	218,470
OTHER FINANCING SOURCES				
Transfers in	3,098,747	3,098,747	3,098,747	-
Revenues and other sources over (under) expenditures	(216,790)	(216,790)	1,680	218,470
Beginning fund balance available for appropriation - July 1, 2010	222,567	222,567	219,914	(2,653)
Unappropriated ending fund balance - June 30, 2011	\$ 5,777	5,777	221,594	215,817

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, 2011

	Allocated to:		Total
	General	MERC	
REVENUES			
General revenues:			
Investment income	\$ 1,628	51	1,679
Total revenues	1,628	51	1,679
EXPENDITURES			
Debt service account:			
Debt service-Metro Regional Center	1,504,945	-	1,504,945
Debt service-Washington Park Parking Lot	404,670	-	404,670
Debt service-Expo Center Hall D	-	1,189,131	1,189,131
Total expenditures	1,909,615	1,189,131	3,098,746
Revenues under expenditures	(1,907,987)	(1,189,080)	(3,097,067)
OTHER FINANCING SOURCES			
Transfers in	1,909,615	1,189,132	3,098,747
Revenues and other sources over expenditures	1,628	52	1,680
Beginning fund balance available for appropriation - July 1, 2010	219,614	300	219,914
Unappropriated ending fund balance - June 30, 2011	\$ 221,242	352	221,594

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with final budget
	Original	Final		
REVENUES				
Program revenues:				
Charges for services:				
Miscellaneous revenue	\$ 500,000	500,000	542,666	42,666
Operating grants and contributions:				
Grants	-	-	44,000	44,000
Capital grants and contributions:				
Grants	-	-	10,617	10,617
General revenues:				
Investment income	58,777	58,777	50,737	(8,040)
Total revenues	558,777	558,777	648,020	89,243
EXPENDITURES				
Renewal and Replacement Program	3,419,506	3,419,506	2,415,182	1,004,324
Contingency	4,870,784	4,870,784	-	4,870,784
Total expenditures	8,290,290	8,290,290	2,415,182	5,875,108
Revenues under expenditures	(7,731,513)	(7,731,513)	(1,767,162)	5,964,351
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,800	1,800
Transfers in	1,282,635	1,307,635	1,293,854	(13,781)
Transfers out	(128,000)	(128,000)	-	128,000
Total other financing sources (uses)	1,154,635	1,179,635	1,295,654	116,019
Revenues and other sources under expenditures and other uses	(6,576,878)	(6,551,878)	(471,508)	6,080,370
Beginning fund balance available for appropriation - July 1, 2010	6,876,878	6,876,878	6,591,200	(285,678)
Unappropriated ending fund balance - June 30, 2011	\$ 300,000	325,000	6,119,692	5,794,692

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

Other Financial Schedules



METRO

**Schedule of Property Tax Transactions and Outstanding Receivable
For the year ended June 30, 2011**

Fiscal Year	Original levy or balance of receivable July 1, 2010	Add (deduct)				Property taxes receivable June 30, 2011
		Discounts	Adjustments	Interest	Collections	
2010-11	\$ 51,113,288	(1,275,810)	(241,164)	6,152	(48,209,584)	1,392,882
2009-10	1,671,478	-	(85,782)	21,806	(947,628)	659,874
2008-09	642,410	-	(27,762)	16,410	(312,891)	318,167
2007-08	277,597	-	(7,545)	12,939	(178,781)	104,210
2006-07	59,911	-	(2,601)	2,583	(45,480)	14,413
2005-06	11,282	-	(1,862)	361	(3,309)	6,472
2004-05 & prior	36,464	-	(5,696)	805	(2,804)	28,769
	<u>\$ 53,812,430</u>	<u>(1,275,810)</u>	<u>(372,412)</u>	<u>61,056</u>	<u>(49,700,477)</u>	<u>2,524,787</u>

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

Governmental
Activities

Cash collections July 1, 2010 to June 30, 2011

\$ 49,700,477

Accrual of receivables:

July 1, 2009 to August 31, 2010

(387,443)

July 1, 2010 to August 31, 2011

335,713

Timing difference between county tax collector
and county treasurer

13,222

Payments in lieu of property taxes

85,055

Taxes earned but not available:

June 30, 2010

(2,311,699)

June 30, 2011

2,189,074

Property tax revenue per Statement of Activities

\$ 49,624,399

METRO
 Schedule of Future Bonded Debt Service Requirements
 General Obligation Bonds
 June 30, 2011

<u>Year of maturity</u>	2002 Series		2001 Series A		2005 Series	
	General Obligation Refunding Bonds		General Obligation Refunding Bonds		General Obligation Refunding Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011-12	\$ 8,265,000	2,159,687	5,035,000	486,040	1,710,000	562,650
2012-13	8,690,000	1,735,813	5,290,000	264,500	1,795,000	477,150
2013-14	9,140,000	1,278,637	-	-	1,890,000	387,400
2014-15	9,630,000	785,925	-	-	1,995,000	292,900
2015-16	10,155,000	266,569	-	-	2,095,000	193,150
2016-17	-	-	-	-	2,210,000	88,400
2017-18	-	-	-	-	-	-
2018-19	-	-	-	-	-	-
2019-20	-	-	-	-	-	-
2020-21	-	-	-	-	-	-
2021-22	-	-	-	-	-	-
2022-23	-	-	-	-	-	-
2023-24	-	-	-	-	-	-
2024-25	-	-	-	-	-	-
2025-26	-	-	-	-	-	-
Total	\$ 45,880,000	6,226,631	10,325,000	750,540	11,695,000	2,001,650

(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.

2007 Series Natural Areas General Obligation Bonds		2010 Series Oregon Zoo General Obligation Bond		Total	
Principal	Interest	Principal	Interest	Principal (1)	Interest
4,070,000	4,071,750	4,165,000	54,396	23,245,000	7,334,523
4,230,000	3,908,950	-	-	20,005,000	6,386,413
4,400,000	3,739,750	-	-	15,430,000	5,405,787
4,620,000	3,519,750	-	-	16,245,000	4,598,575
4,850,000	3,288,750	-	-	17,100,000	3,748,469
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
86,015,000	36,078,900	4,165,000	54,396	158,080,000	45,112,117

METRO

Schedule of Future Bonded Debt Service Requirements
 Full Faith and Credit and Pension Obligation Bonds
 June 30, 2011

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
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	\$ 16,300,000	3,989,460	12,210,000	4,326,747	23,260,000	12,909,272

(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, 2011

	Principal			Outstanding June 30, 2011	Interest Expenditure
	Outstanding July 1, 2010	Issued During Year	Matured and Paid During Year		
DEBT SERVICE FUND					
1995 Series B Open Spaces Program General Obligation Bonds with interest rate of 5.5%, final maturity 9/1/10	\$ 223,356	-	223,356	-	277,644
2002 Series General Obligation Refunding Bonds with interest rates from 5.0 to 5.25%, final maturity 9/1/15	53,275,000	-	7,395,000	45,880,000	2,551,188
2001 Series A General Obligation Refunding Bonds with interest rates from 4.3 to 5.0%, final maturity 1/1/13	15,110,000	-	4,785,000	10,325,000	691,795
2005 Series General Obligation Refunding Bonds with interest rates from 4.0 to 5.0%, final maturity 1/15/17	13,315,000	-	1,620,000	11,695,000	643,650
2007 Series Natural Areas General Obligation Bonds with interest rates from 4.0 to 5.0%, final maturity 6/1/26	89,925,000	-	3,910,000	86,015,000	4,228,150
2010 Series Oregon Zoo General Obligation Bond with interest rate of 1.31%, final maturity 6/1/12	-	15,000,000	10,835,000	4,165,000	161,077
Total	\$ 171,848,356	15,000,000	28,768,356	158,080,000	8,553,504

