

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF METRO COUNCIL'S) RESOLUTION NO. 13- 4407
ACCEPTANCE OF THE RESULTS OF THE)
INDEPENDENT AUDIT REPORT FOR) Introduced by Suzanne Flynn, Metro Auditor
FINANCIAL ACTIVITY DURING FISCAL)
YEAR 2011-2012)

WHEREAS, Oregon Revised Statute 297.425 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:

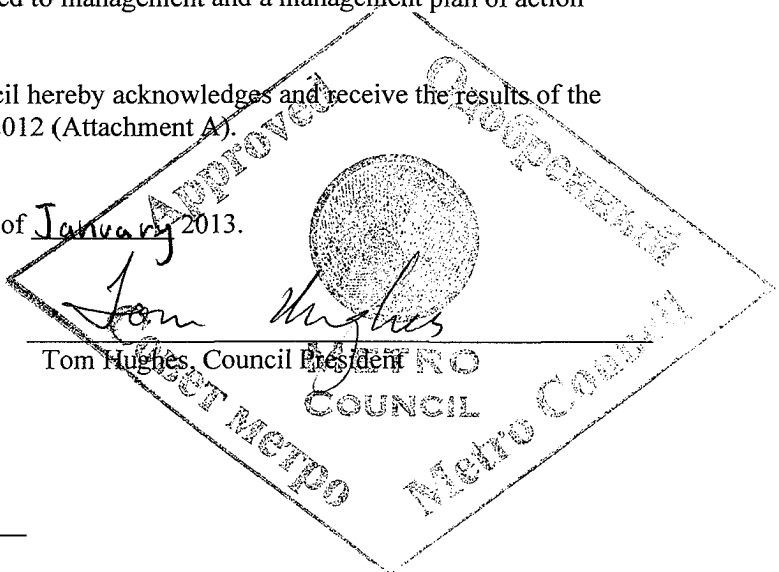
1. Audit of Metro's financial statements (including all costs associated with the Comprehensive Annual Financial Report and applicable management recommendations and comments);
2. Single Audit and applicable management recommendations and comments;
3. Metro Natural Areas Bond Measure Expenditures and 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, 2012 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 receive the results of the independent audit for fiscal year ended June 30, 2012 (Attachment A).

ADOPTED by the Metro Council this 24 day of January 2013.



Approved as to Form:


Alison Kean Campbell, Metro Attorney

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 13-4407 FOR THE PURPOSE OF THE METRO COUNCIL'S ACCEPTANCE OF THE RESULTS OF THE INDEPENDENT AUDIT REPORT FOR FINANCIAL ACTIVITY DURING FISCAL YEAR ENDING JUNE 30, 2012

Date: January 24, 2013

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

BACKGROUND

State ORS provision 297.425 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, 2012. The results have been reviewed by the Metro Auditor and Metro Audit Committee members.

ANALYSIS/INFORMATION

1. **Known Opposition** none

2. **Legal Antecedents**

State ORS provision 297.425 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. 13- 4407.

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.

MOSS ADAMS LLP

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

Attachment "A" to Resolution 13-4407

www.oregonmetro.gov



600 NE Grand Ave.
Portland, Oregon
97232-2736

CAFR

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2012



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, 2012

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

www.oregonmetro.gov



Metro CAFR

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



Metro | *Making a great place*

600 NE Grand Ave., Portland, Oregon 97232

| | |
|---|-----------|
| Table of Contents | i |
| INTRODUCTORY SECTION | |
| Letter of Transmittal | 1 |
| Certificate of Achievement for Excellence in Financial Reporting | 9 |
| Elected and Appointed Officials | 10 |
| Organizational Structure | 11 |
| FINANCIAL SECTION | |
| Letter from Metro Auditor | 13 |
| Report of Independent Auditor | 15 |
| Management's Discussion and Analysis | 17 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-Wide Financial Statements | |
| Statement of Net Assets | 35 |
| Statement of Activities | 38 |
| Fund Financial Statements | |
| <i>Governmental Funds:</i> | 41 |
| Balance Sheet | 42 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 44 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 46 |
| <i>Proprietary Funds:</i> | 47 |
| Statement of Net Assets | 48 |
| Statement of Revenues, Expenses and Changes in Fund Net Assets | 50 |
| Statement of Cash Flows | 51 |
| Notes to the Financial Statements | 53 |
| SUPPLEMENTARY INFORMATION: | |
| Required Supplementary Information | 81 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting): | |
| General Fund | 83 |
| Schedule of Funding Progress: | |
| Other Postemployment Benefits | 85 |
| Notes to Required Supplementary Information | 86 |
| Other Supplementary Information | 87 |
| Combining Statements: | 88 |
| <i>Nonmajor Governmental Funds:</i> | |
| Combining Balance Sheet | 89 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 90 |

| | |
|---|-----|
| Budgetary Comparison Schedules: | 92 |
| <i>Other Major Governmental Funds:</i> | 93 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting): | |
| General Obligation Bond Debt Service Fund | 94 |
| Oregon Zoo Infrastructure and Animal Welfare Fund | 95 |
| Natural Areas Fund | 96 |
| <i>Nonmajor Governmental Funds:</i> | 97 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting): | |
| Smith and Bybee Lakes Fund | 98 |
| Rehabilitation and Enhancement Fund | 99 |
| Open Spaces Fund | 100 |
| Metro Capital Fund | 101 |
| Cemetery Perpetual Care Fund | 102 |
| <i>Proprietary Funds:</i> | 103 |
| Enterprise Funds: | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting): | |
| Solid Waste Revenue Fund | 104 |
| MERC Fund | 105 |
| Reconciliation of Enterprise Fund Revenues and Expenditures (Basis of Budgeting) to Statement of Revenues, Expenses and Changes in Fund Net Assets (GAAP Basis) | 106 |
| Internal Service Fund: | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting): | |
| Risk Management Fund | 107 |
| <i>Other Budgetary Funds:</i> | 109 |
| General Revenue Bond Fund: | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting) | 110 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - (Non-GAAP Basis of Budgeting) | 111 |
| General Asset Management Fund: | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis of Budgeting) | 112 |
| Other Financial Schedules: | 113 |
| Schedule of Property Tax Transactions and Outstanding Receivable | 115 |
| Schedule of Future Bonded Debt Service Requirements: | |
| General Obligation Bonds | 116 |
| Full Faith and Credit and Pension Obligation Bonds | 118 |
| Schedule of Long-term Bonded Debt Transactions: | |
| General Obligation Bonds | 119 |
| Full Faith and Credit and Pension Obligation Bonds | 120 |

STATISTICAL SECTION (UNAUDITED)

| | |
|--|-----|
| Introduction | 121 |
| Financial Trends Information: | |
| Net Assets by Component - Last Ten Fiscal Years | 122 |
| Changes in Net Assets - Last Ten Fiscal Years | 124 |
| Fund Balances, Governmental Funds - Last Ten Fiscal Years | 128 |
| Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years | 130 |
| Revenue Capacity Information: | |
| Solid Waste Tonnage by Waste Type and Destination - Last Ten Fiscal Years | 135 |
| Solid Waste Disposal Rates - Last Ten Fiscal Years | 136 |
| Principal Solid Waste Fee Payers - Current Year and Nine Years Ago | 137 |
| Debt Capacity Information: | |
| Ratios of Outstanding Debt by Type - Last Ten Fiscal Years | 138 |
| Ratios of Net General Bonded Debt Outstanding - Last Ten Fiscal Years | 141 |
| Direct and Overlapping Governmental Activities Debt as of June 30, 2012 | 142 |
| Legal Debt Margin Information - Last Ten Fiscal Years | 144 |
| Pledged Revenue Coverage - Last Ten Fiscal Years | 146 |
| Demographic and Economic Information: | |
| Demographic and Economic Statistics - Last Ten Fiscal Years | 147 |
| Principal Employers - Current Year and Nine Years Ago | 148 |
| Operating Information: | |
| Full-Time Equivalent Employees by Function/Program - Last Ten Fiscal Years | 149 |
| Operating Indicators by Function/Program - Last Ten Fiscal Years | 150 |
| Capital Asset Statistics by Function/Program - Last Ten Fiscal Years | 154 |
| Additional Information: | |
| Property Tax Levies and Collections - Last Ten Fiscal Years | 157 |
| Assessed and Real Market Value of Taxable Property - Last Ten Fiscal Years | 158 |
| Principal Property Tax Taxpayers Within the District by County - June 30, 2012 | 160 |

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE AND FEDERAL REGULATIONS

| | |
|--|-----|
| Introduction | 161 |
| Report of Independent Auditor On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With <i>Oregon Minimum Audit Standards</i> | 163 |
| 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 <i>Government Auditing Standards</i> | 167 |
| 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 | 169 |
| Schedule Of Expenditures Of Federal Awards | 171 |
| Notes To Schedule Of Expenditures Of Federal Awards | 174 |
| Schedule Of Findings And Questioned Costs | 175 |





December 3, 2012

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 fiscal year ended June 30, 2012, 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, 2012, and the results of its operations, as well as cash flows for its proprietary fund types for the fiscal 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), meet the requirements of the standards as prescribed by the Oregon Secretary of State and are in conformance with the guidelines for financial reporting developed by the Government Finance Officers Association of the United States and Canada.

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. Metro management is responsible for the completeness and reliability of all the information and representations presented in this CAFR. 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 generally accepted accounting principles (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 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 Metro 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. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of Metro

Metro crosses city limits and county lines to make our communities safe, livable and ready for tomorrow. From protecting our region's air, water and natural beauty to supporting neighborhoods, businesses and farms that thrive, Metro makes our region a great place. Metro serves more than 1.6 million residents in Clackamas, Multnomah and Washington counties, and the 25 cities in the Portland, Oregon metropolitan area. Metro, the only directly elected regional government in the United States, is governed by a president, elected region wide, and six councilors elected by district.

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. 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."

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 has emerged as a leader of regional initiatives – a collaborative partner, facilitator, technical assistance provider, process manager and advocate. Metro has involved regional homebuilders in the Nature in Neighborhoods program, teaching them how to develop projects that minimize water runoff and impacts on natural areas. 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 recently completed a three-year engagement process with its regional partners and the public to update the 2040 Plan. Called "Making a Great Place," this plan update demonstrates how new and renewed urban centers can integrate housing, shopping, business and recreation with pedestrian-friendly

streets and easy access to transportation and forges unprecedented agreements that determine the location and scale of urban development for the next 50 years. These same agreements determine which natural features are protected from development and which lands the region believes are most valuable maintained as farms and forests over that same period.

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 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-Vancouver-Hillsboro, OR-WA Primary Metropolitan Statistical Area (MSA)) is home to over 2.26 million residents, nearly 1.65 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.

The region has seen annual population growth vary from a peak of 2.5 percent in 2001 to a low of 0.9 percent in 2004. Population has shown surprising resilience during the “Great Recession” of 2008-10. Annual regional population growth has remained between 1.7 and 1.9 percent since 2006, above statewide and national averages. The Portland metropolitan area remains a popular destination for people in search of job opportunities, as well as an attractive location for new business starts (*Census Population Estimates*).

An article in the June 12, 2012, *Portland Business Journal* reports that an analysis by MSNBC’s 24/7 Wall St. blog found that Oregon’s economy was the second-fastest growing among the states in 2011. GDP growth of 4.7 percent in 2011, three times that of the U.S. economy, assisted in the state reaching this status with growth in the durable goods manufacturing industry – which includes high-tech companies such as Intel Corp. – led the way, with an increase of 3.94 percent, second in the nation. More recent economic variables indicate Oregon’s upward momentum is continuing in 2012, according to the report.

The high-technology electronics industry continues to be a strong engine of growth in the region, especially with Intel's October 24, 2012 announcement that it will expand its \$3 billion D1X research fabrication facility (fab) in Hillsboro – a project that could double the size of the facility that is now under construction. Intel's Hillsboro operations are the largest in the world. The facility is the company's most advanced research and development fab and is where it will develop its next generation of chip technology. Reports indicate the project will approach \$6 billion and is welcomed by the construction trades as it will create thousands of construction jobs. This expansion will spur other development. The *Portland Business Journal* reports that the Hillsboro and suburban westside markets are the hottest in the region for new apartment construction with projects underway by Holland Partners and Arbor Custom Homes. The brokerage Kidder Mathews notes that this market commands the highest rents because of contractors seeking warehouse space near the Intel campus.

In other economic sectors, air and marine cargo shipments through the Port of Portland have been growing steadily since the close of the recession. Marine shipment levels have returned to pre-recession activity levels, but air cargo figures remain below pre-recession shipment levels. Air cargo tonnage estimates have been steadily increasing since the first-half of 2010. As of September 2012, air cargo tonnage was up 3.6 percent year-to-date over the prior year and air passenger traffic was up 5.1 percent (Port of Portland).

