

 **Metro** | *Agenda*

Meeting: Metro Council
Date: Thursday, Jan. 17, 2013
Time: 2 p.m.
Place: Metro, Council Chamber

CALL TO ORDER AND ROLL CALL

1. INTRODUCTIONS

2. CITIZEN COMMUNICATION

3. FY 2011-12 EXTERNAL FINANCIAL AUDIT RESULTS

**Suzanne Flynn, Metro Auditor
Jim Lanzarotta, Moss Adams LLP
Nancy Young, Moss Adams LLP**

4. CONSIDERATION OF THE MINUTES FOR JAN. 10, 2013

5. CHIEF OPERATING OFFICER COMMUNICATION

6. COUNCILOR COMMUNICATION

ADJOURN

Television schedule for Jan. 17, 2013 Metro Council meeting

<p>Clackamas, Multnomah and Washington counties, and Vancouver, WA Channel 30 – Community Access Network <i>Web site:</i> www.tvctv.org <i>Ph:</i> 503-629-8534 <i>Date:</i> Thursday, Jan. 17, 2 p.m.</p>	<p>Portland Channel 30 – Portland Community Media <i>Web site:</i> www.pcmtv.org <i>Ph:</i> 503-288-1515 <i>Date:</i> Sunday, Jan. 20, 7:30 p.m. <i>Date:</i> Monday, Jan. 21, 9 a.m.</p>
<p>Gresham Channel 30 - MCTV <i>Web site:</i> www.metroeast.org <i>Ph:</i> 503-491-7636 <i>Date:</i> Monday, Jan. 21, 2 p.m.</p>	<p>Washington County Channel 30– TVC TV <i>Web site:</i> www.tvctv.org <i>Ph:</i> 503-629-8534 <i>Date:</i> Saturday, Jan. 19, 11 p.m. <i>Date:</i> Sunday, Jan. 20, 11 p.m. <i>Date:</i> Tuesday, Jan. 22, 6 a.m. <i>Date:</i> Wednesday, Jan. 23, 4 p.m.</p>
<p>Oregon City, Gladstone Channel 28 – Willamette Falls Television <i>Web site:</i> http://www.wftvmedia.org/ <i>Ph:</i> 503-650-0275 Call or visit web site for program times.</p>	<p>West Linn Channel 30 – Willamette Falls Television <i>Web site:</i> http://www.wftvmedia.org/ <i>Ph:</i> 503-650-0275 Call or visit web site for program times.</p>

PLEASE NOTE: Show times are tentative and in some cases the entire meeting may not be shown due to length. Call or check your community access station web site to confirm program times.

Agenda items may not be considered in the exact order. For questions about the agenda, call the Metro Council Office at 503-797-1540. Public hearings are held on all ordinances second read. Documents for the record must be submitted to the Regional Engagement Coordinator to be included in the decision record. Documents can be submitted by e-mail, fax or mail or in person to the Regional Engagement Coordinator. For additional information about testifying before the Metro Council please go to the Metro web site www.oregonmetro.gov and click on public comment opportunities. For assistance per the American Disabilities Act (ADA), dial TDD 503-797-1804 or 503-797-1540 (Council Office).

Agenda Item No. 3.0

FY 2011-12 External Financial Audit Results

Metro Council Meeting
Thursday, Jan. 17, 2013
Metro, Council Chamber

METRO COUNCIL MEETING

January 17, 2011

Jim Lanzarotta, Partner

Nancy Young, Sr. Mgr.