METRO

Schedule of Long-term Bonded Debt Transactions
 Full Faith and Credit and Pension Obligation Bonds
 For the year ended June 30, 2011

	Principal			Outstanding June 30, 2011	Interest Expenditure
	Outstanding July 1, 2010	Issued During Year	Matured and Paid During Year		
GENERAL FUND					
<u>Full Faith and Credit</u>					
Refunding Bonds 2003 Series					
with interest rates from 3.125 to 4.4%, final maturity 8/1/22	\$ 17,565,000	-	1,265,000	16,300,000	644,615
<u>Pension Obligation</u>					
Metro Limited Tax Series 2005					
with interest rates from 4.613 to 5.5%, final maturity 6/1/28	23,620,000	-	360,000	23,260,000	1,169,472
Total	\$ 41,185,000	-	1,625,000	39,560,000	1,814,087
ENTERPRISE FUNDS					
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	\$ 12,835,000	-	625,000	12,210,000	564,131

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.

	<u>Page</u>
Financial Trends Information These schedules contain trend information to help the reader understand how Metro’s financial performance and well-being have changed over time.	120-132
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.	133-135
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.	136-144
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.	145-146
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.	147-154
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.	155-158

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

METRO
Net Assets by Component
Last Ten 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) (4)	\$ (43,843,323)	(19,603,144)	(6,201,885)
Restricted (4)	37,354,215	20,629,174	17,989,881
Unrestricted (4)	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.

(4) Changes between fiscal year 2010 and 2011 are attributable to the implementation of GASB Statement No. 54 during fiscal year 2011, which requires reporting of fund balance within a new classification structure.

2005	2006	2007	2008	2009	2010	2011
4,684,793	72,055,226	70,472,572	101,632,452	142,681,077	161,033,641	219,717,752
16,795,028	21,244,741	24,458,851	27,246,181	41,383,007	47,868,259	47,802,264
16,612,577	35,400,215	57,456,789	59,035,445	38,868,189	39,949,912	(4,511,250)
38,092,398	128,700,182	152,388,212	187,914,078	222,932,273	248,851,812	263,008,766
264,571,719	204,536,894	199,184,754	198,109,226	197,896,445	193,123,523	189,929,698
11,651,127	12,415,936	12,688,488	16,295,656	14,548,959	2,652,250	1,591,637
48,598,316	39,548,688	43,989,254	45,547,649	41,293,389	41,363,765	46,842,210
324,821,162	256,501,518	255,862,496	259,952,531	253,738,793	237,139,538	238,363,545
269,256,512	276,592,120	269,657,326	299,741,678	320,942,522	339,047,164	399,322,450
28,446,155	33,660,677	37,147,339	43,541,837	55,931,966	50,520,509	49,393,901
65,210,893	74,948,903	101,446,043	104,583,094	99,796,578	96,423,677	52,655,960
362,913,560	385,201,700	408,250,708	447,866,609	476,671,066	485,991,350	501,372,311

METRO

Changes in Net Assets

Last Ten 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 (3)	\$ 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	2010	2011
3,158,675	10,128,233	11,724,680	14,464,735	14,198,441	12,779,417	14,456,222
11,367,579	10,580,855	11,633,709	15,998,524	13,023,497	14,978,447	14,816,800
8,582,520	6,515,693	6,906,903	12,040,343	13,350,232	17,316,051	20,351,578
-	23,159,685	25,165,745	27,268,768	29,426,286	28,311,531	27,400,337
7,679,504	8,421,370	9,626,880	13,228,648	12,121,270	10,888,841	9,538,172
30,788,278	58,805,836	65,057,917	83,001,018	82,119,726	84,274,287	86,563,109
47,697,124	50,565,165	52,805,117	53,514,858	52,014,903	64,228,318	51,721,806
24,158,065	-	-	-	-	-	-
41,363,806	42,799,786	45,069,117	44,148,046	46,239,579	46,229,249	48,048,265
113,218,995	93,364,951	97,874,234	97,662,904	98,254,482	110,457,567	99,770,071
144,007,273	152,170,787	162,932,151	180,663,922	180,374,208	194,731,854	186,333,180
2,593	1,377,281	1,359,684	1,440,462	1,394,695	1,741,850	2,120,491
1,215,077	1,547,604	1,024,612	1,271,625	1,682,136	1,214,423	1,364,601
2,699,983	2,568,418	2,519,340	2,824,138	2,648,864	3,696,310	3,985,483
-	14,417,730	15,699,595	15,991,730	18,040,150	17,606,196	18,150,234
8,552,429	12,015,598	9,674,387	14,963,194	13,889,920	14,446,031	10,973,394
-	959,676	1,378,075	2,163,915	8,457,258	2,725,497	1,866,808
12,470,082	32,886,307	31,655,693	38,655,064	46,113,023	41,430,307	38,461,011
51,574,923	53,814,957	54,108,083	53,238,401	50,478,290	50,904,000	50,782,440
13,184,305	-	-	-	-	-	-
27,268,341	26,296,316	29,064,019	30,451,878	30,007,172	29,650,854	31,597,534
3,774,815	984,284	692,146	861,851	830,902	1,378,076	1,144,867
786,534	-	-	-	265,740	2,000,000	584,808
96,588,918	81,095,557	83,864,248	84,552,130	81,582,104	83,932,930	84,109,649
109,059,000	113,981,864	115,519,941	123,207,194	127,695,127	125,363,237	122,570,660

(Continued)

METRO

Changes in Net Assets, *continued*

Last Ten 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/cumulative change in accounting principle	\$ -	-	-

(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.

(3) Changes in Solid Waste business-type activities expenses between fiscal years 2009 and 2011 is due primarily to the recording of a change in estimate for landfill post-closure costs of \$13,634,086 in fiscal year 2010.

2005	2006	2007	2008	2009	2010	2011
(18,318,196)	(25,919,529)	(33,402,224)	(44,345,954)	(36,006,703)	(42,843,980)	(48,102,098)
(16,630,077)	(12,269,394)	(14,009,986)	(13,110,774)	(16,672,378)	(26,524,637)	(15,660,422)
(34,948,273)	(38,188,923)	(47,412,210)	(57,456,728)	(52,679,081)	(69,368,617)	(63,762,520)
17,545,652	27,804,374	28,686,523	46,901,621	45,447,596	51,668,586	49,624,399
13,577,891	14,243,252	14,834,721	14,367,409	12,976,156	12,945,697	14,066,453
-	-	1,806,012	2,483,137	1,734,579	1,427,730	1,440,755
25,270	21,395	33,000	23,267	24,168	25,670	27,056
540,690	547,512	519,463	545,550	500,473	509,323	468,776
839,350	2,315,910	4,945,208	9,182,961	4,996,270	1,632,756	885,490
-	357,921	-	-	-	-	-
306,009	533,324	(289,417)	275,192	120,655	553,757	(4,913,239)
32,834,862	45,823,688	50,535,510	73,779,137	65,799,897	68,763,519	61,599,690
8,941,517	-	-	-	-	-	-
7,683,769	8,852,246	9,976,554	11,156,012	10,702,508	9,941,144	11,558,961
1,196,367	2,078,669	3,104,993	2,828,289	1,714,787	537,995	412,229
-	(357,921)	-	-	-	-	-
(306,009)	(533,324)	289,417	(275,192)	(120,655)	(553,757)	4,913,239
17,515,644	10,039,670	13,370,964	13,709,109	12,296,640	9,925,382	16,884,429
50,350,506	55,863,358	63,906,474	87,488,246	78,096,537	78,688,901	78,484,119
14,516,666	19,904,159	17,133,286	29,433,183	29,793,194	25,919,539	13,497,592
885,567	(2,229,724)	(639,022)	598,335	(4,375,738)	(16,599,255)	1,224,007
15,402,233	17,674,435	16,494,264	30,031,518	25,417,456	9,320,284	14,721,599
1,976,193	4,613,707	6,554,744	9,584,383	-	-	659,362

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

	Fiscal Year		
	2002	2003	2004
General Fund (1) (2)			
Nonspendable	\$ -	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
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) (2)			
Nonspendable	\$ -	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
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.