Outlook. Recent employment conditions have been on the upswing since the fourth quarter of 2010. Most notably, employment growth rates seem to be accelerating with the recovery of the U.S. economy. Our most recent forecast for the Portland-Vancouver-Hillsboro, OR-WA MSA anticipates modest employment recovery so long as the U.S. economy continues to expand slowly. The regional recovery will be uneven across industry sectors. Manufacturing, construction, and retail sectors, hardest hit during this recession, will take longer to rebound. Generally, the service sectors will define the shape of this recovery. Regional employment is not expected to return to pre-recession levels until mid-year 2014 at the earliest or later in 2015 if the nascent national recovery continues to sputter longer than expected.

The population outlook for the region calls for growth to exceed national and statewide rates for the foreseeable future, fueling the growth expected in the service sector and other non-manufacturing industries. The construction and finance/real estate industries, however, will lag behind, due to the nature of the downturn. Already, we are seeing strength returning to the region's heavy industrial sectors and high-technology sectors including the emerging solar energy production sector. The region's business service sector is rebounding rapidly. The temporary service industry sharply increased employment levels during the early phase of the regional recovery, but growth has begun to moderate as employers turn to permanent hiring. This, along with accelerating employment growth seen in manufacturing and other professional services industries, points to more secure employment. It suggests firms in the region are believing in the recovery (despite mixed economic indications of the U.S. economic recovery in recent months) and hiring more permanent staff and production workers.

Metro still faces significant fiscal challenges. The regional economy is clawing its way back to the 2008 pre-recession levels. In limited areas it is starting to move forward, but the region will not see a quick or fast-paced return. In addition, federal transportation funding is declining, affecting both general transportation system planning and specific project planning.

Long-term Financial Planning and Major Initiatives

Long-term financial planning. Since 2008 Metro has relied on its financial policies and discipline to weather the national recession. Operating revenues have been generally slow-growing or flat while costs have continued to increase. Decision-making has centered on focus and financial sustainability for the future. With strategic foresight and the help of Metro's labor organizations, Metro has blunted the rise in labor costs. Basic principles of protecting our assets, committing one-time money to one-time purposes and requiring enterprise operations to perform to a hard bottom line have served Metro well. Metro has been making careful choices and has been able to avoid disruptive service cutbacks or service eliminations that other agencies have had to face.

Metro’s budgets are anchored by the region’s six desired outcomes. Developed by the region and adopted by the Metro Council in 2010 as part of the region’s growth management policies, the six outcomes help all leaders and their communities focus on what makes this region a great place. The Metro Council has directed Metro to use the outcomes to guide its strategic decision-making.



As Metro looks toward the future, we remain organized around four principles:

- Footprint** – How big is Metro and are we organized in the best possible way?
- Focus** – Are we focusing on our priorities, applying our expertise in a way that Metro can make the most significant contribution?
- Employee Compact** – What is Metro’s strategy as an employer?
- Resources** – Is Metro moving the resource dial?

Metro uses its Compass (shown in the diagram below) to assess how its efforts and limited resources align with and support the regional outcomes. Each budget proposal is tested against the compass with Metro’s values clearly in mind.



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 financing sources for these capital projects vary by project. Care for most of Metro's facilities is 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 and occasionally by grants. Solid waste and MERC operations generally rely on similar reserves in the Solid Waste Fund and MERC Fund's fund balance and funding for these projects is considered when setting the rates.

The Capital Improvement Plan contains a projection from each program on the net impact on operating costs resulting from each capital project. Metro forecasts it will have a net increase to operating costs of \$433,000 to \$515,000 per year as a result of a new budget software module, natural area acquisitions, the new Natural Areas Information System and additional parks expenses.

Major initiatives. The budget for fiscal year 2013 reflects an agency that has been strategic and prudent in managing through the economic downturn and reflects a focus on maintaining excellent core services over the next three to five years while implementing the Metro Council's key initiatives. The fiscal year 2013 budget is an essential strategy for achieving these outcomes.

In the fiscal year 2013 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 commit nearly \$200 million in meeting this daily, operational requirement. If these direct public service programs are the daily essence of Metro, the key initiatives are the future.

Metro will continue to deliver on the bond promises for Natural Areas acquisition and protection as well as leveraging local projects through local share and grant programs. Metro will continue design and construction planning to create a new elephant habitat, four times its current size, under the 2008 Zoo Infrastructure and Animal Welfare bond authorization.

The Metro Council positions the agency for the future by directing specific policies, programs and projects. These may include specific enhancements to current programs or strategic investments to assess and understand emerging needs. The fiscal year 2013 budget includes:

- The third year of a multi-year commitment to the Community Investment Initiative (\$639,000).
- Continued Development Opportunity funding (\$200,000).
- Small grants reinstated for Nature in Neighborhoods (\$200,000).
- Staff and financial resources committed to finding a solution to the persistently identified need for a large hotel room block to boost convention bookings (\$519,000).

The Council has also identified key initiatives that will continue to engage Metro in the coming years, although no specific budget resources have been allocated at this time. These include the ongoing study of the Willamette Falls property at Oregon City and consideration of a parks funding measure to secure the future for the parks and natural areas that the voters have asked Metro to acquire and manage.

Using the regional outcomes and the Metro compass, some programs, activities and staffing have been reduced in the fiscal 2013 budget to meet the available resources and to avoid more severe reductions in the future. Authorized positions have been reduced 15.5 FTE; some were limited duration positions ending as scheduled, while 12.5 positions represented a mix of management and represented positions, a majority of which were managed by attrition. Major

collective bargaining agreements are in place and include escalators tied to a consumer price index that is seeing its first significant increase in three years. Without the collaboration of our collective bargaining units in the current year, the cost increases would have been more significant.

The most significant policy and programmatic changes appear in Planning and Development. The major policy work supporting the 2040 Growth Concept has been completed successfully, changing the focus from planning to implementation. Federal transportation funding and specific project grant funding are in short supply resulting in the elimination of positions associated with completed special projects or grant work and also eliminates positions that have been part of continuous transportation grant funding for many years.

Each year the budget provides Metro an opportunity both to respond to short-term needs and to prepare for the longer term. Metro recognized early on that the 2008 economic plunge could be long lasting and could require permanent, rather than temporary changes. Strong financial policies were already in place, and Metro has remained disciplined in following them in the fiscal year 2013 budget.

Relevant 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 21, 2012, as published in its adopted budget.

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 set aside 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 amounts 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 set aside 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.

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 fiscal year ended June 30, 2012.

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 *2012-13 Adopted Budget*.

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, 2011. This was the twentieth 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, 2011. 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 sixteenth consecutive year that Metro received this award.

Acknowledgements

The preparation of this report would not have been possible without the dedicated efforts of the employees in the Accounting Services Division of the Finance and Regulatory Services Department. We especially acknowledge Karla J. Lenox, CPA, CGMA, Financial Reporting and Control Supervisor, and Donald R. Cox, Jr., MBA, CPA, CGMA, 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,



Martha J. Bennett
Chief Operating Officer



Timothy C. Collier
Interim 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, 2011

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.



Linda C. Davison

President

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, 2011. This was the twentieth 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

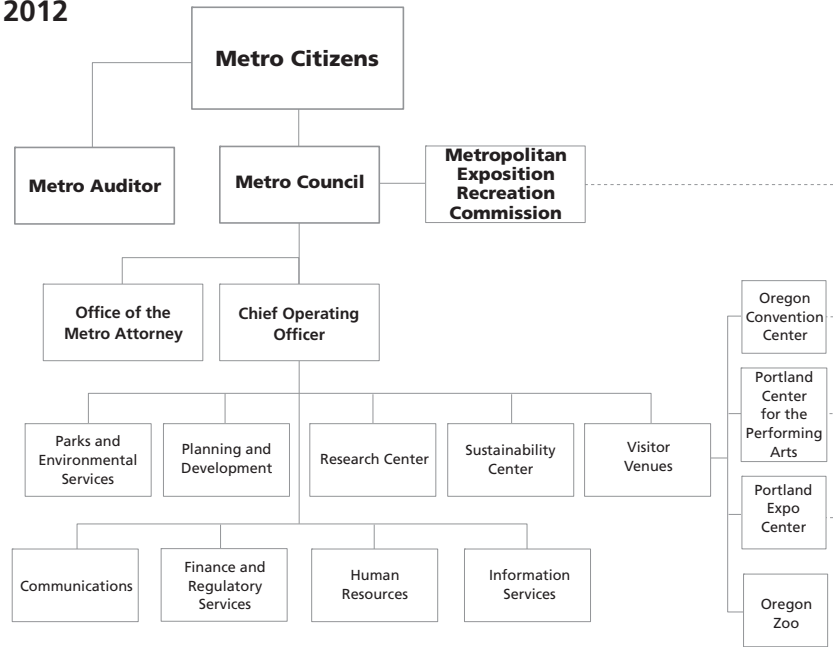
| Name | Position |
|----------------------|--|
| Martha Bennett | Chief Operating Officer |
| Scott Robinson | Deputy Chief Operating Officer |
| Alison Kean Campbell | Metro Attorney |
| Margaret Norton | Director of Finance and Regulatory Services |
| Mary Rowe | Human Resources Director |
| Jim Middaugh | 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 |
| Scott Cruickshank | Oregon Convention Center Director |
| Matthew Rotchford | Portland Exposition Center Director |
| Robyn Williams | Portland Center for the Performing Arts Director |

Registered Agent

Alison Kean Campbell
600 NE Grand Ave.
Portland, OR 97232-2736

Organizational Structure

as of June 30, 2012



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 3, 2012

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. In 2009, 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, 2012. 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, 2012 are included in the last section of this report, Audit Comments and Disclosures Required by State and Federal Regulations.

Each year, the audit process has improved and made administration run smoothly. I would like to congratulate the Metro staff on their dedication to continuous improvement.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Suzanne Flynn'.

Suzanne Flynn
Metro Auditor



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.

MOSS ADAMS LLP

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

Management's Discussion and Analysis For the fiscal year ended June 30, 2012

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 fiscal year ended June 30, 2012. 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 - 8 of this report. This information is based upon currently known facts, decisions or conditions.

FINANCIAL HIGHLIGHTS

- Metro's assets exceed its liabilities (net assets) by \$510,827,411 at June 30, 2012, which reflects an increase of 1.9 percent or \$9,455,100 over the prior fiscal year. Of this amount, \$40,058,609 represents unrestricted net assets, which may be used to meet Metro's ongoing obligations to citizens and creditors
- Metro completed the fiscal year with its governmental funds reporting combined fund balances of \$242,915,480. This is up considerably from the prior fiscal year, due mainly to the additional proceeds of Natural Areas and Oregon Zoo Infrastructure and Animal Welfare bonds received late in fiscal year 2012, totaling \$140,000,000. Of the total amount of governmental combined fund balance, \$27,269,809 or 11.2 percent, is considered available for spending at Metro's discretion (*unassigned* fund balance).
- At the end of fiscal year 2012, unassigned fund balance of the general fund was \$27,269,809, or approximately 38.2 percent of total general fund expenditures.
- Metro's total outstanding long-term debt increased \$138,937,747 or 65.2 percent during the current fiscal year, primarily because Metro issued \$75,000,000 of 2012A Series Natural Areas General Obligation bonds and \$65,000,000 of 2012A Series Oregon Zoo General Obligation bonds under authority granted by the voters of the region. In addition, Metro issued \$27,575,000 of General Obligation Refunding Bonds 2012B Series to refund the portion of the General Obligation Refunding Bonds 2002 Series callable without premium, resulting in a net present value savings to Metro and its taxpayers of \$2,567,762.
- Metro acquired ownership of 1,235 acres of additional natural areas from willing sellers from the proceeds of the Natural Areas general obligation bonds bringing the overall bond acquisition total to more than 4,114 acres. The total capitalized cost for the property and easements acquired and stabilized in the current fiscal year under this program was \$19,534,758.
- The Oregon Zoo continued work on planning, land use/permitting and major capital project work under the Oregon Zoo Infrastructure and Animal Welfare Bond program during fiscal year 2012. The Penguin Life Support System Upgrade (water filtration) project and the Veterinary Medical Center were completed during the fiscal year. Design started for the \$54 million new Elephant Habitat and Related Infrastructure Project. These and other related projects are all funded by bond proceeds with total capitalized costs in fiscal year 2012 of \$6,679,628.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Metro's basic financial statements, which consist of the following three components: 1) the *government-wide financial statements*, 2) the *fund financial statements*, and 3) the *notes to the financial statements*. The two categories of financial statements are discussed in further detail below. The *notes to the financial statements* 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. This report also includes *supplementary information* intended to furnish additional detail to support the basic financial statements.

Government-wide financial statements. Metro's government-wide financial statements are designed to provide readers with a broad overview of Metro's finances using accounting methods similar to those used by private-sector business. Government-wide financial statements provide both long-term and short-term information about Metro's overall financial status.