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Certified Public Accountants | Business Consultants

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WHAT WE WILL COVER

- Scope of services provided
- Audit results
- Status of prior year observations and recommendations
- Current year observations and recommendations
- Comments
- Acknowledgements



NATURE OF SERVICES PROVIDED

- **Audit of the financial statements** of Metro (which include MERC) under Generally Accepted and Government Audit Standards
- **Technical review** of the CAFR for compliance with GAAP as well as GFOA Certificate of Excellence requirements
- Compliance testing/reporting under **Oregon Minimum Audit Standards**
- Single **Audit of federal grant programs** under OMB Circular A-133 and the Single Audit Act
- Special reports for Metro's compliance with the Natural Areas and Zoo **bond expenditures**

AUDIT RESULTS – FINANCIAL AUDIT

Unqualified opinion

- Reasonable, but not absolute, assurance
- Financial statements presented in accordance with GAAP



AUDIT RESULTS - OREGON MUNICIPAL AUDIT STANDARDS

- Compliance testing/reporting under Oregon Minimum Audit Standards
 - We identified three instances MERC did not follow public contracting rules as described in ORS 279 and its own Contracting and Purchasing Rules.
 - One instance of not obtaining three bids
 - Two instances of not obtaining proper approvals per Metro policies



AUDIT RESULTS – FEDERAL GRANTS

- Audit Federal Grant Compliance
 - (clean) opinion on compliance
 - No findings
 - Prior year no findings



AUDIT RESULTS – BOND EXPENDITURES

Natural Areas/Zoo Bond Compliance

- No findings of non-compliance of nature of approved expenditures
- Other Matter: we noted several charges classified as ‘administrative charges’. Metro’s definition of ‘administrative charges’ appears broad, and currently leaves room for misinterpretation of qualifying expenditures.



NEW ACCOUNTING STANDARDS

- Accounting for Service Concession Arrangements (FYE 6/13)
 - MERC's operation of performing arts venues owned by the City
- Reporting component units (FYE 6/13)
 - Oregon Zoo Foundation
- Pension reporting (FYE 6/15)
 - Metro's participation in Oregon PERS

ACCOUNTING STANDARDS IN THE WORKS

- Economic condition reporting – future financial projections
- Fair value measurement
- Financial guarantees
- Government combinations
- Other post-employment benefit reporting

COMMENTS

Questions?

ACKNOWLEDGEMENTS

Thanks to Suzanne Flynn for her management of the audit contract, Margo Norton, and Tim Collier for their leadership; Don Cox, Karla Lenox, Benjamin Ruef, and Julia Fennel for their excellent facilitation of our audit procedures; and members of the Audit Committee for their guidance, oversight, and involvement in the process.

REPORT OF INDEPENDENT AUDITORS

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, 2012, 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 percent 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 previously 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, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012 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, and 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.

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Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 17 through 33; the schedules of revenues, expenditures and changes in fund balance - budget and actual on pages 83 through 84 (the "budgetary schedules"); and the schedule of funding progress for other post employment benefits on page 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis and the schedule of funding progress for other post employment benefits described in the preceding paragraph in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary schedules described above are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Metro's basic financial statements. The introductory section, other supplementary information, other financial schedules, statistical section, and the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information, other financial schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, other financial schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



For Moss Adams LLP
Eugene, Oregon
December 3, 2012

Metro CAFR

Cover only - entire report may be
downloaded from Metro's website
(188 pages)

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2012

Finance and Regulatory Services Department

Interim Director of Finance and Regulatory Services
Timothy C. Collier

Prepared by
Accounting Services Division

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

Financial Reporting and Control Supervisor
Karla J. Lenox, CPA, CGMA



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**REPORT OF INDEPENDENT AUDITORS 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, 2012 and have issued our report thereon dated December 3, 2012. 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 2012 and 2013.
- 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 other than the following that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, except as noted below.

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The Metropolitan Exposition-Recreation Commission (MERC) did not always follow public contracting rules as described in Oregon Revised Statute 279 and its own Contracting and Purchasing Rules. Specifically,

- For public contracts exceeding \$5,000 but less than \$100,000, the contract manager is to seek at least three informally solicited competitive price quotes or competitive proposals from prospective contractors. In one instance, MERC did not informally obtain three competitive price quotes but appears to have predetermined the contractor.
- No contract in an amount above \$5,000 may be amended without the General Manager's approval. In one instance a contract was amended, taking the total contract price over \$5,000 without the required approval;
- No public contract may be amended to include additional work or improvements that are not directly related to the scope of work that was described in the competitive process. All public improvement contracts exceeding \$100,000 shall be based upon competitive sealed bids. In one instance, MERC modified a contract for over \$100,000 that appears to include additional work and improvements beyond the scope of the original work.