(2) Metro implemented GASB Statement No. 54 during fiscal year 2011, which changed required fund balance classifications for governmental funds.

2005	2006	2007	2008	2009	2010	2011
-	-	-	-	-	-	800,367
-	-	-	-	-	-	13,412,488
-	-	-	-	-	-	3,661,469
-	-	-	-	-	-	-
-	-	-	-	-	-	27,140,104
-	7,333,324	8,518,324	9,088,951	9,462,022	9,637,987	-
4,443,897	25,630,402	34,564,077	28,607,477	35,517,221	36,817,500	-
4,443,897	32,963,726	43,082,401	37,696,428	44,979,243	46,455,487	45,014,428
-	-	-	-	-	-	330,288
-	-	-	-	-	-	66,436,156
-	-	-	-	-	-	-
-	-	-	-	-	-	503,681
-	-	-	-	-	-	-
10,155,731	10,680,405	12,082,430	13,661,489	13,133,831	13,041,477	-
12,592,408	5,679,471	5,930,679	6,052,654	6,221,690	6,000,611	-
4,413,313	9,151,671	131,173,017	110,314,883	85,037,915	60,882,128	-
-	178,943	222,452	256,340	288,683	317,158	-
27,161,452	25,690,490	149,408,578	130,285,366	104,682,119	80,241,374	67,270,125

METRO
**Changes in Fund Balances, Governmental Funds
 Last Ten 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	2010	2011
17,653,137	27,850,826	28,669,525	46,312,638	44,897,096	51,457,062	49,747,025
13,577,891	14,243,252	14,834,721	14,341,764	12,971,067	12,964,535	14,068,190
-	-	1,806,012	2,483,137	1,734,579	1,427,730	1,440,755
25,270	21,395	33,000	23,267	24,168	25,497	26,861
540,690	547,512	519,463	545,550	500,473	509,323	468,776
625,190	2,068,326	4,536,529	8,802,118	4,715,238	1,545,284	853,253
352,195	490,892	441,531	576,342	481,480	389,643	301,329
1,125,860	14,712,855	15,860,633	16,728,873	17,893,774	17,402,009	17,890,108
1,438,929	3,237,906	3,012,834	2,569,892	3,246,604	3,086,589	3,309,488
790,222	514,885	661,007	849,709	917,250	2,629,198	2,797,314
-	402,300	409,332	405,408	388,375	385,155	379,485
235,784	573,107	221,369	397,731	838,365	366,185	943,084
6,871,101	10,682,649	8,015,836	13,961,401	12,382,032	11,622,037	9,611,840
46,865	-	342,540	12,500	266,319	1,505,000	65,505
1,634,463	1,332,949	1,316,011	1,391,471	1,241,569	1,318,994	1,296,050
-	-	-	-	1,851,255	1,226,124	10,617
-	959,676	1,378,075	2,163,915	6,606,003	1,499,373	991,105
44,917,597	77,638,530	82,058,418	111,565,716	110,955,647	109,359,738	104,200,785
3,541,419	8,853,776	9,634,211	12,752,353	12,251,458	11,575,042	12,432,590
11,624,509	10,553,489	11,896,946	15,951,042	12,974,517	14,909,242	14,797,588
9,085,680	6,349,345	7,737,303	13,218,846	12,057,905	14,670,631	17,415,303
-	20,908,177	22,974,261	25,527,960	26,112,124	24,623,138	25,030,953
10,640,155	12,478,037	12,703,945	24,181,585	26,447,275	32,203,540	30,393,356
7,534,732	8,304,109	8,469,032	14,847,345	12,745,812	11,653,488	10,367,591
2,425,758	5,210,036	12,320,285	29,890,673	31,911,433	23,298,304	24,231,381
44,852,253	72,656,969	85,735,983	136,369,804	134,500,524	132,933,385	134,668,762
65,344	4,981,561	(3,677,565)	(24,804,088)	(23,544,877)	(23,573,647)	(30,467,977)

(Continued)

METRO

Changes in Fund Balances, Governmental Funds, *continued*

Last Ten 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/cumulative change in accounting principle	\$ -	-	-
 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	2010	2011
18,085,000	24,290,000	124,295,000	-	5,000,000	-	15,000,000
1,230,005	23,286	6,383,369	-	-	-	-
-	-	592,500	-	-	-	-
-	-	-	16,000	100,000	50,000	78,716
10,306,075	4,288,434	2,933,742	8,574,992	9,390,120	1,901,669	1,027,878
(19,112,101)	-	-	-	-	-	-
(10,000,066)	(3,752,514)	(3,695,027)	(8,296,089)	(9,265,675)	(1,342,523)	(710,287)
508,913	24,849,206	130,509,584	294,903	5,224,445	609,146	15,396,307
-	(24,022,369)	-	-	-	-	-
574,257	5,808,398	126,832,019	(24,509,185)	(18,320,432)	(22,964,501)	(15,071,670)
1,976,193	4,613,707	7,004,744	-	-	-	659,362
43.9%	31.2%	29.4%	37.4%	38.2%	40.0%	37.6%



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	
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
2010	483,471	80.75	654,536	27.36	26,604	168,104	1,332,715
2011	453,790	85.85	620,275	27.66	23,142	142,515	1,239,722

(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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
METRO FACILITIES										
Disposal fee (1) (2)	\$ 29.75	33.02	42.55	45.55	46.80	46.20	47.09	49.00	51.65	56.45
Disposal fee - unspecified (1)	3.96	-	-	-	-	-	-	-	-	-
Metro facility fee (1)	2.55	2.55	-	-	-	-	-	-	-	-
Regional transfer fee (1)	6.56	7.53	-	-	-	-	-	-	-	-
Regional system fee	12.90	15.00	16.57	15.09	14.54	13.57	14.08	16.04	17.53	16.72
Excise tax	5.04	6.39	6.32	8.58	8.33	8.35	8.23	8.97	9.83	10.94
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 (2)	\$ 62.50	66.23	67.18	70.96	71.41	69.86	71.14	75.75	80.75	85.85
Transaction fee-scalehouse	\$ 5.00	6.00	6.00	7.50	7.50	8.50	8.50	8.50	10.00	11.00
Transaction fee-automated	\$ -	-	-	-	-	3.00	3.00	3.00	3.00	3.00
PRIVATELY-OWNED FACILITIES										
Regional system fee	\$ 12.90	15.00	16.57	15.09	14.54	13.57	14.08	16.04	17.53	16.72
Excise tax	5.04	6.39	6.32	8.58	8.33	8.35	8.23	8.97	9.83	10.94
Total rate per ton	\$ 17.94	21.39	22.89	23.67	22.87	21.92	22.31	25.01	27.36	27.66

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

(2) Rates are per ton of mixed waste disposal. For fiscal year 2011, minimum charge is \$28.00 for 400 pounds or less.