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 revenues 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 (e.g., uncollected property taxes and earned but unused vacation leave). 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 operations* functions of the Council office and various administrative functions, *regional planning and development* which includes regional transportation and land use planning, *culture and recreation* which includes regional parks and natural areas, rehabilitation and enhancement activities near Metro area solid waste facilities, management of Smith and Bybee Lakes and Pioneer Cemeteries, and *zoo* programs that account for operation of the Oregon Zoo.

Business-type activities – Activities supported by charges for services and fees to customers to help cover the costs of certain services. These activities consist of the *Solid Waste* and Metropolitan Exposition-Recreation Commission (MERC) operations. Solid waste operations include the operation of two transfer and recycling centers (Metro South and Metro Central), household hazardous waste collection centers, paint recycling center and other solid waste system programs. MERC operations include the Oregon Convention Center (OCC), Portland Center for the Performing Arts (PCPA) and Expo facilities.

Component unit – Metro includes The Oregon Zoo Foundation (OZF) as a discretely presented component unit. OZF is considered a component unit in accordance with *Governmental Accounting Standards Board (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 35 - 39 of this report.

Fund financial statements. The *fund financial statements* 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. 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 fiscal 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 this comparison between *governmental funds* and *governmental activities*.

Metro maintains eight individual governmental funds, four of which are presented by Metro as "major funds:" General, General Obligation Bond Debt Service, Oregon Zoo Infrastructure and Animal Welfare, and Natural Areas funds. Data from the other four governmental funds (Smith and Bybee Lakes, Rehabilitation and Enhancement, Open Spaces 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 Asset Management Fund) are allocated to the General Fund and combined with those operating activities for reporting in conformance with generally accepted accounting principles, in the governmental fund financial statements. The remaining portion of the budgetary General Revenue Bond Fund is allocated to the MERC Fund for proprietary fund presentation noted below.

The governmental fund financial statements can be found on pages 41 - 46 of this report.

- **Proprietary funds** 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 47 - 52 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 53 - 80 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 81 - 86.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining individual fund statements and schedules can be found on pages 87 - 112.

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 \$510,827,411 at June 30, 2012, reflecting an increase of 1.9 percent or \$9,455,100 over the prior fiscal 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 | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current and other assets | \$ 284,875,288 | 149,423,874 | 74,865,509 | 77,196,001 | 359,740,797 | 226,619,875 |
| Capital assets | 352,662,918 | 331,424,611 | 197,513,974 | 201,652,197 | 550,176,892 | 533,076,808 |
| Total assets | 637,538,206 | 480,848,485 | 272,379,483 | 278,848,198 | 909,917,689 | 759,696,683 |
| Long-term debt outstanding | 340,914,662 | 201,363,251 | 11,108,835 | 11,722,499 | 352,023,497 | 213,085,750 |
| Other liabilities | 22,249,828 | 16,476,468 | 24,816,953 | 28,762,154 | 47,066,781 | 45,238,622 |
| Total liabilities | 363,164,490 | 217,839,719 | 35,925,788 | 40,484,653 | 399,090,278 | 258,324,372 |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | 237,849,839 | 219,717,752 | 186,405,139 | 189,929,698 | 418,964,978 | 399,322,450 |
| Restricted | 49,673,790 | 47,802,264 | 2,130,034 | 1,591,637 | 51,803,824 | 49,393,901 |
| Unrestricted | (13,149,913) | (4,511,250) | 47,918,522 | 46,842,210 | 40,058,609 | 52,655,960 |
| Total net assets | \$ 274,373,716 | 263,008,766 | 236,453,695 | 238,363,545 | 510,827,411 | 501,372,311 |

Metro's governmental activities account for the most significant portion of total net assets – totaling \$274,373,716 or 53.7 percent, whereas business-type activities account for \$236,453,695 or 46.3 percent.

Of Metro's total net assets, 82.0 percent of the total reflects its investment in capital assets (e.g., headquarters offices, zoo exhibits, open spaces and natural areas property, parks, transfer stations, and other significant assets), less any related outstanding debt that was used to acquire those assets. This amount is up from 79.6 percent of net assets in the prior fiscal 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, \$186,405,139, 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, \$418,964,978, brings this related debt together with those capital assets to reflect this net amount for Metro as a whole. A further discussion of changes in capital assets and long-term debt that result in changes to these amounts can be found later in this MD&A.

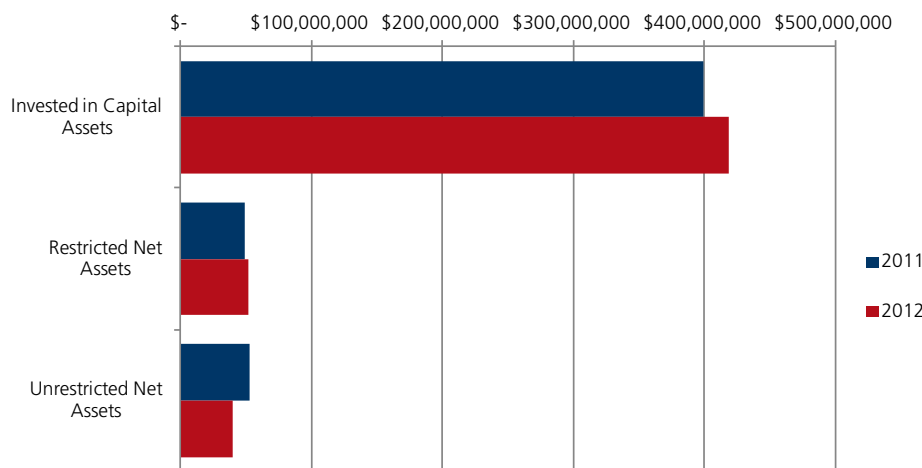
METRO

Management’s Discussion and Analysis, *continued*
 For the fiscal year ended June 30, 2012

In addition, 10.1 percent of total net assets and 18.1 percent of governmental activities net assets are subject to external restrictions for specific purposes, including Transit Oriented Development (TOD), Smith and Bybee Lakes management plan, capital projects funded by bond proceeds or donations, community rehabilitation and enhancement, cemetery perpetual care, and debt service. This represents an increase in restricted net assets of \$1,871,526 or 3.2 percent from the amount at June 30, 2011. Governmental activities restricted net assets increased primarily due to: an increase in TOD restricted net assets of \$2,265,671 due to the receipt of additional TOD funds offset by TOD spending and the write-down of assets held for resale in the amount of \$434,774 related to the Hillsboro property; an increase in the amount of unspent bond proceeds in the Oregon Zoo Infrastructure and Animal Welfare and Natural Areas bond funds, up \$2,828,564 combined; and a decline in restricted net assets available for debt service, down \$2,592,512 at June 30, 2012. Restricted net assets in Business-type activities increased \$538,397 over the prior fiscal year due to additional amounts restricted under contract for MERC related capital projects.

The remaining \$40,058,609 is unrestricted, with \$47,918,522 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 \$8,638,663 in governmental activities due primarily to an increase in the amount of bonds payable associated with the local share component of the Natural Areas program where Metro is responsible for repayment of the bonds, but the associated assets were used to finance capital programs of other governmental entities. In addition, 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 earlier in this MD&A contribute to this deficit. Unrestricted net assets for governmental activities stood at a deficit of \$13,149,913 at June 30, 2012. Unrestricted net assets in business-type activities increased \$1,076,312 or 2.3 percent.

Metro Net Assets, at June 30, 2011 and 2012



Changes in net assets. As noted earlier, Metro’s total net assets increased \$9,455,100 or 1.9 percent over the prior fiscal year. Governmental activities’ net assets increased \$11,364,950, while Business-type activities’ net assets decreased \$1,909,850. 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. Program revenues generated directly from Metro’s operations increased \$8,774,119 or 7.2 percent from the prior fiscal year, while the share of total revenues derived from these sources increased over the prior fiscal year, now 65.3 percent compared to 61.0 percent in the prior fiscal year. A significant portion, 56.2 percent, of Metro’s revenues come from, or is based upon, its charges for services. Program expenses for Metro as a whole increased \$5,322,393 or 2.9 percent from the prior fiscal year. The reasons for the changes noted here are discussed in the following sections for governmental activities and business-type activities.

METRO

Management's Discussion and Analysis, *continued*
 For the fiscal year ended June 30, 2012

Changes in Metro's Net Assets

| | Governmental Activities | | Business-type Activities | | Total - Primary Government | |
|--|-------------------------|--------------------|--------------------------|--------------------|----------------------------|--------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 26,721,787 | 25,620,809 | 86,220,752 | 82,379,974 | 112,942,539 | 108,000,783 |
| Operating grants and contributions | 15,551,926 | 10,973,394 | 1,620,989 | 1,144,867 | 17,172,915 | 12,118,261 |
| Capital grants and contributions | 1,105,751 | 1,866,808 | 123,574 | 584,808 | 1,229,325 | 2,451,616 |
| General revenues | | | | | | |
| Property taxes | 39,609,807 | 49,624,399 | - | - | 39,609,807 | 49,624,399 |
| Excise taxes | 16,175,975 | 15,507,208 | - | - | 16,175,975 | 15,507,208 |
| Local government shared revenues | 466,123 | 468,776 | 12,581,998 | 11,558,961 | 13,048,121 | 12,027,737 |
| Other | 540,393 | 912,546 | 391,598 | 412,229 | 931,991 | 1,324,775 |
| Total revenues | 100,171,762 | 104,973,940 | 100,938,911 | 96,080,839 | 201,110,673 | 201,054,779 |
| Expenses: | | | | | | |
| General government operations | 16,417,342 | 14,456,222 | - | - | 16,417,342 | 14,456,222 |
| Regional planning and development | 13,908,730 | 14,816,800 | - | - | 13,908,730 | 14,816,800 |
| Culture and recreation | 22,695,565 | 20,351,578 | - | - | 22,695,565 | 20,351,578 |
| Zoo | 30,064,611 | 27,400,337 | - | - | 30,064,611 | 27,400,337 |
| Interest on long-term debt | 8,159,660 | 9,538,172 | - | - | 8,159,660 | 9,538,172 |
| Solid Waste | - | - | 51,020,053 | 51,721,806 | 51,020,053 | 51,721,806 |
| MERC | - | - | 49,389,612 | 48,048,265 | 49,389,612 | 48,048,265 |
| Total expenses | 91,245,908 | 86,563,109 | 100,409,665 | 99,770,071 | 191,655,573 | 186,333,180 |
| Increase (decrease) in net assets before transfers | 8,925,854 | 18,410,831 | 529,246 | (3,689,232) | 9,455,100 | 14,721,599 |
| Transfers | 2,439,096 | (4,913,239) | (2,439,096) | 4,913,239 | - | - |
| Increase (decrease) in net assets | 11,364,950 | 13,497,592 | (1,909,850) | 1,224,007 | 9,455,100 | 14,721,599 |
| Net Assets, July 1 | 263,008,766 | 248,851,812 | 238,363,545 | 237,139,538 | 501,372,311 | 485,991,350 |
| Cumulative change in accounting principle | - | 659,362 | - | - | - | 659,362 |
| Net Assets, June 30 | \$ 274,373,716 | 263,008,766 | 236,453,695 | 238,363,545 | 510,827,411 | 501,372,311 |

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 for governmental activities, nor the MERC business-type activities. General revenues fund this difference as shown in the Statement of Activities.

The most significant general revenue, property taxes, accounts for 19.7 percent of all governmental activities revenues, down from 24.7 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 (\$27,745,991 and \$11,863,816, respectively). Lower debt service requirements resulted in lowered property tax assessments for the fiscal year ended June 30, 2012.

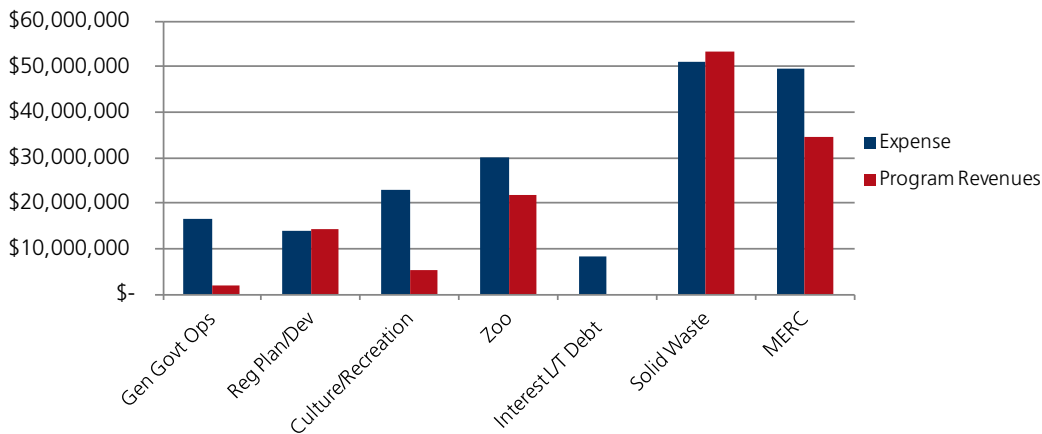
Metro assesses excise taxes on users of its goods and services. Solid waste transactions are assessed at a flat rate of \$11.80 per ton effective August 1, 2011, which is up from \$10.94 in the prior fiscal year. All other subject revenues of Metro are assessed at 7.5 percent. Excise tax provides resources primarily for general government and planning functions. The excise tax provided \$14,410,951 in general revenue, up \$344,498 or 2.4 percent from the prior

METRO

Management’s Discussion and Analysis, *continued*
 For the fiscal year ended June 30, 2012

fiscal 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, as well as upon the base Metro enterprise revenues upon which it is assessed, discussed later in the MD&A.