In addition, we found one contract award for more than the original bid. While MERC may negotiate a contract price in instances where the bid exceeds the budget, this was not the case and indicates the solicitation did not adequately represent the project and should have been re-solicited.

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.

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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 previously.

This report is intended solely for the information of the Metro Council and Metro Auditor, management, and the Secretary of State, Divisions of Audits, of 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 3, 2012

REPORT OF INDEPENDENT AUDITORS 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, 2012, which collectively comprise Metro's basic financial statements and have issued our report thereon dated December 3, 2012. 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 previously.



REPORT OF INDEPENDENT AUDITORS 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 3, 2012

REPORT OF INDEPENDENT AUDITORS 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, 2012. 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, 2012.

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 AUDITORS 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 3, 2012

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, 2012 and have issued our report thereon dated December 3, 2012. 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 August 8, 2012.

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 II to the financial statements. 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 disclosures affecting the financial statements 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 III.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 pension and other post-employment benefits in Notes III.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 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 15-year period resulting in an accrual that is less than the actuarially determined total liability.

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- Disclosure of Metro's long-term debt in Notes III.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 III.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 III.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 III.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 were no audit adjustments found to be necessary, and we identified one misstatement as a result of audit procedures for a \$400,000 grant payable to another entity under the Natural Areas Share Program that was not accrued at year end. Management has not corrected for this as the amount is immaterial, and we concur with that assessment.

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 3, 2012.



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 3, 2012

METRO

Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2012

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	\$ 7,042
Wetlands Reserve Program-Munger Restoration	10.072	66-0436-6-019	5,000
Wetlands Reserve Program-Gotter Prairie	10.072	66-0436-8-035	29,611
Total Wetlands Reserve Program			41,653
Forest Service-			
Direct Programs:			
UNO Program	10.XXX	09-CS-11062200-010 Mod #3	10,000
Total U.S. Department of Agriculture			51,653
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 #7	55,115
Total U.S. Department of Defense			55,115
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
Fish and Wildlife Service-			
Direct Program:			
Endangered Species Conservation-Recovery Implementation Funds	15.657	F11AC00094	45,000
Passed through The Department of State Lands:			
Cooperative Endangered Species Conservation Fund	15.615	USFWS Sec 6 grant E-28	7,413
Passed through Oregon Department of Parks and Recreation			
Cooperative Endangered Species Conservation Fund	15.615	E28TW3 OZ	19,216
Total Cooperative Endangered Species Conservation Fund			26,629
Passed through Oregon State Marine Board:			
Clean Vessel Act	15.616	N/A	787
Passed through Ducks Unlimited			
North American Wetlands Conservation Fund	15.623	US-OR-32-5	12,147
North American Wetlands Conservation Fund	15.623	US-OR-210-1	500,000
Total North American Wetlands Conservation Fund			512,147
Passed through Washington Department of Fish & Wildlife:			
State Wildlife Grants	15.634	WDFW #08-1424 Amend #5	32,760
Total U.S. Department of the Interior			657,323