DEQ rates are set by the State of Oregon Department of Environmental Quality.

Source: Metro Parks and Environmental Services Department.

METRO

Principal Solid Waste Fee Payers

Current Year and Nine Years Ago (1)

Unaudited

Customer/Payer	2011			2002		
	Fees Paid (1)	Rank	Percentage of Total Solid Waste Fee Revenue	Fees Paid (1)	Rank	Percentage of Total Solid Waste Fee Revenue
Waste Management of Oregon	\$ 8,460,821	1	17.29 %	\$ 8,325,504	1	18.50 %
Portland Disposal & Recycling	2,698,870	2	5.52	1,677,167	4	3.73
AGG	2,603,374	3	5.32	1,917,138	3	4.26
Oregon City Garbage Company	2,408,466	4	4.92	2,142,693	2	4.76
Trashco Services Inc	1,743,628	5	3.56	1,101,034	7	2.45
Heiberg Garbage Service	1,292,560	6	2.64	845,170	10	1.88
Allied Waste Services of Portland	1,273,881	7	2.60	-	-	-
Oak Grove Disposal Company Inc	1,175,963	8	2.40	865,564	9	1.92
Arrow Sanitary Services	1,067,240	9	2.18	-	-	-
Walker Garbage Services Inc	901,896	10	1.84	-	-	-
Gresham Sanitary Service Inc	-	-	-	1,129,161	5	2.51
Keller Drop Box Inc	-	-	-	1,110,123	6	2.47
River City Disposal Company Inc	-	-	-	982,396	8	2.18
Total	\$ 23,626,699		48.27 %	\$ 20,095,950		44.66 %

(1) 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 134 for rate detail.

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

METRO
Ratios of Outstanding Debt by Type
Last Ten 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	-	-
2010	171,848,356	-	17,565,000	23,620,000	-	-
2011	158,080,000	-	16,300,000	23,260,000	-	-

(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 145 for personal income and population data.

* Not available

Business-type Activities

	Revenue Bonds	Full Faith and Credit Bonds	Loans Payable	Total Primary Government	Percentage of Personal Income (3)	Per Capita (3)
\$	25,590,000	\$ -	\$ 19,790,280	\$ 246,235,585	0.37 %	\$ 165.91
	16,410,000	-	19,343,935	223,393,077	0.33	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	0.25	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	0.32	176.79
	-	13,435,000	133,632	258,805,528	0.29	158.61
	-	12,835,000	-	225,868,356	N/A *	137.34
	-	12,210,000	-	209,850,000	N/A *	126.66



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			
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
2010	171,848,356	13,041,458	158,806,898	208,123,520,973	0.08	96.57
2011	158,080,000	14,086,438	143,993,562	196,930,643,603	0.07	86.91

Sources:

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

(2) See page 145 for population data.

METRO

Direct and Overlapping Governmental Activities Debt

As of June 30, 2011

Unaudited

Overlapping government	Percent within District	Overlapping	
		Gross property tax backed debt	Net property tax backed debt
Banks Fire District 13	1.79 %	\$ 17,949	\$ 17,949
City of Beaverton	99.98	10,737,562	-
City of Cornelius	93.95	2,390,926	-
City of Durham	100.00	1,320,000	1,320,000
City of Fairview	100.00	485,000	-
City of Forest Grove	99.62	5,832,774	2,256,402
City of Gladstone	100.00	2,050,000	-
City of Gresham	100.00	63,846,847	21,823,847
City of Happy Valley	100.00	4,555,000	4,555,000
City of Hillsboro	98.38	31,578,536	8,725,907
City of Lake Oswego	100.00	113,580,000	18,580,000
City of Milwaukie	100.00	4,195,000	-
City of Oregon City	99.92	18,215,926	2,048,417
City of Portland	100.00	709,644,466	142,064,290
City of Sherwood	99.98	23,941,905	7,769,180
City of Tigard	100.00	33,149,803	32,300,000
City of Troutdale	100.00	15,185,000	15,185,000
City of Tualatin	100.00	9,615,000	9,615,000
City of West Linn	100.00	13,225,000	13,225,000
City of Wilsonville	100.00	10,920,000	-
Clackamas Community College	73.07	60,909,068	23,823,658
Clackamas County	73.45	75,401,147	55,968,732
Clackamas County ESD	73.60	19,192,191	-
Clackamas County RFPD 1	86.61	20,274,605	3,031,231
Clackamas County SD 115 (Gladstone)	100.00	56,683,548	56,683,548
Clackamas County SD 12 (N Clackamas)	98.56	360,213,780	360,213,780
Clackamas County SD 3J (West Linn-Wilsonville)	93.91	209,539,904	209,539,904
Clackamas County SD 46 (Oregon Trail)	6.54	7,456,438	7,456,438
Clackamas County SD 62 (Oregon City)	68.28	63,950,060	63,950,060
Clackamas County SD 7J (Lake Oswego)	100.00	111,094,222	111,094,222
Clackamas County SD 86 (Canby)	14.78	13,191,208	13,191,208
Columbia County SD 1J (Scappoose)	6.47	2,122,300	2,122,300
East Multnomah Soil & Water Conservation	99.36	864,454	864,454
Forest Grove RFPD	6.21	7,449	7,449
Lusted Water District	97.55	873,038	873,038
Mt. Hood Community College	86.18	61,431,342	19,488,589
Multnomah County	99.08	294,554,592	103,692,418
Multnomah County Drainage District 1	100.00	3,710,000	140,000

(Continued)

METRO

Direct and Overlapping Governmental Activities Debt, *continued*

As of June 30, 2011

Unaudited

Overlapping government	Percent within District	Overlapping	
		Gross property tax backed debt	Net property tax backed debt
Multnomah County SD 10J (Gresham-Barlow)	96.45 %	\$ 96,281,271	\$ 96,281,271
Multnomah County SD 1J (Portland)	99.66	475,278,892	475,278,892
Multnomah County SD 28J (Centennial)	100.00	31,788,184	31,788,184
Multnomah County SD 3 (Parkrose)	100.00	2,885,000	2,885,000
Multnomah County SD 40 (David Douglas)	100.00	64,670,000	64,670,000
Multnomah County SD 51J (Riverdale)	100.00	28,832,560	28,832,560
Multnomah County SD 7 (Reynolds)	100.00	150,970,186	150,970,186
Multnomah ESD	99.15	35,258,736	-
North Clackamas Parks & Rec. District	100.00	17,690,000	-
Northwest Regional ESD	71.57	4,422,742	-
Oak Lodge Sanitary District	100.00	23,900,000	-
Oak Lodge Water District	100.00	645,000	645,000
Port of Portland	91.47	64,411,444	-
Portland Community College	91.86	353,881,759	183,152,675
Sunrise Water Authority	100.00	250,000	250,000
Tri-Met	98.12	9,615,897	9,615,897
Tualatin Hills Park & Rec. District	99.95	70,857,532	70,757,578
Tualatin Valley Fire & Rescue District	96.79	63,753,236	48,266,228
Washington County	92.76	113,286,447	18,580,369
Washington County SD 13 (Banks)	1.57	142,788	142,788
Washington County SD 15 (Forest Grove)	77.18	75,254,766	75,254,766
Washington County SD 1J (Hillsboro)	84.02	286,860,196	286,860,196
Washington County SD 23J (Tigard-Tualatin)	99.30	122,622,231	122,622,231
Washington County SD 48J (Beaverton)	99.75	538,137,906	538,137,906
Washington County SD 88J (Sherwood)	80.34	102,637,515	102,637,515
Subtotal, overlapping debt		\$ 5,170,290,328	\$ 3,619,256,263
Metro direct debt		209,850,000	158,080,000
Total direct and overlapping debt		\$ 5,380,140,328	\$ 3,777,336,263