Metro Government-Wide Revenues and Expenses, Fiscal Year 2012

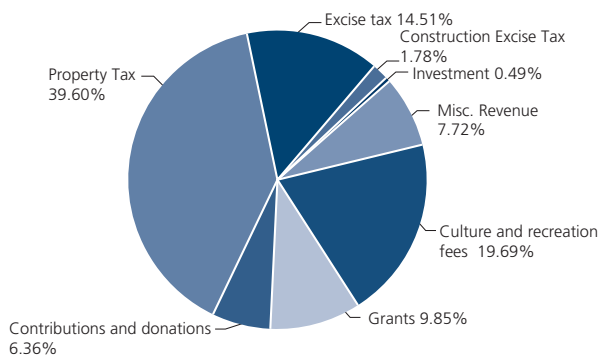


Metro collected \$1,765,024 in construction excise tax (CET) during the fiscal year ended June 30, 2012, up \$324,269 or 22.5 percent from the prior fiscal year, reflective of the uptick in construction activity where in the fourth quarter of the fiscal year the City of Portland’s share of taxes paid were up 35 percent and 28 percent over the prior fiscal year. 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 \$1,020,384 or 8.5 percent and reflective of returning occupancy and room rates in local hotels.

Governmental activities. Governmental activities program revenues were up \$4,918,453 or 12.8 percent and totaled \$43,379,464. Program revenues were up most significantly in regional planning and development, up a total of \$4,357,906 or 43.5 percent over the prior fiscal year. This increase was primarily in operating grants and contributions due to additional TOD funding received from Tri-Met in fiscal year 2012. Program revenues at the Oregon Zoo were \$1,295,126 or 6.3 percent above the prior fiscal year, primarily in charges for services as paid admissions were up 11.0 percent, while OZF and free admissions were flat and four more premium concerts were held during the fiscal year (17 total concerts). The zoo remains the highest attended fee-based tourist attraction in Oregon.

Metro Governmental Activities Sources of Revenue, Fiscal Year 2012



Management’s Discussion and Analysis, *continued*
 For the fiscal year ended June 30, 2012

Governmental-activities capital grants and contributions declined \$761,057 from the prior fiscal year, primarily in the Metro’s culture and recreation programs due to a non-recurring increase in parks related capital assets received from Multnomah County reflected in the prior fiscal year.

Metro’s general government operations totaled \$16,417,342 or 8.6 percent of Metro’s total program expenses, which was an increase of \$1,961,120 or 13.6 percent from that reported in the prior fiscal year, as Metro reorganized certain administrative functions previously accounted for in MERC’s business activities to Metro’s central support functions. General government operations rely significantly on general revenues, primarily property taxes, excise taxes, and transfers, to offset its net expense of \$14,471,775.

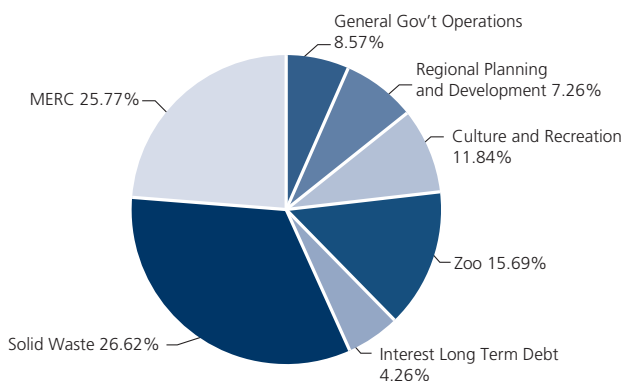
Metro’s regional planning and development activities had total costs of \$13,908,730, down \$908,070 or 6.1 percent from the prior fiscal year. The level of grants received affects the level of work and expenditures incurred. In addition, this program’s expenses include the write-down of TOD assets held for resale in the amount of \$434,774, as noted earlier in this MD&A. The net revenue for regional planning and development of \$475,436, an increase of \$5,265,976 over the prior fiscal year, is primarily a result of the receipt TOD funding noted earlier. The remaining costs of the program are 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 \$22,695,565, up \$2,343,987 or 11.5 percent from the prior fiscal 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 \$9,216,995, an increase of \$1,328,553 over the prior fiscal year. The remaining net expense of Metro’s culture and recreation program, \$17,355,698, 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 assets provided from the Natural Areas bonds. This later component results in an increase in unrestricted net assets for governmental activities as noted earlier.

Total expenses for zoo operations totaled \$30,064,611, an increase of \$2,664,274 or 9.7 percent from the prior fiscal year. Cost increases were reflected primarily in higher fringe benefit costs, additional maintenance and repairs performed during the fiscal year, and additional expenses for marketing and premium concerts. The resulting net expense of \$8,354,747 is financed from general revenues, such as excise taxes, property taxes and investment earnings.

Interest on long-term debt decreased by \$1,378,512 or 14.5 percent from the prior fiscal year and totaled \$8,159,660 or 4.3 percent of total costs, down from 5.1 percent in the prior fiscal 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 2012

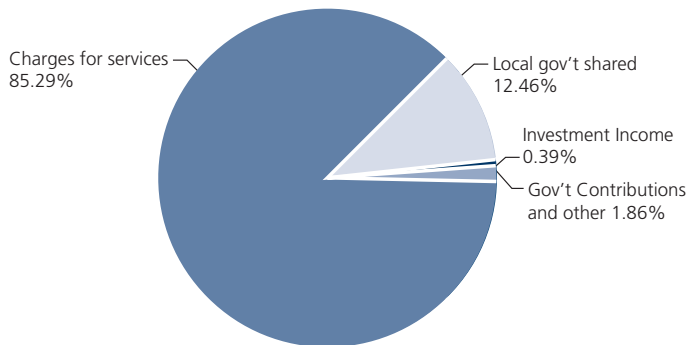


METRO

Management's Discussion and Analysis, *continued* For the fiscal year ended June 30, 2012

Business-type activities. Revenues of Metro's business-type activities (Solid Waste and MERC operations) totaled \$100,938,911, up \$4,858,072 or 5.1 percent. Total expenses increased \$639,594 or 0.6 percent to a total of \$100,409,665. Business-type net assets grew \$529,246, prior to the transfer of \$3,074,388 to governmental activities (specifically the General Fund) to consolidate accumulated PERS reserves set aside to help fund future PERS rate increases. These operating activities resulted in a decrease in net assets of \$1,909,850 for the fiscal year ended June 30, 2012. The reasons for these changes are discussed below.

Metro Business-type Activities Sources of Revenue, Fiscal Year 2012



Solid Waste revenues increased \$2,507,790 or 4.9 percent over the prior fiscal year. Mixed waste tonnage delivered to Metro's transfer stations decreased 6.8 percent from tonnage delivered in the prior fiscal year. However, in response to tonnage forecasts, the decrease in tonnage was offset somewhat by an increase in rates charged (tonnage charge rose to \$58.35 per ton, compared to \$56.45 per ton in the prior fiscal year) resulting in a net decrease of \$834,714. The tonnage downturn is greater at Metro transfer stations (6.8 percent) than in the region (5.4 percent) mainly because waste continues to shift from Metro to private facilities, and also due to the City of Portland's new residential organics program that went into effect October 1, 2011. In response to this new program, on October 31, 2012, Metro established a temporary new rate of \$46.10 per ton for both commercial and residential organics waste, which was further adjusted to \$51.14 per ton based upon the effect of a new Metro Central operating contract acceptance fee for commercial organics, as well as the volumes and the different costs to process residential organics. Metro transfer stations received approximately 59,000 tons of residential organics waste in fiscal year 2012 as a result of the City of Portland's program. The combination of these factors related to organic waste resulted in additional revenues of \$3,036,733. Metro's share of total regional tonnage continued to decline in fiscal year 2012, from 42.3 percent to 41.7 percent.

Solid Waste program expenses were down \$701,753, or 1.4 percent, primarily due to the change in estimate for post-closure care costs which reduced fiscal year 2012 expenses by \$3,137,302. This reduction offset increased costs in facility operations for processing the organics noted above, which increased \$3,306,217 over the prior fiscal year. Further discussion of Solid Waste program expenses is provided in the Proprietary Funds section later in the MD&A.

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 \$34,671,951 in fiscal year 2012, up \$1,347,876 or 4.0 percent from the prior fiscal year. Charges for services revenues were up \$1,634,169 or 5.2 percent as PCPA reflected strong attendance numbers for Broadway series and commercial shows, with *Wicked* generating revenues of \$1,081,734 for a four week engagement. Expo operating revenues were \$968,502 higher due to some major events held during fiscal year 2012, including *Cirque du Soleil OVO* and *Tapis Rouge VIP Tent*. OCC operating revenues declined \$854,913 from the prior fiscal year, a reflection of the economy's impact on convention bookings. Capital grants and contributions declined \$461,234 in Business-type activities related fully to MERC's prior fiscal year receipt of a one-time ARRA grant for a lighting project at OCC.

Total expenses for MERC were \$49,389,612, up \$1,341,347 or 2.8 percent. Expenses were higher primarily reflecting costs associated with the events held at MERC facilities, with food and beverage costs up \$658,698 and facility operations up \$807,761. The resulting net expense of MERC operations was \$14,717,661 for the fiscal year ended June 30, 2012, nearly the same as the prior fiscal year. General revenues used to support this net expense include local government shared revenues (transient lodging taxes) of \$12,581,998, discussed earlier in this MD&A.

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, unassigned 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 \$242,915,480. This is up considerably from the prior fiscal year, due mainly to the additional proceeds of Natural Areas and Oregon Zoo Infrastructure and Animal Welfare bonds received late in fiscal year 2012, totaling \$140,000,000, as discussed further below in the discussion of Metro's long-term debt. Of the total amount of governmental combined fund balance above, \$27,269,809 or 11.2 percent, is considered *unassigned* fund balance and available for spending at Metro's discretion.

The remainder of the fund balance is either *nonspendable*, *restricted*, *committed* or *assigned*. *Nonspendable* fund balance represents amounts not in spendable form, which total \$537,332 at June 30, 2012. Fund balances *restricted* for particular purposes, such as bonded capital projects and debt service totaled \$210,912,091. Fund balance in the amount of \$4,169,918 is *committed* by the Metro Council for CET programs and represents amounts committed from CET for local governments 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. *Assigned* fund balance represents \$26,330 in Metro's permanent fund dedicated to cemetery programs.

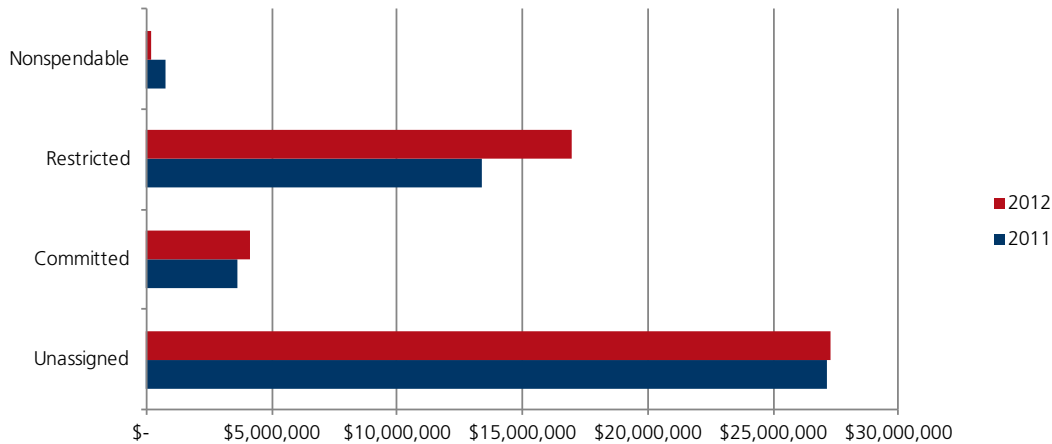
Note II.D.10 and Note III.O provide further information on Metro's fund balance classifications for all governmental funds.