METRO

**Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2012**

Grantor and Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Highway Administration-			
Highway Planning and Construction Cluster-			
Highway Planning and Construction-			
Passed through Oregon Department of Transportation:			
Chimney Pier Park pedestrian/bike bridge	20.205	ODOT # 26482	1,732
2012 Planning Fund	20.205	ODOT # 27833	1,505,248
2010 Planning Fund Carryover funds	20.205	ODOT # 27833	244,950
2012 STP funds	20.205	ODOT # 27833	832,629
2010 STP Carryover funds	20.205	ODOT # 27833	122,722
2012 STP Next Corridor funds	20.205	ODOT # 27833	274,662
2011 STP Next Corridor Carryforward fund	20.205	ODOT # 27833	36,333
SW Corridor fund (I-5/99W Tualatin-Sherwood Connector)	20.205	ODOT # 27833	150,018
Household Survey STP Carryforward	20.205	ODOT # 27833	350,000
Tigard TGM Land Use Planning	20.205	ODOT # 27105	1,352
Oregon Hwy 212 / Damascus Project	20.205	ODOT # 25218-01	335
Loaned Planner Assignment - D.Kaempff	20.205	ODOT # 28383	9,215
RSO Rewards Program	20.205	ODOT # 28007	5,110
TGM Regional Active Transportation Action Plan	20.205	ODOT # 28260	87,805
RCTO - Multimodal Arterial Performance Mgmt	20.205	ODOT # 28088	2,059
Passed through Washington Department of Transportation:			
Columbia River Crossing III Project	20.205	GCA 5744	22,451
Passed through Clackamas County, Oregon:			
172nd Ave / Sunnyside Rd - Multnomah Cty Line	20.205	ODOT # 25784	1,595
Total Highway Planning and Construction			3,648,216
Recreational Trails Program			
Passed State of Oregon, Department of Parks and Recreation			
Bi-State Regional Trails Web Site and Map	20.219	RT10-012	38,000
Total Highway Planning and Construction Cluster			3,686,216
Federal Transit Administration-			
Metropolitan Transportation Planning Grants-			
Passed through Oregon Department of Transportation:			
2012 Technical Studies (Sec 5303)	20.505	ODOT # 27559	480,610
Federal Transit - Formula Grants (Federal Transit Cluster)-			
Direct Programs:			
Congestion Mitigation & Air Quality Improvement Program (CMAQ)			
Regional Travel Options	20.507	OR-95-X010-03	1,143,010
Regional Travel Options	20.507	OR-95-X037	518,370
Total Regional Travel Options Grants			1,661,380
Capital Investment Grants			
Passed through Tri-County Metropolitan Transportation District of Oregon (TriMet)			
Milwaukie Light Rail Final Design	20.500	GH120250TL	20,747
Total Federal Transit Cluster			1,682,127
Alternative Analysis-			
Direct Programs:			
Streetcar/Eastside/LO-PDX (Sec 5339)	20.522	OR-39-0002-02	15,493
Southwest Corridor Plan (Sec 5339)	20.522	OR-39-0006	1,368,697
Total Alternatives Analysis Grants			1,384,190
Total U.S. Department of Transportation			7,233,143

METRO

Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2012

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
NATIONAL SCIENCE FOUNDATION			
Passed through the New York Hall of Science Education and Human Resources, Wild Minds	47.076	DRL-0840160	7,700
Total National Science Foundation			7,700
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	16,004
State Clean Diesel Grant Program Passed through State of Oregon Department of Environmental Quality	66.040	DS-96077601	303,522
Total U.S. Environmental Protection Agency			319,526
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			\$ 8,349,385

METRO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012. 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 #	GRANT #	TOTAL EXPENDITURES
Bicycle Transportation Alliance	20.507	FTA OR-95-X010	\$ 13,750
City of Gresham	20.507	FTA OR-95-X010	44,662
City of Portland	20.507	FTA OR-95-X010	175,365
City of Tigard	20.507	FTA OR-95-X010	11,227
City of Wilsonville	20.507	FTA OR-95-X010	122,008
Community Cycling Center	20.507	FTA OR-95-X010	12,456
Gresham Downtown Development Association	20.507	FTA OR-95-X010	43,165
Lloyd District TMA	20.507	FTA OR-95-X010	66,622
South Waterfront Community Relations	20.507	FTA OR-95-X010	48,037
Swan Island Business Association	20.507	FTA OR-95-X010	55,365
Tri-Met	20.507	FTA OR-95-X010	71,686
Tri-Met	20.522	FTA OR-39-0006	23,747
Westside Transportation Alliance Inc.	20.507	FTA OR-95-X010	57,865
Woodland Park Zoo	15.657	FWS # F11AC00094	18,000
Tualatin Riverkeepers	10.072	66-0436-6-019	5,000
Total Subrecipient Federal Expenditures			\$ 768,955

**METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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>
15.623	U.S. Department of the Interior North American Wetlands Conservation Fund
20.505	U.S. Department of Transportation Metropolitan Transportation Planning Grants Federal Transit Cluster
20.500	Federal Transit – Capital Investment Grants
20.507	Federal Transit – Formula Grants
20.522	Alternative Analysis
66.040	U.S. Environmental Protection Agency State Clean Diesel Grant Program

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

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

**METRO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

REPORT OF INDEPENDENT AUDITOR

Metro Council and Metro Auditor
Portland, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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, 2012, which collectively comprise Metro's basic financial statements, and have issued our report thereon dated December 3, 2012.