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 2011

True cash value		\$	196,930,643,603
Debt limit (10% of true cash value)			19,693,064,360
Debt applicable to limit:			
Gross bonded debt principal	\$	209,850,000	
Less legal deductions from debt limit:			
Full Faith and Credit Refunding Bonds Refunding Bonds 2003 Series		(16,300,000)	
Full Faith and Credit Oregon Local Governments Bonds 2006 Series		(12,210,000)	
Metro Limited Tax Pension Obligation Bonds Series 2005		(23,260,000)	
Total net debt applicable to limit			158,080,000
Legal debt margin		\$	19,534,984,360

	Fiscal Year			
	2002	2003	2004	2005
Debt limit	\$ 12,305,094,864	12,854,254,433	13,845,507,019	14,636,072,967
Total net debt applicable to limit	177,847,373	165,364,313	153,820,393	143,000,238
Legal debt margin	\$ 12,127,247,491	12,688,890,120	13,691,686,626	14,493,072,729
Total net debt applicable to the limit as a percentage of the debt limit	1.45%	1.29%	1.11%	0.98%

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					
2006	2007	2008	2009	2010	2011
15,666,622,880	18,178,724,753	20,745,584,398	21,847,809,051	20,812,352,097	19,693,064,360
131,647,201	244,378,256	221,976,671	202,536,896	171,848,356	158,080,000
<u>15,534,975,679</u>	<u>17,934,346,497</u>	<u>20,523,607,727</u>	<u>21,645,272,155</u>	<u>20,640,503,741</u>	<u>19,534,984,360</u>
0.84%	1.34%	1.07%	0.93%	0.83%	0.80%

METRO
Pledged Revenue Coverage
Last Ten Fiscal Years
Unaudited

Fiscal year ended June 30,	Solid Waste Revenue Bonds					
	Solid Waste operating revenue	Less: operating expenses	Net available revenue	Debt service (1)		Coverage
				Principal	Interest	
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)	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-

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.

(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.

METRO
 Demographic and Economic Statistics
 Last Ten Fiscal Years
 Unaudited

<u>Fiscal year ended June 30,</u>	<u>Population (1)</u>	<u>Total Personal income (in thousands) (2)</u>	<u>Per capita personal income (2)</u>	<u>Portland metropolitan unemployment rate (2)</u>
2002	1,484,150	\$ 66,298,034	\$ 32,973	7.8 %
2003	1,503,900	68,222,118	33,541	8.3
2004	1,522,400	70,926,559	34,552	7.0
2005	1,543,910	74,750,223	35,868	5.9
2006	1,569,170	80,794,459	38,040	5.0
2007	1,593,370	85,305,093	39,428	4.8
2008	1,614,465	88,977,895	40,376	6.0
2009	1,631,665	87,893,727	39,206	10.8
2010	1,644,535	N/A	* N/A *	10.6
2011	1,656,790 (3)	N/A	* N/A *	N/A *

* Not available

(1) For Clackamas, Multnomah and Washington counties.

(2) Portland-Vancouver-Hillsboro OR-WA MSA instituted in December 2009.
 Replaces former Portland-Vancouver-Beaverton OR-WA MSA. All years updated to revised MSA.

(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	2011			2002		
	Employees	Rank	Percentage of Total Metropolitan Area Employment	Employees	Rank	Percentage of Total Metropolitan Area Employment
State of Oregon	23,900	1	2.48 %	19,600	1	2.06 %
US Government	17,400	2	1.81	18,000	2	1.89
Intel Corporation	15,636	3	1.62	14,826	3	1.56
Providence Health System	14,089	4	1.46	12,800	5	1.35
Oregon Health & Science University	12,000	5	1.25	11,472	6	1.21
Fred Meyer Stores	9,858	6	1.02	13,325	4	1.40
Legacy Health System	9,732	7	1.01	7,158	9	0.75
Kaiser Foundation Health Plan of the NW	9,039	8	0.94	8,750	7	0.92
City of Portland	8,876	9	0.92	8,485	8	0.89
Nike, Inc	7,000	10	0.73	-	-	-
Multnomah County	-	-	-	6,499	10	0.68
Total	127,530		13.24 %	120,915		12.71 %

(1) Portland-Vancouver-Beaverton MSA

Sources: Portland Business Journal and Oregon Employment Division.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FUNCTIONS/PROGRAMS										
Primary Government:										
<i>Governmental activities:</i>										
General government operations	131.50	132.75	119.85	122.20	125.50	134.70	142.96	149.78	169.50	172.75
Regional planning and development	80.25	79.00	80.10	73.15	78.60	81.40	82.08	83.65	88.78	89.87
Culture and recreation	49.50	48.00	42.10	44.10	45.15	42.40	55.65	63.65	59.63	54.40
Zoo	-	-	-	-	149.13	149.13	151.96	155.98	157.98	155.98
Total governmental activities	261.25	259.75	242.05	239.45	398.38	407.63	432.65	453.06	475.89	473.00
<i>Business-type activities:</i>										
Solid Waste	110.15	109.15	108.70	106.20	106.20	106.75	106.75	109.00	92.95	93.60
Zoo	167.03	169.73	160.23	151.85	-	-	-	-	-	-
MERC	152.00	193.00	180.25	157.00	156.00	163.00	186.00	191.00	194.00	190.00
Total business-type activities	429.18	471.88	449.18	415.05	262.20	269.75	292.75	300.00	286.95	283.60
Total primary government	690.43	731.63	691.23	654.50	660.58	677.38	725.40	753.06	762.84	756.60
		(2)	(3)	(4)			(5)	(6)	(7)	

(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.

(7) In fiscal year 2010, Metro undertook the Sustainable Metro Initiative which reorganized the management structure by core competencies and functions to align programs with desired regional outcomes. This resulted in the shifting of staff and responsibilities between areas.

Source: Metro Adopted Budget documents.

METRO

Operating Indicators by Function/Program

Last Ten 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
Percentage of public meetings and events that have materials posted on line (6)	-	-	-
Percentage of full time positions and internships held by diverse applicants (6)	-	-	-
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 aerials	\$ 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
PaintCare revenue (5)	\$ -	-	-

	2005	2006	2007	2008	2009	2010	2011
	3,003	2,980	3,032	3,011	2,876	2,851	2,811
	40	38	36	34	N/A	N/A	N/A
	322	461	562	630	N/A	N/A	N/A
	-	-	-	-	-	90.0%	90.0%
	-	-	-	-	-	-	8.8%
	Aa1	Aa1	Aaa	Aaa	Aaa	Aaa	Aaa
	AAA	AAA	AAA	AAA	AAA	AAA	AAA
	177,211	185,182	178,972	175,897	137,344	146,199	102,727
	721,800	656,616	695,176	711,009	824,375	743,546	704,430
	1,421	1,100	1,687	5,169	4,780	5,457	5,278
	30,519	22,570	14,642	18,196	17,000	19,497	20,328
	116	42	316	426	312	1,438	392
	9.50	9.50	9.75	9.75	9.75	10.50	10.50
	1,336,287	1,365,459	1,508,564	1,500,570	1,621,567	1,634,978	1,536,303
	143,500	151,533	156,839	168,795	183,711	166,890	156,997
	58.7%	61.1%	60.2%	56.0%	61.8%	62.9%	64.0%
	5.3%	4.9%	4.6%	5.0%	7.0%	6.0%	7.0%
	126,949	139,830	134,489	147,186	148,465	136,178	135,789
	44,314	43,692	43,420	57,189	41,045	58,413	42,767
	57.0%	58.6%	55.4%	55.1%	56.8%	56.5%	57.9%
	0.87	0.89	0.78	0.82	0.87	0.95	0.77
	137,075	102,196	92,982	119,536	99,253	121,207	134,548
	755,560	809,484	955,802	1,009,012	1,159,152	1,037,583	948,328
	-	-	-	-	-	-	1,097,559

(Continued)

METRO

Operating Indicators by Function/Program, *continued*

Last Ten 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 and replaced by indicator in note 6.