The General Fund is the chief operating fund of Metro. At the end of fiscal year 2012, unassigned fund balance of the general fund was \$27,269,809, while total fund balance increased to \$48,583,765. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 38.2 percent of total general fund expenditures, while total fund balance represents approximately 68.0 percent of that same amount.

METRO

Management's Discussion and Analysis, *continued* For the fiscal year ended June 30, 2012

Metro General Fund, Components of Fund Balance



The fund balance of Metro's General Fund increased \$3,569,337, which includes transfers from other funds in fiscal year 2012 totaling \$3,184,626 to consolidate amounts accumulated to fund future PERS rate increases. In addition, Metro closed the former Metro Capital Fund and transferred its remaining fund balance of \$1,334,269 to the General Fund.

Culture and recreation and debt service expenditures within the general fund were relatively unchanged from the prior fiscal year. The General Fund expended \$14,069,995 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 expenditures for regional planning and development totaled \$13,904,294 during fiscal year 2012, down \$893,294 or 6.0 percent from the prior fiscal year. A reduction in grant project work, as described more fully in the discussion of *General Fund Budgetary Highlights* later in this MD&A, was the primary factor.

Zoo program expenditures totaled \$27,578,331, up \$2,547,378 or 10.2 percent from the prior fiscal year. Personal services costs rose \$1,059,228 or 6.9 percent primarily due to higher costs of fringe benefits. Contracted professional services increased \$531,460 or 43.5 percent with increased spending for Zoo related infrastructure maintenance, zoo promotion, zoo premium concert costs, ZooLights and Packy the elephant's 50th birthday celebration. Zoo maintenance and repair services also increased \$231,351 or 76.8 percent for planned maintenance of buildings, HVAC and equipment.

Metro's major governmental funds include the Natural Areas and the Oregon Zoo Infrastructure and Animal Welfare capital projects funds. Fund balance in both funds increased significantly over the prior fiscal year due to the issuance of additional bonds as discussed elsewhere in this MD&A. These amounts were reduced by expenditures for Natural Areas capital outlay and local share and capital grant programs totaling \$28,751,753 in fiscal year 2012. Fund balance totaled \$98,783,002 at June 30, 2012. The Oregon Zoo Infrastructure and Animal Welfare Fund received \$65,000,000 in bond proceeds in fiscal year 2012 while expending \$6,961,582 on capital projects and bond issuance costs and ended the fiscal year with a fund balance of \$77,630,727. The majority of fund balance in both of these capital projects funds is classified as restricted for these purposes under state law. 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 note III.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 \$27,552,298, down \$10,625,272 from the prior fiscal year due to lower assessments required for repayment of the outstanding general obligation bonds. Interest payments on

all general obligation bonds totaled \$7,334,524, which was \$1,218,980 lower than the prior fiscal year reflecting the decrease in outstanding principal, prior to the issuance of new bond issues in June 2012. An additional \$23,245,000 was expended on principal payments. The amounts related to the defeasance of the General Obligation Refunding Bonds 2002 Series discussed later in this MD&A are also accounted for within this fund in the Other Financing Sources and Uses section of the financial statements. As a result of these activities, \$11,134,999 remains 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 decreased \$1,054,585, primarily a result of the closure of the Metro Capital Fund and the transfer of its remaining fund balance to the General Fund as noted earlier. The total fund balance of \$6,782,987 in these funds includes the following:

- Nonspendable corpus of the cemetery perpetual care fund, \$355,451
- Restricted by intergovernmental agreement for Smith and Bybee Lakes Management Plan, \$3,740,462
- Restricted by state law for Open Spaces programs, \$707,632
- Restricted by state law and Metro Code for rehabilitation and enhancement programs, \$1,953,122
- Assigned by Metro Council for cemetery perpetual care, \$26,330

Proprietary funds. Metro's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. An analysis of revenues for both Solid Waste and MERC enterprise operations was presented earlier in this MD&A. A further discussion of the expenses and net assets for these funds follows.

The Solid Waste enterprise reflected increased costs for facility operations caused by the new City of Portland organics program. Facility operations costs were \$3,306,217 or 36.7 percent higher than the prior fiscal year. Waste transport costs decreased by \$175,903, as the amount of waste transported dropped for reasons discussed earlier, which was partially offset by higher fuel prices (\$0.40 per gallon) and the payment of \$126,000 to the contractor for a freight rate adjustment required under the contract. Disposal fees paid to Columbia Ridge Landfill decreased \$1,056,684 resulting from the lower tonnage delivered.

Net assets in the Solid Waste Fund totaled \$59,351,275 at fiscal year-end, up 2.2 percent or \$1,285,978. Of this amount in net assets, \$27,432,668 is unrestricted, which represents 46.8 percent of annual operating expenses, while \$31,918,607 reflects the amount invested in capital assets, net of related debt.

MERC operations reported higher expenses in food and beverage and facility operations at PCPA and Expo as noted earlier in discussion of government-wide results. In addition, contributions to other governments consisting of capital assets additions at PCPA that become the property of the City of Portland under terms of an intergovernmental agreement were up \$407,251 over the prior fiscal year.

Net assets for MERC totaled \$179,415,506 at June 30, 2012, down \$3,751,455 or 2.1 percent from the prior fiscal year, with 86.1 percent of net assets invested in capital assets, net of related debt. Of the remaining net assets, \$2,130,034 is restricted for capital projects and \$22,798,940 is unrestricted, representing 46.8 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 \$2,732,345 at June 30, 2012. Significant liabilities included the actuarially determined accrued self-insurance claims which totaled \$525,840, down \$28,170 from the prior fiscal year. Risk Management Fund total net assets increased \$102,766 from the prior fiscal year as charges to other Metro operations exceeded insurance and claims expenses during fiscal year 2012.

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 six times for relatively insignificant amounts, increasing the total appropriations by 0.3 percent or \$295,813 to bring total requirements to \$109,567,194.

The amendments to the budget noted above included funding for a remodel of Human Resources and Finance and Regulatory Services, implementing provisions of certain collective bargaining agreements, completion of the Greater Portland Pulse project, recognizing Oregon Transportation Growth Management grant funding received and appropriating funds to complete the Regional Active Transportation program requirements, completion of a management study and implementation strategy for the western portion of Washington Park, close captioning of Metro Council meetings, continued work on the Blue Lake Disc Golf Course, and for temporary safety and interpretive signage at Oxbow Park due to river bank erosion.

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, 2012.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

| <u>Revenue Source</u> | <u>Estimated Revenues</u> | <u>Actuals</u> | <u>Variance</u> |
|--------------------------|---------------------------|----------------|-----------------|
| Grants | \$ 12,172,196 | 8,961,587 | (3,210,609) |
| Government contributions | 3,024,060 | 4,408,500 | 1,384,440 |

Grant revenues came in lower compared to budget due to several factors, mostly within the Planning and Development Department. Most of Metro's grants in this department are reimbursement based and contracts totaling \$440,000 related to the Southwest Corridor Plan reverted to the Oregon Department of Transportation's (ODOT) control, with a corresponding reduction in Metro's STP and TGM grant funds. Combined with other related work on this Plan, grant revenues were lower by \$955,933 in this area. In addition, \$518,369 of FTA RTO-CMAQ revenue earned for grant work performed was deemed not available to finance operations of the period and were recorded as deferred revenue at June 30, 2012. The Greenhouse Gas Study under an ODOT grant conducted fewer workshops than anticipated and ODOT staff performed more of the work, including modeling tasks, than originally scoped, leading to \$547,490 less in reimbursements under the grant agreement. The Lake Oswego to Portland Transit Project was put on hold due to the City of Lake Oswego requesting the suspension of further studies for a full-length streetcar connection between that city and Portland, which resulted in \$505,395 less in grant revenues. Government contributions revenue was higher than budget primarily due to the receipt of TOD funding from Tri-Met, which makes up nearly all the amount reported in this revenue category. Two years of support were received in fiscal year 2012, of which \$1,500,000 was applicable to the prior fiscal year but was considered unavailable to finance operations of the previous fiscal year due to timing of the payments to Metro.

The most significant variance in General Fund expenditures occurred in the Planning and Development Department, where expenditures totaled \$9,240,393 against appropriations of \$16,561,877, for a favorable variance of \$7,321,484. Personal services in this department ended at 94.7 percent of budget, whereas materials and services came in at 37.3 percent. Materials and services were lower than budget primarily due to TOD not acquiring the number of properties or easements that had been provided for in the budget, resulting in \$4,242,061 of underspending. The remainder was driven by the Southwest Corridor Project discussed above.

The General Fund's fund balance on a budgetary basis rose \$2,832,515 during the fiscal year, ending at \$31,796,742. This differs from the General Fund balance reported in the Governmental Fund statements due to the consolidation of the General Asset Management Fund and portions of the General Revenue Bond Fund as noted earlier in this analysis.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Metro's investment in capital assets for its governmental and business type activities amounts to \$550,176,892 (net of accumulated depreciation) as of June 30, 2012. 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 \$17,100,084 or 3.2 percent, net of accumulated depreciation. Metro reflects an increase of \$21,238,307 or 6.4 percent in capital assets attributable to governmental activities and a decrease of \$4,138,223 or 2.1 percent in business-type activity capital assets (additional capital assets, less increases in accumulated depreciation).

Metro's Capital Assets (net of accumulated depreciation)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---------------------------|-------------------------|--------------------|--------------------------|--------------------|--------------------------|--------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Land | \$227,489,097 | \$215,500,133 | 19,329,786 | 19,329,786 | 246,818,883 | 234,829,919 |
| Intangible - easements | 7,993,033 | 3,601,692 | - | - | 7,993,033 | 3,601,692 |
| Artwork | 489,025 | 472,884 | 823,121 | - | 1,312,146 | 472,884 |
| Buildings and Exhibits | 71,361,568 | 70,643,086 | 167,585,300 | 173,167,667 | 238,946,868 | 243,810,753 |
| Improvements | 17,609,995 | 12,273,731 | 1,975,928 | 1,343,703 | 19,585,923 | 13,617,434 |
| Equipment and Vehicles | 3,843,971 | 3,476,136 | 6,250,561 | 6,189,532 | 10,094,532 | 9,665,668 |
| Intangible - software | 861,225 | 464,203 | 94,947 | 167,208 | 956,172 | 631,411 |
| Office furniture/equip | 790,716 | 481,828 | 423,390 | 453,387 | 1,214,106 | 935,215 |
| Railroad equip/facilities | 14,125 | 87,251 | - | - | 14,125 | 87,251 |
| Construction in Progress | 22,210,163 | 24,423,667 | 1,030,941 | 1,000,914 | 23,241,104 | 25,424,581 |
| Total | \$352,662,918 | 331,424,611 | 197,513,974 | 201,652,197 | 550,176,892 | 533,076,808 |

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

- Metro acquired ownership of 1,235 acres and additional natural areas 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 \$19,534,758 and is reflected in governmental activities capital assets. This amount included the acquisition of 30 acres in the Canemah Bluffs Natural Area, 20 acres in the Columbia Slough, 40 acres along Johnson Creek near Gresham in June 2012, bringing the overall bond acquisition total to more than 4,114 acres.
- The Oregon Zoo continued work on planning, land use/permitting and major capital project work under the Oregon Zoo Infrastructure and Animal Welfare Bond program during fiscal year 2012. The Penguin Life Support System Upgrade (water filtration) project was completed in November 2011 at a cost of \$1,523,143, with fiscal year 2012 costs of \$365,690. In January 2012 the Veterinary Medical Center was completed on schedule with additional capitalized cost of \$2,776,597 for a total cost of \$8,946,919, while design started for the \$54 million new Elephant Habitat and Related Infrastructure Project, with \$1,978,586 in capitalized costs incurred in fiscal year 2012. These and other related projects are all funded by bond proceeds with total capitalized costs in fiscal year 2012 of \$6,679,628.

METRO

Management's Discussion and Analysis, *continued*

For the fiscal year ended June 30, 2012

- The overall decline in Business-type activities capital assets is primarily the result of depreciation expense in fiscal year 2012, which was greater than new additions to capital assets during the same period.

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

Long-term debt. At the end of the current fiscal year, Metro had total bonded debt outstanding of \$352,023,497 net of premiums, discounts and deferred amounts on refunding. Of this amount, \$304,897,649 comprises debt backed by property tax assessments and the remainder of \$47,125,848 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.

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 | |
|-----------------------------|-------------------------|---------------|--------------------------|------------|----------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Gen. obligation bonds | \$304,897,649 | \$163,799,185 | - | - | 304,897,649 | 163,799,185 |
| Full Faith & Credit/Revenue | 36,017,013 | 37,564,066 | 11,108,835 | 11,722,499 | 47,125,848 | 49,286,565 |
| Total | \$340,914,662 | 201,363,251 | 11,108,835 | 11,722,499 | 352,023,497 | 213,085,750 |

Metro's total debt increased \$138,937,747 or 65.2 percent during the current fiscal year. The key factor in this increase was the issuance of two new series of bonds for Natural Areas and Oregon Zoo Infrastructure and Animal Welfare projects.