In connection with our audit, nothing came to our attention that caused us to believe that Metro failed to comply with the provisions in Exhibit A to Resolution No. 06-3672B with regard to the Natural Areas General Obligation Bonds, Series 2007 and Series 2012A. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use 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 3, 2012

REPORT OF INDEPENDENT AUDITOR

Metro Council and Metro Auditor
Portland, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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, 2012, which collectively comprise Metro's basic financial statements, and have issued our report thereon dated December 3, 2012.

In connection with our audit, nothing came to our attention that caused us to believe that Metro failed to comply with the provisions in Exhibit A to Resolution No. 08-3945 with regard to the Oregon Zoo General Obligation Bonds, Series 2008, Series 2010, and Series 2012A. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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

Moss Adams, LLP

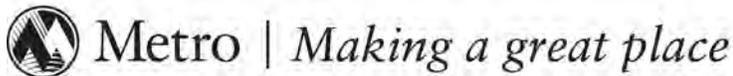
Eugene, Oregon
December 3, 2012

Agenda Item No. 4.0

Consideration of the Minutes for Jan. 10, 2013

Metro Council Meeting
Thursday, Jan. 17, 2013
Metro, Council Chamber

Materials following this page were distributed at the meeting.



METRO COUNCIL MEETING

Meeting Summary

Jan. 10, 2013

Metro, Council Chamber

Councilors Present: Council President Tom Hughes and Councilors Shirley Craddick, Craig Dirksen, Carlotta Collette, Kathryn Harrington, Sam Chase, and Bob Stacey

Councilors Excused: None

Council President Tom Hughes convened the regular council meeting at 2:02 p.m.

1. INTRODUCTIONS

There were none.

2. CITIZEN COMMUNICATIONS

There were none.

3. CONSIDERATION OF THE MINUTES FOR DEC. 18, 2012

Council President Hughes stated that Councilors Bob Stacey, Sam Chase and Craig Dirksen did not participate in the December 18 meeting and therefore would abstain from the following vote.

Motion:	Councilor Carlotta Collette moved to approve the Council minutes for Dec. 18, 2012.
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Vote:	Council President Hughes and Councilors Craddick, Collette, and Harrington voted in support of the motion. Councilors Stacey, Chase and Dirksen abstained. The vote was 4 ayes and 3 abstentions, the motion <u>passed</u> .
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4. RESOLUTIONS

4.1 **Resolution No. 13-4404**, For the Purpose of Organizing the Metro Council and the Deputy Council President and Confirming Committee Members.

Council President Hughes passed the gavel to Councilor Shirley Craddick to chair the meeting while he carried Resolution No. 13-4404 and Resolution No. 13-4405.

Motion:	Council President Hughes moved to approve Resolution No. 13-4404.
Second:	Councilor Kathryn Harrington seconded the motion.

Council President Hughes introduced Resolution No. 13-4404, which if approved would elect the Metro Council's Deputy Council President and confirm committee appointments for 2013. Each

year the Metro Council President nominates the Deputy Council President and appoints councilors to serve on the Joint Policy Advisory Committee on Transportation (JPACT) and Metro Policy Advisory Committee (MPAC).

Council President Hughes' appointments for 2013 were as follows:

<u>Deputy Council President</u>	Councilor Shirley Craddick
<u>JPACT</u>	Councilor Carlotta Collette, Chair
	Councilor Shirley Craddick
	Councilor Kathryn Harrington
	Councilor Craig Dirksen (<i>alternate</i>)
<u>MPAC</u>	Councilor Sam Chase
	Councilor Bob Stacey
	Councilor Craig Dirksen

Vote: Council President Hughes and Councilors Craddick, Chase, Harrington, Stacey, Dirksen, and Collette voted in support of the motion. The vote was 7 ayes, the motion passed.