(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.

(5) PaintCare revenues derived from a newly established pilot project for the management of post-consumer paint.

(6) New indicators established by Council to replace prior indicators discontinued as of 2009

Source: Various Metro departments.

2005	2006	2007	2008	2009	2010	2011
700,360	633,575	608,673	639,000	574,199	505,371	524,388
469,943	470,984	477,072	510,141	454,005	420,616	390,333
797,752	953,863	862,897	817,637	930,841	778,691	769,468
93	85	91	104	92	98	88
100	102	98	107	110	98	93
937	980	1,113	827	1,061	931	877
48%	39%	42%	46%	41%	43%	46%

METRO
Capital Asset Statistics by Function/Program
Last Ten 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 acquired from Multnomah County	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 acquired using bond proceeds	-	-	-
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	2010	2011
	1	1	1	1	1	1	1
110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
162	162	162	162	162	162	162	162
485	485	485	485	485	485	485	485
	5	5	5	5	6	7	7
1,572	1,572	1,572	1,572	1,572	1,701	1,957	1,957
14	14	14	14	14	14	14	14
67	67	67	67	67	67	67	67
1	1	1	1	1	1	1	1
232	232	232	232	232	232	232	232
2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3
7	7	7	7	7	7	7	7
2,422	2,422	2,422	2,422	2,422	2,422	2,422	2,422
20	20	20	20	20	20	20	20
8,131	8,173	8,185	8,185	8,001	7,745	7,745	7,745
-	-	27	27	27	27	27	27
-	-	304	730	1,037	2,465	2,838	2,838
	65	65	65	65	65	65	65
63	65	70	70	70	70	71	73
1	1	1	1	1	1	1	1
	2	2	2	2	2	2	2
1	1	1	1	1	1	1	1
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	907,000	907,000	907,000
800	800	800	800	800	800	800	800
1	1	1	1	1	1	1	1
330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000
2,200	2,200	2,200	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
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
2010	53,137,308	49,982,313	94.1	1,319,728	51,302,041	96.5	2,699,142	5.1
2011	51,113,288	48,209,584	94.3	1,490,893	49,700,477	97.2	2,524,787	4.9

(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
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
2010	110,633,008,438	197,889,829,108	5,337,576,261	5,438,484,913
2011	114,498,699,986	186,840,459,956	5,068,544,598	5,184,960,128

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	
\$ 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
4,696,890,236	4,795,206,952	120,667,474,935	208,123,520,973	58.0
4,787,221,228	4,905,223,519	124,354,465,812	196,930,643,603	63.1

METRO**Principal Property Tax Taxpayers Within the District by County**

(amounts expressed in thousands)

June 30, 2011

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	\$ 474,287	0.86 %
Portland General Electric Co.	Electric utility	379,808	0.69
Comcast Corporation	Telecommunications	338,520	0.61
Pacificorp (PP&L)	Electric utility	315,443	0.57
Weston Investment Co. LLC	Nonresidential construction	236,682	0.43
Qwest Corporation	Telecommunications	216,412	0.39
Fred Meyer Stores, Inc.	Retailer	181,524	0.33
Evrax Inc NA	Steel manufacturing	175,714	0.32
LC Portland LLC	Commercial rental partnership	168,334	0.30
Boeing Company	Aircraft manufacturing	165,440	0.30
All other taxpayers	-	52,615,231	95.20
	Total	\$ 55,267,395	100.00 %
WASHINGTON COUNTY			
Intel Corporation	Computer electronics	\$ 1,086,960	2.51 %
Nike, Inc.	Athletic apparel	431,605	1.00
Frontier Communications	Telecommunications	354,644	0.82
Portland General Electric Co.	Electric utility	311,425	0.72
Pacific Realty Associates	Real estate	301,957	0.70
Northwest Natural Gas Co.	Natural gas utility	282,171	0.65
Genentech, Inc.	Biotechnology	231,547	0.54
Comcast Corporation	Telecommunications	211,311	0.49
Maxim Integrated Products, Inc.	Semiconductor manufacturing	137,022	0.32
Tektronix, Inc.	Computer electronics	128,237	0.30
All other taxpayers	-	39,762,423	91.95
	Total	\$ 43,239,302	100.00 %
CLACKAMAS COUNTY			
Shorenstein Properties LLC	Real estate	\$ 239,357	0.93 %
General Growth Properties, Inc.	Real estate	236,968	0.92
Portland General Electric Co.	Electric utility	225,222	0.87
Comcast Corporation	Telecommunications	144,086	0.56
Clackamas Baking Plant (Fred Meyer, Inc.)	Retailer	143,486	0.56
Northwest Natural Gas Co.	Natural gas utility	130,831	0.51
Xerox Corporation	Document management	87,600	0.34
PCC Structural, Inc.	Metal castings and machining	86,161	0.33
Thomson Reuters Pts, Inc.	Information company	65,208	0.25
Blount, Inc.	Equipment manufacturer	64,048	0.25
All other taxpayers	-	24,424,802	94.48
	Total	\$ 25,847,769	100.00 %

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

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE AND FEDERAL 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.

Metro is the recipient of Federal Grant Awards and requires an audit under the Single Audit Act and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. As a result, Metro's audit is also required to be performed in compliance with Generally Accepted Government Audit Standards.

Comments and disclosures required by the above rules and regulations are set forth on the following pages.



**REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *OREGON MINIMUM AUDIT 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, 2011 and have issued our report thereon dated December 2, 2011. 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 use of approved 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 2011 and 2012.
- 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.