On June 6, 2012, Metro issued \$27,575,000 of General Obligation Refunding Bonds 2012B Series to refund the portion of the General Obligation Refunding Bonds 2002 Series callable without premium. The later bonds are considered defeased and are no longer reported as a liability on the government-wide statement of net assets. This refunding resulted in a net present value savings to Metro and its taxpayers of \$2,567,762.

Also on the date above, Metro issued \$75,000,000 of 2012A Series Natural Areas General Obligation bonds and \$65,000,000 of 2012A Series Oregon Zoo General Obligation bonds under authority granted by the voters of the region. The remaining portion of bonds under the voter authorization for Natural Areas bonds and Oregon Zoo Infrastructure and Animal Welfare bonds are anticipated to be issued in 2015 as existing bond resources are expended for natural areas acquisitions and local share projects and overall project planning and permitting progresses in future years on zoo projects.

Metro has \$28,105,000 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 \$40,000,000 in remaining voter approved general obligation bond authorization for zoo infrastructure and animal welfare.

Scheduled principal and interest payments on outstanding bonds accounted for the remainder of the change in long-term debt during fiscal year 2012.

Ratings on Metro's individual bonds remained unchanged during the fiscal year. Standard & Poor's reconfirmed its AAA rating on Metro bonds, while Moody's Investor Services reconfirmed its Aaa rating. Their reports emphasized the strong financial reserves of the agency, the low debt ratio and the significantly broad tax based. Standard & Poor's also upgraded Metro's financial management from good to strong, citing Metro's adherence to its financial policies even during the economic downturn.

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 \$18,611,369,272, 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 III.K through III.L in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Metro considered many factors when setting the fiscal year 2013 budget, including the current economic environment. As Metro issues this report, the region's nonfarm wage and salary employment totaled 986,100 jobs. The region has outpaced statewide job growth for eight consecutive quarters and the Portland area is the only region in the state that has sustained quarterly job growth over the last two years. The Portland area experienced an employment gain of 1.6 percent between the second quarters of 2011 and 2012. The second quarter unemployment rate was 7.4 percent, compared with 8.3 percent in the second quarter of 2011 and is now significantly below both the statewide and national average. The employment gains have been strong enough to accommodate the influx of new workers and bring the unemployment rate down in the past two years (*State of Oregon, Office of Economic Analysis*). The region's unemployment rate stood at 8.2 percent as of July 2012. Regional growth is projected to remain tepid well into 2014 when employment is projected to return to pre-recession levels.

Those emerging first from the recession include the region's high-tech electronics industry, professional business services and the emerging solar energy production sector. The manufacturing sector has made a turnaround but will take several more years to return to pre-recession employment levels.

In recognition of this economic environment, the Metro fiscal year 2013 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; when accounting for all resources and requirements the budget totals \$535,817,582, up 37.8 percent from fiscal year 2012. The primary reason for this large jump is \$140 million in resources received from June 2012 bond sales noted earlier. These funds were carried forward in fund balance to be spent in fiscal year 2013 and beyond for acquisition of natural areas and construction projects at the Oregon Zoo.

Just as the budget was adopted, the U.S. Congress concluded a short term reauthorization of federal transportation funds, but this will not entirely resolve the projected shortfall in federal transportation dollars in coming years. The five-year outlook remains constrained.

In fiscal year 2013, revenues, and especially discretionary revenues, will remain challenged. Solid Waste rates will be \$93.84 per ton, an increase of \$4.31 over fiscal year 2012. Tonnage estimates and contract escalators are the primary factors in the rate increase. The solid waste tonnage decline is still not leveling off, pushing excise tax rates, disposal and regional system fees upwards as program costs are recovered over a smaller base. Metro's visitor venues are easing out of the downturn with the OCC still anticipating lower national convention bookings until 2015. The Oregon Zoo will be looking more closely at how the zoo bond projects will impact operations in the next two years.

Transient lodging taxes receipts appear to have recovered from the economic slump, reaching record levels in fiscal year 2012. The excise tax yield is tied to CPI and for fiscal year 2013 increases 2.6 percent; the rate increases \$0.39 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, and the rate of collection stood at 94.3 percent. The operating levy has a permanent rate of \$0.0966 per \$1,000 of assessed value. The levy for general obligation debt will increase from \$28 million to \$40.6 million, based upon debt schedules and cash flow requirements; most of the increase is related to debt service from bonds sold in June 2012, noted above.

Through the economic downturn, Metro has focused discussion on the longer term view, weighing choices about caring for assets, maintaining core programs, staying focused, yet carving out some flexibility to respond to changing circumstances and opportunities.

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, 2012

| | Primary Government | | | Component |
|--|---------------------------|----------------------|--------------------|-------------------|
| | Governmental | Business-type | Total | Unit |
| | Activities | Activities | | Oregon Zoo |
| | | | | Foundation |
| ASSETS | | | | |
| Equity in internal cash and investment pool | \$ 41,261,827 | 59,783,091 | 101,044,918 | 2,966,864 |
| Investments | - | - | - | 8,539,595 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Property taxes | 710,207 | - | 710,207 | - |
| Trade | 452,039 | 8,576,751 | 9,028,790 | 305,570 |
| Other | 4,606,170 | 6,168,586 | 10,774,756 | 298,650 |
| Interest | 50,908 | 59,460 | 110,368 | - |
| Grants | 2,988,605 | - | 2,988,605 | - |
| Internal balances | 2,313,086 | (2,313,086) | - | - |
| Inventories | 103,528 | 414,526 | 518,054 | - |
| Prepaid items | 181,891 | 41,508 | 223,399 | - |
| Net pension asset | 16,868,649 | - | 16,868,649 | - |
| Other assets | 124,500 | 4,639 | 129,139 | 69,789 |
| Restricted assets: | | | | |
| Equity in internal cash | | | | |
| and investment pool | 17,960,560 | 2,130,034 | 20,090,594 | - |
| Investments | 185,474,236 | - | 185,474,236 | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Property taxes | 2,007,880 | - | 2,007,880 | - |
| Other | 4,548 | - | 4,548 | - |
| Interest | 492,161 | - | 492,161 | - |
| Assets held for resale | 8,354,493 | - | 8,354,493 | - |
| Loans receivable | 920,000 | - | 920,000 | - |
| Capital assets: | | | | |
| Land, intangibles, artwork and | | | | |
| construction in progress | 258,181,318 | 21,183,848 | 279,365,166 | - |
| Other capital assets (net of | | | | |
| accumulated depreciation) | 94,481,600 | 176,330,126 | 270,811,726 | 30,858 |
| Total assets | 637,538,206 | 272,379,483 | 909,917,689 | 12,211,326 |
| LIABILITIES | | | | |
| Accounts payable | 6,271,331 | 5,326,102 | 11,597,433 | 361,898 |
| Salaries, withholdings and | | | | |
| payroll taxes payable | 2,463,122 | 1,216,752 | 3,679,874 | 16,012 |
| Contracts payable | 159,685 | - | 159,685 | 478,954 |
| Accrued interest payable | 1,610,520 | 41,763 | 1,652,283 | - |
| Accrued self-insurance claims | 525,840 | - | 525,840 | - |
| Unearned revenue | 7,516,839 | 2,687,852 | 10,204,691 | 2,116,995 |

(Continued)

METRO

Statement of Net Assets, *continued*
June 30, 2012

| | Primary Government | | | Component |
|---|-----------------------|--------------------|--------------------|--------------------------|
| | Governmental | Business-type | Total | Unit |
| | Activities | Activities | | Oregon Zoo Foundation |
| LIABILITIES, Continued | | | | |
| Deposits payable | \$ 106,925 | 1,547,206 | 1,654,131 | 834 |
| Other liabilities | 9,467 | 478,394 | 487,861 | - |
| Payable from restricted assets: | | | | |
| Contracts payable | - | 2,858 | 2,858 | 73,347 |
| Non-current liabilities: | | | | |
| Due within one year: | | | | |
| Bonds payable | 39,675,000 | 675,000 | 40,350,000 | - |
| Post-closure costs payable | - | 637,476 | 637,476 | - |
| Compensated absences | 2,312,709 | 1,116,732 | 3,429,441 | - |
| Due in more than one year: | | | | |
| Bonds payable (net of unamortized premium or discount and deferred amount on refunding) | 301,239,662 | 10,433,835 | 311,673,497 | - |
| Net other postemployment benefits obligation | 891,601 | 743,865 | 1,635,466 | - |
| Post-closure costs payable | - | 9,892,953 | 9,892,953 | - |
| Pollution remediation obligation | - | 1,125,000 | 1,125,000 | - |
| Compensated absences | 381,789 | - | 381,789 | - |
| Total liabilities | 363,164,490 | 35,925,788 | 399,090,278 | 3,048,040 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt (1) | 237,849,839 | 186,405,139 | 418,964,978 | 30,858 |
| Restricted for: | | | | |
| Transit oriented development projects | 15,678,159 | - | 15,678,159 | - |
| Smith and Bybee Lakes management plan | 3,740,462 | - | 3,740,462 | - |
| Rehabilitation and enhancement | 1,953,122 | - | 1,953,122 | - |
| Debt service | 11,809,481 | - | 11,809,481 | - |
| Capital projects | 16,110,795 | 2,130,034 | 18,240,829 | - |
| Perpetual care-non-expendable | 381,771 | - | 381,771 | - |
| Zoo purposes: | | | | |
| Expendable | - | - | - | 1,043,229 |
| Non-expendable | - | - | - | 50,000 |
| Unrestricted (1) | (13,149,913) | 47,918,522 | 40,058,609 | 8,039,199 |
| Total net assets | \$ 274,373,716 | 236,453,695 | 510,827,411 | 9,163,286 |

(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 fiscal year ended June 30, 2012

| | Expenses | Program Revenues | | |
|---------------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| FUNCTIONS/PROGRAMS | | | | |
| Primary Government: | | | | |
| Governmental activities: | | | | |
| General government operations | \$ 16,417,342 | 1,875,695 | 31,538 | 38,334 |
| Regional planning and development | 13,908,730 | 925,904 | 13,458,262 | - |
| Culture and recreation | 22,695,565 | 4,175,114 | 963,247 | 201,506 |
| Zoo | 30,064,611 | 19,745,074 | 1,098,879 | 865,911 |
| Interest on long-term debt | 8,159,660 | - | - | - |
| Total governmental activities | 91,245,908 | 26,721,787 | 15,551,926 | 1,105,751 |
| Business-type activities: | | | | |
| Solid Waste | 51,020,053 | 52,989,049 | 304,315 | - |
| MERC | 49,389,612 | 33,231,703 | 1,316,674 | 123,574 |
| Total business-type activities | 100,409,665 | 86,220,752 | 1,620,989 | 123,574 |
| Total primary government | \$ 191,655,573 | 112,942,539 | 17,172,915 | 1,229,325 |
| Component Unit: | | | | |
| Oregon Zoo Foundation | \$ 4,746,286 | 4,516,788 | 1,226,925 | - |

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, 2011

Net assets-June 30, 2012

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 |
| (14,471,775) | - | (14,471,775) | |
| 475,436 | - | 475,436 | |
| (17,355,698) | - | (17,355,698) | |
| (8,354,747) | - | (8,354,747) | |
| (8,159,660) | - | (8,159,660) | |
| <u>(47,866,444)</u> | <u>-</u> | <u>(47,866,444)</u> | |
| - | 2,273,311 | 2,273,311 | |
| <u>-</u> | <u>(14,717,661)</u> | <u>(14,717,661)</u> | |
| - | (12,444,350) | (12,444,350) | |
| <u>(47,866,444)</u> | <u>(12,444,350)</u> | <u>(60,310,794)</u> | |
| | | | <u>997,427</u> |
| 39,609,807 | - | 39,609,807 | - |
| 14,410,951 | - | 14,410,951 | - |
| 1,765,024 | - | 1,765,024 | - |
| 33,619 | - | 33,619 | - |
| 466,123 | 12,581,998 | 13,048,121 | - |
| 506,774 | 391,598 | 898,372 | 30,952 |
| 2,439,096 | (2,439,096) | - | - |
| <u>59,231,394</u> | <u>10,534,500</u> | <u>69,765,894</u> | <u>30,952</u> |
| 11,364,950 | (1,909,850) | 9,455,100 | 1,028,379 |
| <u>263,008,766</u> | <u>238,363,545</u> | <u>501,372,311</u> | <u>8,134,907</u> |
| <u>\$ 274,373,716</u> | <u>236,453,695</u> | <u>510,827,411</u> | <u>9,163,286</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 Asset Management 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, investment income and proceeds and premium on refunding bonds issued.

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 investment income and proceeds and premium on bonds issued.

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, investment income and proceeds and premium on bonds issued.