4.2 **Resolution No. 13-4405**, For the Purpose of Appointing the Following Members to the Metro Policy Advisory Committee (MPAC): Ed Gronke as Clackamas County Citizen Member Alternate, Paul Manson as Multnomah County Citizen Member Alternate, and Bob Silverforb as Washington County Citizen Member Alternate.

Motion:	Council President Hughes moved to approve Resolution No. 13-4405.
Second:	Councilor Collette seconded the motion.

Council President Hughes introduced Resolution No. 13-4405. In 2011, Council President Hughes initiated a new process to appoint citizen members to MPAC. The new process was designed to allow for deliberate and periodic examination of the positions, and to allow for new perspectives and voices on the committee. Council President Hughes sought recommendations from local elected officials and stakeholders to identify persons to serve on MPAC. From the nominations received, Council President Hughes appointed and/or reappointed the following people to serve as citizen alternates on MPAC:

- Clackamas County Citizen Alternate: Ed Gronke (reappointment)
- Multnomah County Citizen Alternate: Paul Manson (reappointment)
- Washington County Citizen Alternate: Bob Silverforb (new appointment)

Councilors thanked the three appointees for their willingness to serve on the committee, and emphasized the importance of including community and grassroots perspectives on the committee. Councilors encouraged the new members to be fully engaged and involved in the committee's discussions.

Vote: Council President Hughes and Councilors Craddick, Chase, Harrington, Stacey, Dirksen, and Collette voted in support of the motion. The vote was 7 ayes, the motion passed.

5. CHIEF OPERATING OFFICER COMMUNICATION

Ms. Martha Bennett provided the following four updates:

- The Oregon Zoo experienced record attendance in December 2012. In addition, the Zoo had its second highest attendance at Zoo Lights.
- In fall 2012, the Metro Council passed a resolution regarding clean up of Metro cemeteries. Families of loved ones buried in the cemeteries that are in possible noncompliance have been notified and provided a deadline for cleanup.
- The Portland Center for Performing Arts showing of the Broadway show *Book of Mormon* sold out quick and had record food and beverage sales.
- The new operators at Glendoveer Golf Course have begun to implement changes including a revamped web site and updated logo.

Councilor Craddick noted that the new Glendoveer operations company has hired many of the employees from the previous company. She commended the new operations company.

Ms. Alison Kean Campbell, Metro Attorney, stated that she would begin to provide monthly updates on litigation involving Metro. Her update included:

- The recent urban growth boundary decision in Lake Oswego has been appealed by the owner of the Stafford Hills Tennis Club. Councilors will receive briefs shortly.
- The Oregon Court of Appeals will hold the oral argument for the Reserves litigation on Jan. 16. Councilors are welcomed to attend.
- The Dept. of Land Conservation and Development's written order on the region's urban growth boundary decision was received in late December. The deadline for appeals is Jan. 11; one appeal has been received to date. Legal counsel anticipates the Court will put the briefing in abeyance until the results of the Reserves appeal are handed down.

Ms. Kean Campbell also stated that she would provide the Metro Council quarterly updates in executive sessions on any privileged conversations.

6. COUNCILOR COMMUNICATION

Councilor updates included the Jan. 10 JPACT meeting. Councilor Craddick thanked her colleagues for electing her Deputy Council President for 2013.

7. ADJOURN

There being no further business, Council President Hughes adjourned the regular meeting at 2:21 p.m. The Metro Council will convene the next regular council meeting on Thursday, Jan. 17 at 2 p.m. at the Council Chamber.

Respectfully submitted,



Kelsey Newell, Regional Engagement and Legislative Coordinator

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF JAN. 10, 2013

Item	Topic	Doc. Date	Document Description	Doc. Number
	Agenda	1/10/13	Revised Jan. 10, 2013 Council Agenda	11013-01