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 deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 2, 2011

REPORT OF INDEPENDENT AUDITOR 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, 2011, which collectively comprise Metro's basic financial statements and have issued our report thereon dated December 2, 2011. 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

Management of Metro is responsible for establishing and maintaining effective 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 deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 OF INDEPENDENT AUDITOR 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; others within the entity; 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 2, 2011

**REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Metro Council and Metro Auditor
Portland, Oregon

Compliance

We have audited Metro's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Metro's major federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OF INDEPENDENT AUDITOR ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the audit committee; management; the Council; others within the entity; 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 2, 2011

METRO

Schedule of Expenditures of Federal Awards
For the year ended June 30, 2011

Grantor and Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Natural Resources Conservation Service-			
Direct Programs:			
Wetlands Reserve Program-Forest Grove Habitat	10.072	66-0436-8-060	\$ 7,822
Wetlands Reserve Program-Munger Restoration	10.072	66-0436-6-019	26,667
Wetlands Reserve Program-Gotter Prairie	10.072	66-0436-8-035	28,890
Subtotal Wetlands Reserve Program			63,379
Resource Conservation and Development	10.901	72044360811A	5,651
Wildlife Habitat Incentives Program	10.914	72043607138	1,550
Wildlife Habitat Incentives Program	10.914	7204360714R	1,257
Subtotal Wildlife Habitat Incentives Program			2,807
Forest Service-			
Direct Programs:			
Condor Program	10.XXX	09-CS-11062200-007	1,500
UNO Program	10.XXX	09-CS-11062200-010	18,000
Total U. S. Department of Agriculture			91,337
U.S. DEPARTMENT OF DEFENSE			
Department of the Army, Office of the Chief of Engineers			
Passed through Washington Department of Fish & Wildlife:			
Planning Assistance to States - Water Resources Development Act	12.110	WDFW # 06-1337, Amend #5	50,000
Total U.S. Department of Defense			50,000
U.S. DEPARTMENT OF THE INTERIOR			
Bureau of Land Management-			
Direct Program:			
Fish, Wildlife and Plant Conservation Resource Management; Federal Land Policy and Management Act (FLPMA)	15.231	L07AC20271 Task order-HAF079Q05	40,000
U.S. Geological Survey			
Direct Program:			
U.S. Geological Survey - Research and Data Collection Digital Ortho-Imagery Grant	15.808	G10AC00190	70,000
Fish and Wildlife Service-			
Passed through The Department of State Lands:			
Cooperative Endangered Species Conservation Fund	15.615	USFWS Sec 6 grant E-28-TW-2	37,037
Passed through Oregon State Marine Board:			
Clean Vessel Act	15.616	N/A	788
Sportfishing and Boating Safety Act	15.622	1379	2,125
Passed through Ducks Unlimited			
North American Wetlands Conservation Fund	15.623	US-OR-32-5	47,882
Passed through Washington Department of Fish & Wildlife:			
State Wildlife Grants	15.634	WDFW #08-1424 Amend #4	84,475
Total U. S. Department of the Interior			282,307

METRO

**Schedule of Expenditures of Federal Awards
For the year ended June 30, 2011**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Highway Administration-			
Highway Planning and Construction Cluster-			
Highway Planning and Construction-			
Passed through Oregon Department of Transportation:			
2011 Planning Fund	20.205	ODOT # 26835	1,189,988
2009 Planning Fund Carryover funds	20.205	ODOT # 26835	448,148
2011 STP funds	20.205	ODOT # 26835	857,932
2009 STP Carryover funds	20.205	ODOT # 26835	153,044
2011 STP Next Corridor funds	20.205	ODOT # 26835	265,159
2010 STP Next Corridor Carryforward fund	20.205	ODOT # 26835	191,991
2008 STP Next Corridor Carryforward fund	20.205	ODOT # 26835	248,809
I-5 / 99W Tualatin-Sherwood Connector fund	20.205	ODOT # 26835	309,982
Tigard TGM Land Use	20.205	ODOT # 27105	31,148
I-5 / 99W Connector Project	20.205	ODOT # 22445	120
Columbia River Crossing Loaned Executive	20.205	ODOT # 25288	148,118
Oregon Hwy 212 / Damascus Project	20.205	ODOT # 25218-01	4,843
Oregon Climate Summit	20.205	n/a	9,652
Passed through Washington Department of Transportation:			
Columbia River Crossing II Project	20.205	GCA 5744	4,518
Passed through Multnomah County, Oregon:			
Sellwood Bridge IGA	20.205	4600006289	2,223
Passed through Clackamas County, Oregon:			
Sunrise Corridor EIS	20.205	Metro # 925507	854
Subtotal Highway Planning and Construction			3,866,529
Recreational Trails Program			
Passed State of Oregon, Department of Parks and Recreation			
Bi-State Regional Trails Web Site and Map	20.219	RT10-12	12,000
Total Highway Planning and Construction Cluster			3,878,529
Federal Transit Administration-			
Metropolitan Transportation Planning Grants-			
Passed through Oregon Department of Transportation :			
2011 Technical Studies (Sec 5303)	20.505	ODOT # 26883	386,524
2010 Technical Studies (Sec 5303)	20.505	ODOT # 25996	95,239
Subtotal Metropolitan Transportation Planning Grants			481,763
Federal Transit - Formula Grants (Federal Transit Cluster)-			
Direct Programs:			
Congestion Mitigation & Air Quality Improvement Program (CMAQ)			
Regional Travel Options	20.507	OR95-X010	1,565,765
Alternative Analysis-			
Direct Programs:			
Streetcar/Eastside/LO-PDX (Sec 5339)	20.522	OR39-0002-01	11,289
Total U.S. Department of Transportation			5,937,346

METRO

Schedule of Expenditures of Federal Awards
For the year ended June 30, 2011

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Office of Solid Waste and Emergency Response			
Direct Program:			
Brownfields Assessment and Cleanup Cooperative Agreements II	66.818	BF-96072301	131,919
Total U.S. Environmental Protection Agency			131,919
U.S. DEPARTMENT OF ENERGY			
Passed through the Oregon Department of Energy			
ARRA - State Energy Program			
Oregon Convention Center - Lighting Fixture & Upgrade Project	ARRA - 81.041	SEP 10-1062	235,063
Total U.S. Department of Energy			235,063
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
U.S. Centers for Disease Control and Prevention			
Passed through Multnomah County Health Department			
ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement			
East Metro Health Equity Investment Strategy	ARRA - 93.724	CPPW10-001	24,925
Total U.S. Department of Health & Human Services			24,925
Total Expenditures of Federal Awards			\$ 6,752,897

METRO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all federal grant activity of Metro, under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because this Schedule presents only a selected portion of the operations of Metro, it is not intended to and does not present the financial position, changes in net assets or cash flows of Metro.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in note II.C to Metro's basic financial statements. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, *Cost Principals for State, Local and Indian Tribal Governments*, wherein certain types of expenses are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 – SUBRECIPIENTS

Included within the federal expenditures presented on the Schedule are federal awards subrecipients as follows:

Subrecipient	Federal CFDA		Total Expenditures
	Number	Grant Number	
Bicycle Transportation Alliance	20.507	FTA # OR95-X010	\$ 8,950
City of Gresham	20.507	FTA # OR95-X010	33,005
City of Portland	20.507	FTA # OR95-X010	187,905
City of Tigard	20.507	FTA # OR95-X010	1,276
City of Wilsonville	20.507	FTA # OR95-X010	143,838
Community Cycling Center	20.507	FTA # OR95-X010	14,312
Gresham Downtown Development Association	20.507	FTA # OR95-X010	43,511
Lloyd District TMA	20.507	FTA # OR95-X010	71,473
North Clackamas County Chamber of Commerce	20.507	FTA # OR95-X010	48,521
South Waterfront Community Relations	20.507	FTA # OR95-X010	42,883
Swan Island Business Association	20.507	FTA # OR95-X010	61,878
Tri-Met	20.507	FTA # OR95-X010	33,731
Westside Transportation Alliance Inc.	20.507	FTA # OR95-X010	65,782
Total Subrecipient Federal Expenditures			\$ 757,065

**METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	US Department of Transportation Highway Planning and Construction Cluster
20.219	Highway Planning and Construction Recreational Trails Program
81.041	US Department of Energy ARRA State Energy Program

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

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

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

**METRO
SUMMARY SCHEDULE OF PRIOR FEDEARL AWARD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Finding 2010-03 Procurement, Suspension and Debarment - Significant Deficiency in Internal Control and Instances of Noncompliance (Unresolved Finding 2009-02)

Federal Program: Sport Fish Restoration Program, passed through the Oregon Department of Fish and Wildlife (Federal CFDA number 15.605)

Condition: During our testing of procurement, we noted two instances in four 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 fiscal year 2009 to use a checklist for new and amended contracts to ensure all proper language is included qualifying contracts. However, this change was not fully implemented for the Parks department.