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, 2012

| | General | Debt Service |
|--|----------------------|-------------------|
| ASSETS | | |
| Equity in internal cash and investment pool | \$ 45,502,454 | 1,545,292 |
| Investments | - | 9,401,974 |
| Receivables: | | |
| Property taxes | 710,207 | 2,007,880 |
| Trade | 452,039 | - |
| Other | 4,594,352 | - |
| Interest | 48,684 | 16,581 |
| Grants | 2,988,605 | - |
| Inventories | 103,528 | - |
| Assets held for resale | 8,354,493 | - |
| Prepaid items | 181,891 | - |
| Loans receivable | 920,000 | - |
| Other assets | 124,500 | - |
| Restricted assets: | | |
| Equity in internal cash and investment pool | 1 | - |
| Total assets | \$ 63,980,754 | 12,971,727 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | \$ 4,655,296 | 13,030 |
| Salaries, withholdings and payroll taxes payable | 2,357,154 | - |
| Contracts payable | 82,516 | - |
| Deferred revenue | 1,168,822 | 1,823,698 |
| Unearned revenue | 7,016,839 | - |
| Deposits payable | 106,925 | - |
| Other liabilities | 9,437 | - |
| Total liabilities | 15,396,989 | 1,836,728 |
| Fund balances: | | |
| Nonspendable | 181,891 | - |
| Restricted | 16,962,147 | 11,134,999 |
| Committed | 4,169,918 | - |
| Assigned | - | - |
| Unassigned | 27,269,809 | - |
| Total fund balances | 48,583,765 | 11,134,999 |
| Total liabilities and fund balances | \$ 63,980,754 | 12,971,727 |

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 | | | |
|---|--------------------------|---|---|
| Oregon Zoo Infrastructure and Animal Welfare | Natural Areas | Other Governmental Funds | Total Governmental Funds |
| 1,079,664 | 793,871 | 6,854,447 | 55,775,728 |
| 77,371,102 | 98,701,159 | - | 185,474,235 |
| - | - | - | 2,718,087 |
| - | - | - | 452,039 |
| - | - | 4,548 | 4,598,900 |
| 141,204 | 325,494 | 7,415 | 539,378 |
| - | - | - | 2,988,605 |
| - | - | - | 103,528 |
| - | - | - | 8,354,493 |
| - | - | - | 181,891 |
| - | - | - | 920,000 |
| - | - | - | 124,500 |
| - | - | - | 1 |
| 78,591,970 | 99,820,524 | 6,866,410 | 262,231,385 |
| 914,128 | 401,501 | 83,423 | 6,067,378 |
| 23,897 | 82,071 | - | 2,463,122 |
| 23,218 | 53,950 | - | 159,684 |
| - | - | - | 2,992,520 |
| - | 500,000 | - | 7,516,839 |
| - | - | - | 106,925 |
| - | - | - | 9,437 |
| 961,243 | 1,037,522 | 83,423 | 19,315,905 |
| - | - | 355,441 | 537,332 |
| 77,630,727 | 98,783,002 | 6,401,216 | 210,912,091 |
| - | - | - | 4,169,918 |
| - | - | 26,330 | 26,330 |
| - | - | - | 27,269,809 |
| 77,630,727 | 98,783,002 | 6,782,987 | 242,915,480 |
| 78,591,970 | 99,820,524 | 6,866,410 | |
| | | | 352,662,918 |
| | | | 16,868,649 |
| | | | 2,992,520 |
| | | | 5,045,430 |
| | | | (346,111,281) |
| | | | \$ 274,373,716 |

METRO

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the fiscal year ended June 30, 2012

| | General | Debt Service |
|---|--------------------|---------------------|
| REVENUES | | |
| Property taxes | \$ 11,780,995 | 27,552,298 |
| Excise taxes | 14,413,338 | - |
| Construction excise tax | 1,765,024 | - |
| Cemetery revenue surcharge | - | - |
| Local government shared revenues | 466,123 | - |
| Investment income | 226,489 | 50,648 |
| Government fees | 109,500 | - |
| Culture and recreation fees | 19,546,946 | - |
| Solid waste fees | - | - |
| Other fees | 3,452,403 | - |
| Internal charges for services | 2,740,228 | - |
| Licenses and permits | 373,675 | - |
| Miscellaneous revenue | 221,766 | - |
| Grants | 8,961,587 | - |
| Government contributions | 4,408,500 | 19,039 |
| Contributions and donations | 861,535 | - |
| Capital grants | 38,334 | - |
| Capital contributions and donations | 865,911 | - |
| Total revenues | 70,232,354 | 27,621,985 |
| EXPENDITURES | | |
| Current: | | |
| General government operations | 14,069,995 | 72,077 |
| Regional planning and development | 13,904,294 | - |
| Culture and recreation | 9,701,328 | - |
| Zoo | 27,578,331 | - |
| Debt service: | | |
| Principal | 1,735,000 | 23,245,000 |
| Interest | 1,758,542 | 7,334,524 |
| Capital outlay | 2,667,219 | - |
| Total expenditures | 71,414,709 | 30,651,601 |
| Revenues over (under) expenditures | (1,182,355) | (3,029,616) |
| OTHER FINANCING SOURCES (USES) | | |
| Bonds issued | - | - |
| Refunding bonds issued | - | 27,575,000 |
| Premium on bonds issued | - | 2,182,506 |
| Sale of capital assets | 43,500 | - |
| Transfers in | 5,326,769 | - |
| Payment to refunded bond escrow agent | - | (29,679,329) |
| Transfers out | (618,577) | - |
| Total other financing sources (uses) | 4,751,692 | 78,177 |
| Net change in fund balances | 3,569,337 | (2,951,439) |
| Fund balances - July 1, 2011 | 45,014,428 | 14,086,438 |
| Fund balances - June 30, 2012 | \$ 48,583,765 | 11,134,999 |

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

| Capital Projects | | | |
|---|--------------------------|---|---|
| Oregon Zoo Infrastructure and Animal Welfare | Natural Areas | Other Governmental Funds | Total Governmental Funds |
| - | - | - | 39,333,293 |
| - | - | - | 14,413,338 |
| - | - | - | 1,765,024 |
| - | - | 33,195 | 33,195 |
| - | - | - | 466,123 |
| 32,363 | 139,417 | 39,669 | 488,586 |
| - | - | - | 109,500 |
| - | 6,204 | - | 19,553,150 |
| - | - | 270,856 | 270,856 |
| - | - | - | 3,452,403 |
| - | - | - | 2,740,228 |
| - | - | - | 373,675 |
| 66 | 142 | - | 221,974 |
| - | 782,291 | - | 9,743,878 |
| - | - | - | 4,427,539 |
| - | 606 | - | 862,141 |
| - | - | - | 38,334 |
| - | 161,584 | - | 1,027,495 |
| 32,429 | 1,090,244 | 343,720 | 99,320,732 |
| - | - | - | 14,142,072 |
| - | - | - | 13,904,294 |
| - | 9,216,995 | 432,314 | 19,350,637 |
| 281,954 | - | - | 27,860,285 |
| - | - | - | 24,980,000 |
| - | - | - | 9,093,066 |
| 6,679,628 | 19,534,758 | 29,156 | 28,910,761 |
| 6,961,582 | 28,751,753 | 461,470 | 138,241,115 |
| (6,929,153) | (27,661,509) | (117,750) | (38,920,383) |
| 65,000,000 | 75,000,000 | - | 140,000,000 |
| - | - | - | 27,575,000 |
| 10,705,459 | 15,015,894 | - | 27,903,859 |
| - | - | 397,434 | 440,934 |
| 3,735 | 13,176 | - | 5,343,680 |
| - | - | - | (29,679,329) |
| (26,205) | (53,783) | (1,334,269) | (2,032,834) |
| 75,682,989 | 89,975,287 | (936,835) | 169,551,310 |
| 68,753,836 | 62,313,778 | (1,054,585) | 130,630,927 |
| 8,876,891 | 36,469,224 | 7,837,572 | 112,284,553 |
| 77,630,727 | 98,783,002 | 6,782,987 | 242,915,480 |

METRO

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

For the fiscal year ended June 30, 2012

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

| | | |
|---|---------------------|----------------------|
| Net change in fund balances-total governmental funds | | \$ 130,630,927 |
| <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 | 28,986,785 | |
| Less current year depreciation | <u>(4,874,423)</u> | 24,112,362 |
| <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> | | |
| | | (2,874,055) |
| <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 | 276,514 | |
| Change in other deferred revenue | <u>516,406</u> | 792,920 |
| <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> | | |
| | | (452,861) |
| <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 | (167,575,000) | |
| Principal payments on bonds | 24,980,000 | |
| Payment to refunded bond escrow agent | 29,679,329 | |
| Deferred amount on issuance-premium and costs | <u>(27,224,782)</u> | (140,140,453) |
| <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 | (163,690) | |
| Compensated absences | (413,795) | |
| Amortization of deferred amounts on refunding | 589,041 | |
| Amortization of net pension asset | (1,059,810) | |
| Accrued interest on long-term debt | <u>344,364</u> | <u>(703,890)</u> |
| Change in net assets of governmental activities | | <u>\$ 11,364,950</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. The primary revenue is charges for services to user funds. Primary expenses are insurance premiums, claims costs, and studies related to insurance issues.

METRO
Statement of Net Assets
Proprietary Funds
June 30, 2012

| | Business-type Activities- Enterprise Funds | | Total | Governmental Activities- Internal Service Fund |
|---|---|--------------------|--------------------|---|
| | Solid Waste | MERC | | Risk Management |
| ASSETS | | | | |
| Current assets: | | | | |
| Equity in internal cash and investment pool | \$ 36,791,967 | 22,991,124 | 59,783,091 | 3,446,659 |
| Receivables: | | | | |
| Trade | 5,942,367 | 2,634,384 | 8,576,751 | - |
| Other | 1,312,185 | 4,856,401 | 6,168,586 | 11,818 |
| Interest | 40,021 | 19,439 | 59,460 | 3,691 |
| Inventories | 414,526 | - | 414,526 | - |
| Prepaid items | - | 41,508 | 41,508 | - |
| Other assets | 3,154 | 1,485 | 4,639 | - |
| Total current assets | 44,504,220 | 30,544,341 | 75,048,561 | 3,462,168 |
| Noncurrent assets: | | | | |
| Restricted equity in internal cash and investment pool | - | 2,130,034 | 2,130,034 | - |
| Capital assets, net | 31,918,607 | 165,595,367 | 197,513,974 | - |
| Total noncurrent assets | 31,918,607 | 167,725,401 | 199,644,008 | - |
| Total assets | 76,422,827 | 198,269,742 | 274,692,569 | 3,462,168 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 4,270,784 | 1,055,318 | 5,326,102 | 203,953 |
| Salaries, withholdings and payroll taxes payable | 474,455 | 742,297 | 1,216,752 | - |
| Accrued interest payable | - | 41,763 | 41,763 | - |
| Accrued self-insurance claims | - | - | - | 525,840 |
| Unearned revenue | - | 2,687,852 | 2,687,852 | - |
| Deposits payable | - | 1,547,206 | 1,547,206 | - |
| Other liabilities | - | 478,394 | 478,394 | 30 |
| Bonds payable-current | - | 675,000 | 675,000 | - |
| Post-closure costs payable-current | 637,476 | - | 637,476 | - |
| Compensated absences-current | 478,125 | 638,607 | 1,116,732 | - |
| Total current liabilities | 5,860,840 | 7,866,437 | 13,727,277 | 729,823 |

(Continued)

METRO
Statement of Net Assets
Proprietary Funds, *continued*
June 30, 2012

| | <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: | | | | |
| Payable from restricted assets: | | | | |
| Contracts payable | \$ 2,858 | - | 2,858 | - |
| Bonds payable (net of unamortized discount and deferred amount on refunding) | - | 10,433,835 | 10,433,835 | - |
| Net other postemployment benefits obligation | 267,901 | 475,964 | 743,865 | - |
| Post-closure costs payable | 9,892,953 | - | 9,892,953 | - |
| Pollution remediation obligation | 1,047,000 | 78,000 | 1,125,000 | - |
| Total non-current liabilities | 11,210,712 | 10,987,799 | 22,198,511 | - |
| Total liabilities | 17,071,552 | 18,854,236 | 35,925,788 | 729,823 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 31,918,607 | 154,486,532 | 186,405,139 | - |
| Restricted for: | | | | |
| Capital projects | - | 2,130,034 | 2,130,034 | - |
| Unrestricted | 27,432,668 | 22,798,940 | 50,231,608 | 2,732,345 |
| Total net assets | \$ 59,351,275 | 179,415,506 | 238,766,781 | 2,732,345 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | (2,313,086) | |
| Net assets of business-type activities | | | \$ 236,453,695 | |