Recommendation: Moss Adams recommends Metro further develop a federal contracts review process to ensure appropriate language is included for all Park's contracts that are receiving federal funds. This should include review of current contracts that may require amendments.

Current Status: Resolved

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 12-4325 FOR THE PURPOSE OF THE METRO COUNCIL'S ACCEPTANCE OF THE RESULTS OF THE INDEPENDENT AUDIT REPORT FOR FINANCIAL ACTIVITY DURING FISCAL YEAR 2010-2011

Date: January 3, 2012

Prepared by: Suzanne Flynn
Metro Auditor
503/797-1891

BACKGROUND

State ORS provision 297.465 requires an annual independent audit of Metro's financial statements. The current contract (No. 929814) was awarded to Moss Adams LLP for audit services and is effective May 1, 2010 through June 30, 2013.

Metro Code Chapter 2.15 specifies at Section 2.15.80 that the Auditor shall appoint external certified public accountants to conduct certified financial statement audits. Metro Charter Section 18 also specifies that the auditor shall be responsible for financial auditing of all aspects of Metro's operations.

The Comprehensive Annual Financial Report (CAFR) has been completed by Metro Finance and Regulatory Services. Moss Adams LLP has audited the financial statements and issued an opinion that these statements fairly represent Metro's financial position as of June 30, 2011. The results have been reviewed by the Metro Auditor and Metro Audit Committee members. Moss Adams did not write a management letter this year, a high testament to the quality of Metro's reporting of its financial activities. The firm did share some best practices suggestions with staff.

ANALYSIS/INFORMATION

1. **Known Opposition** none

2. **Legal Antecedents**

State ORS provision 297.465 requires an annual independent audit of Metro's financial statements. Metro contract No. 929814 with Moss Adams LLP for audit services will expire on June 30, 2013.

Metro Code Chapter 2.15 specifies at Section 2.15.80 that the Auditor shall appoint external certified public accountants to conduct certified financial statement audits. The Metro Charter Section 18 also specifies that the auditor shall be responsible for financial auditing of all aspects of Metro's operations.

3. **Anticipated Effects**

Finance and Regulatory Services management and staff will review and implement the best practices suggestions as appropriate.

4. **Budget Impacts** None known at this time.

RECOMMENDED ACTION

The Metro Auditor recommends approval of Resolution No. 12- 4325.

Communications with Those Charged with Governance under SAS No. 114

Suzanne Flynn, Metro Auditor
and the Audit Committee
Portland, Oregon

We have audited the financial statements of Metro as of and for the year ended June 30, 2011 and have issued our report thereon dated December 2, 2011. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

As stated in our contract dated May 1, 2010, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with generally accepted auditing standards and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control over financial reporting. Accordingly, we considered Metro's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility for other information in the Auditor's Report and Financial Statements does not extend beyond the financial information identified in our report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. However, we have read the information and nothing came to our attention that caused us to believe that such information or its manner of presentation is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

MOSS ADAMS_{LLP}

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope communicated to you in the original contract dated May 1, 2010, as well as the meeting we held with you on June 29, 2011.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Metro are described in Note 1 to the financial statements. One new accounting policy was adopted concerning the implementation of GASB 54, *Fund Balancer Reporting and Governmental Fund Type Definitions*. Under this policy, Metro's fund balances were reported within the following classifications of nonspendable, restricted, committed, assigned, or unassigned. In addition, the criteria for the use of special revenue funds was clarified, and Metro changed the reporting of certain funds and activities to meet the requirements for reporting special revenue funds under the new standard.

We noted no transactions entered into by Metro during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

- Disclosure of the reporting entity and significant accounting policies in prelude to the notes to the financial statements. This disclosure reports the operations under the governance of the elected Metro Council, as well as the more significant policies used by Metro in the preparation of the financial statements.
- Disclosure of cash and investment details in Note IV.A. to the financial statements. This disclosure provides the details of the amounts of cash and investments held in the various types of depositories and securities at year end as well as the details of the nature of the risks inherent in Metro's cash and investment portfolio.
- Disclosure of other post-employment benefits in Notes IV.G. and H. to the financial statements. The recorded OPEB liability for benefits included in the financial statements is an estimate based on assumptions regarding future healthcare trend rates, discount rates that attempt to match anticipated returns on Metro's cash and investments, and many

MOSS ADAMS LLP

other actuarial assumptions. In addition, the allowable accrual methods allow for the smoothing of current year expenses through the concept of ‘catching up’ for prior year under-funding of the plan over a 30-year period resulting in an accrual that is less than the actuarially determined total liability.

- Disclosure of Metro’s long-term debt in Notes IV.K. and L. to the financial statements. These disclosures provide the details of the amounts and types of debt outstanding at year end along with the repayment terms, significant covenants, and future maturities of principal and interest.
- Disclosure of Metro’s pollution remediation and post-closure landfill care obligations in Note IV.M. to the financial statements. The recorded liability was calculated and reported pursuant to GASB 49 that provides that a liability for remediation projects is only necessary when one of five obligating events has occurred. Metro has determined that obligating events have occurred on two remediation projects. Further, the liability is based on a probability weighted estimate of future environmental study, remediation, and post-remediation costs, and those estimates may change significantly in the future.
- Disclosure of Metro’s landfill post-closure care costs in Note IV.N. to the financial statements. The liability recorded is based on estimates of costs that will be incurred through the year 2026 to meet current State and Federal requirements, and actual costs could vary significantly from those estimates.
- Disclosure of Metro’s risk management programs in Note IV.Q. to the financial statements. This disclosure provides a summary of the various risks of loss Metro is exposed to, and its method of financing those risks. This note also provides a reconciliation of claims liabilities for the past two years. The claims liability is an estimate that is based on assumptions, and actual results could vary significantly from those estimates.

Significant Difficulties Encountered in Performing the Audit

We did not encounter significant difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

There was one uncorrected misstatement related to the under-reporting of OPEB liability that was actually identified last year that is still applicable to this year given Metro’s policy to get actuarial valuations every two years. There were errors made in excluding participants eligible for benefits in the census data provided to the actuary, resulting in an estimated understatement of the recorded liability of \$77,000, and an estimated understatement of the actuarial accrued liability disclosed in the notes to the financial statements of \$176,000. Management determined the error to be immaterial, and we concurred with that conclusion. The matter will be resolved in the next actuarial valuation scheduled for June 30, 2012.

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There was one uncorrected misstatement related to real property recorded by Metro as a capital asset addition in a prior year that was actually not owned by Metro, and should have been expensed in the year the expenditures were made in the amount of \$2.2 million. An entry was made to include a disposition in the current year to remove the capital asset from Metro's financial statements. Management determined the error created in the current year statement of activities by reporting the disposition in the current year to be immaterial, and we concurred with that conclusion.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 2, 2011.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Metro's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Metro's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We have represented to you that we are independent with respect to Metro.

This information is intended solely for the use of the audit committee and management of Metro and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Eugene, Oregon
December 2, 2011