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 fiscal year ended June 30, 2012

| | Business-type Activities- Enterprise Funds | | Total | Governmental Activities- Internal Service Fund |
|---|---|---------------------|-----------------------|---|
| | Solid Waste | MERC | | Risk Management |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 52,955,762 | 33,112,061 | 86,067,823 | 11,264 |
| Internal charges for services | 33,287 | - | 33,287 | 2,396,115 |
| Total operating revenues | 52,989,049 | 33,112,061 | 86,101,110 | 2,407,379 |
| OPERATING EXPENSES | | | | |
| Payroll and fringe benefits | 8,945,867 | 17,270,955 | 26,216,822 | - |
| Depreciation and amortization | 1,625,670 | 5,743,679 | 7,369,349 | - |
| Administration | 3,763,898 | 2,906,621 | 6,670,519 | - |
| Facility operations | 12,325,789 | 7,886,497 | 20,212,286 | - |
| Marketing | - | 3,073,955 | 3,073,955 | - |
| Food and beverage | - | 11,736,330 | 11,736,330 | - |
| Disposal fees | 9,198,303 | - | 9,198,303 | - |
| Waste transport | 9,636,070 | - | 9,636,070 | - |
| Special waste disposal fees | 833,549 | - | 833,549 | - |
| Landfill post-closure (reduction) | (3,137,302) | - | (3,137,302) | - |
| Consulting services | 3,091,603 | - | 3,091,603 | - |
| Charges for services | 2,060,725 | 79,949 | 2,140,674 | - |
| Insurance | - | - | - | 713,558 |
| Claims | - | - | - | 808,056 |
| Actuarial claims (reduction) | - | - | - | (28,170) |
| Other materials and services | 702,019 | - | 702,019 | 37,610 |
| Total operating expenses | 49,046,191 | 48,697,986 | 97,744,177 | 1,531,054 |
| Operating income (loss) | 3,942,858 | (15,585,925) | (11,643,067) | 876,325 |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Local government shared revenue | - | 12,581,998 | 12,581,998 | - |
| Investment income | 235,712 | 155,886 | 391,598 | 18,187 |
| Grants | 304,315 | - | 304,315 | 80,004 |
| Government contributions | - | 774,040 | 774,040 | - |
| Contributions and donations | - | 542,634 | 542,634 | - |
| Contributions to other governments | - | (523,252) | (523,252) | - |
| Gain (loss) on disposal of capital assets | 13,988 | 119,642 | 133,630 | - |
| Waste reduction grants | (2,138,950) | - | (2,138,950) | - |
| Interest expense | - | (572,901) | (572,901) | - |
| Total non-operating revenues (expenses) | (1,584,935) | 13,078,047 | 11,493,112 | 98,191 |
| Income (loss) before capital contributions and transfers | 2,357,923 | (2,507,878) | (149,955) | 974,516 |
| Capital grants | - | 123,574 | 123,574 | - |
| Transfers in | 224,457 | 594,822 | 819,279 | - |
| Transfers out | (1,296,402) | (1,961,973) | (3,258,375) | (871,750) |
| Change in net assets | 1,285,978 | (3,751,455) | (2,465,477) | 102,766 |
| Total net assets - July 1, 2011 | 58,065,297 | 183,166,961 | | 2,629,579 |
| Total net assets - June 30, 2012 | \$ 59,351,275 | 179,415,506 | | 2,732,345 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | 555,627 | |
| Change in net assets of business-type activities | | | \$ (1,909,850) | |

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

METRO
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2012

| | Business-type Activities- Enterprise Funds | | Total | Governmental Activities- Internal Service Fund Risk Management |
|--|---|--------------------|--------------------|---|
| | Solid Waste | MERC | | |
| Cash flows from operating activities: | | | | |
| Receipts from customers | \$ 50,868,492 | 33,530,364 | 84,398,856 | 577,804 |
| Receipts from interfund services provided | - | - | - | 1,818,311 |
| Other operating receipts | - | - | - | 330,388 |
| Payments to suppliers for goods and services | (38,721,405) | (22,779,887) | (61,501,292) | (793,283) |
| Payments for claims | - | - | - | (808,056) |
| Payments to employees for services | (8,739,209) | (17,137,192) | (25,876,401) | (10,691) |
| Payments for interfund services used | (3,763,898) | (2,986,570) | (6,750,468) | - |
| Net cash provided by (used in) operating activities | (356,020) | (9,373,285) | (9,729,305) | 1,114,473 |
| Cash flows from noncapital financing activities: | | | | |
| Local government shared revenues | - | 11,930,743 | 11,930,743 | - |
| Grants received | 212,606 | - | 212,606 | 90,496 |
| Government contributions | - | 774,040 | 774,040 | - |
| Contributions and donations | - | 542,634 | 542,634 | - |
| Payments and contributions to other governments | - | (523,252) | (523,252) | - |
| Grants to others | (2,138,950) | - | (2,138,950) | - |
| Transfers from other funds | 224,457 | 594,822 | 819,279 | - |
| Transfers to other funds | (1,296,402) | (1,961,973) | (3,258,375) | (871,750) |
| Net cash provided by (used in) noncapital financing activities | (2,998,289) | 11,357,014 | 8,358,725 | (781,254) |
| Cash flows from capital and related financing activities: | | | | |
| Capital grants | - | 123,574 | 123,574 | - |
| Principal payment on bonds | - | (650,000) | (650,000) | - |
| Interest payments | - | (538,631) | (538,631) | - |
| Acquisition and construction of capital assets | (1,599,220) | (1,521,027) | (3,120,247) | - |
| Proceeds from sale of capital assets | 22,750 | - | 22,750 | - |
| Net cash provided by (used in) capital and related financing activities | (1,576,470) | (2,586,084) | (4,162,554) | - |
| Cash flows from investing activities: | | | | |
| Investment income | 331,775 | 172,294 | 504,069 | 25,020 |
| Net cash provided by investing activities | 331,775 | 172,294 | 504,069 | 25,020 |
| Net increase (decrease) in cash including restricted amounts | (4,599,004) | (430,061) | (5,029,065) | 358,239 |
| Cash at beginning of year including restricted amounts | 41,390,971 | 25,551,219 | 66,942,190 | 3,088,420 |
| Cash at end of year including restricted amounts | \$ 36,791,967 | 25,121,158 | 61,913,125 | 3,446,659 |

(Continued)

METRO
Statement of Cash Flows
Proprietary Funds, *continued*
For the fiscal year ended June 30, 2012

| | Business-type Activities- Enterprise Funds | | | Governmental Activities- Internal Service Fund Risk Management |
|--|---|--------------------|--------------------|---|
| | Solid Waste | MERC | Total | |
| Equity in internal cash and investment pool | \$ 36,791,967 | 22,991,124 | 59,783,091 | 3,446,659 |
| Restricted equity in internal cash and investment pool | - | 2,130,034 | 2,130,034 | - |
| Total | \$ 36,791,967 | 25,121,158 | 61,913,125 | 3,446,659 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ 3,942,858 | (15,585,925) | (11,643,067) | 876,325 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 1,625,670 | 5,743,679 | 7,369,349 | - |
| Change in assets and liabilities: | | | | |
| Trade/other accounts receivable | (2,120,557) | 347,225 | (1,773,332) | 319,124 |
| Inventory | (178,467) | - | (178,467) | - |
| Other assets | 22,505 | 416,844 | 439,349 | - |
| Accounts payable | 616,559 | (568,216) | 48,343 | (42,115) |
| Salaries, withholdings and payroll taxes payable/compensated absences | 163,702 | 133,762 | 297,464 | (10,691) |
| Contracts payable | 2,858 | - | 2,858 | - |
| Accrued self-insurance claims | - | - | - | (28,170) |
| Unearned revenue | - | 285,717 | 285,717 | - |
| Deposits payable | 42,956 | 217,643 | 260,599 | - |
| Other liabilities | - | (364,014) | (364,014) | - |
| Post-closure liability | (3,759,229) | - | (3,759,229) | - |
| Pollution remediation liability | (714,875) | - | (714,875) | - |
| Total adjustments | (4,298,878) | 6,212,640 | 1,913,762 | 238,148 |
| Net cash provided by (used in) operating activities | \$ (356,020) | (9,373,285) | (9,729,305) | 1,114,473 |
| Noncash investing, capital, and financing activities: | | | | |
| Investment income relating to the change in the fair value of investments | \$ 23,722 | 8,507 | 32,229 | 741 |

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 fiscal year ended June 30, 2012

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 Asset Management 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:

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

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

Metro reports the following major proprietary funds:

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

Solid Waste Fund – This fund accounts for revenues, primarily from charges for services for the disposal of solid waste, and expenses for the implementation, administration and enforcement of Metro’s Solid Waste Management Plan. This fund also accounts for Metro South Station and Metro Central Station solid waste transfer and recycling facilities, and the closed St. Johns Landfill.

MERC Fund – This fund accounts for revenues and expenses related to the management and operation of facilities managed by MERC, including the Metro owned Oregon Convention Center (OCC) and the Portland Metropolitan Exposition Center (Expo). In addition, under the provisions of an intergovernmental agreement with the City of Portland, MERC is responsible for operation and management of the City-owned Portland Center for the Performing Arts (PCPA). This fund consists of two budgetary funds (MERC Fund and General Revenue Bond Fund-Expo) that are combined as one Enterprise Fund to be in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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, debt obligations of the States of California, Idaho and Washington and their political subdivisions, 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 2012 allocated indirect costs to grants at a rate of approximately 28 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, Oregon 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 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 2012.

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2012

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

| <u>Asset</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings and exhibits | 20-50 |
| Improvements | 10-65 |
| Equipment and vehicles | 8-20 |
| 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 adopts by ordinance constraints on resources that are reported as *committed* fund balance. These commitments can be modified or rescinded only by Council adoption of subsequent ordinances. *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,

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2012

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-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 | \$ | 425,180,395 | - | - |
| Accumulated depreciation | | (72,517,477) | - | - |
| Net pension asset | | - | 16,868,649 | - |
| Net other postemployment benefits obligation | | - | - | (891,601) |
| Accrued interest payable | | - | - | (1,610,520) |
| Bonds payable (net of unamortized premium and deferred amount on refunding) | | - | - | (340,914,662) |
| Compensated absences | | - | - | (2,694,498) |
| Net adjustment to fund balance-total governmental funds to arrive at net assets-governmental activities | \$ | <u>352,662,918</u> | <u>16,868,649</u> | <u>(346,111,281)</u> |

III. 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, debt obligations of the States of California, Idaho and Washington and their political subdivisions, and the State Treasurer's local government investment pool (LGIP). The LGIP is an external investment

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2012

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, 2012, 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 | \$ 9,985,315 | 15,314,300 | 25,299,615 | 12,076,725 | 13,222,890 | - |
| U.S. Government securities - USGSE | 151,457,175 | 32,994,738 | 184,451,913 | 20,572,126 | 163,879,787 | - |
| State Treasurer's investment pool | 24,031,746 | 19,609,826 | 43,641,572 | 43,641,572 | - | - |
| Total Investments | 185,474,236 | 67,918,864 | <u>253,393,100</u> | <u>76,290,423</u> | <u>177,102,677</u> | <u>-</u> |
| Cash deposits | - | 53,216,648 | | | | |
| Total cash and investments | <u>185,474,236</u> | <u>121,135,512</u> | | | | |
| Per statement of net assets: | | | | | | |
| Unrestricted | - | 101,044,918 | | | | |
| Restricted | 185,474,236 | 20,090,594 | | | | |
| Total | <u>\$ 185,474,236</u> | <u>121,135,512</u> | | | | |

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 fiscal year ended June 30, 2012

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, 2012, all of Metro’s deposits were insured as described above.

For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, Metro will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All trades are executed by delivery vs. payment to ensure that securities are deposited for safekeeping in an eligible financial institution prior to the release of funds. As of June 30, 2012, Metro had no investments that were held by either counterparty or the counterparty’s trust department agent. Therefore, Metro has no outstanding investments that were exposed to custodial credit risk.

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, 2012 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 | | |
|--|--|------------------------|--|--------------------------------|--------------------|
| | | | Debt Service Fund | Oregon Zoo Infrastructure Fund | Natural Areas Fund |
| Bankers’ Acceptances | 10.0% | 25.0% | - | - | - |
| Federal Farm Credit Bank (FFCB) | 35.0% | 40.0% | - | 39.8% | 44.4% |
| Federal Home Loan Bank (FHLB) | 14.5% | 40.0% | 100% | - | - |
| Federal Home Loan Mtg Corp (FHLMC) | 7.2% | 40.0% | - | 21.5% | - |
| Federal National Mortgage Association (FNMA) | 7.6% | 40.0% | - | 14.5% | - |
| State Treasurer’s Investment Pool | 17.2% | 100.0% | - | - | - |

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 | 150,000 |
| 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>\$ 8,354,493</u> |

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.

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2012

D. CAPITAL ASSETS

Capital asset balances and activity for fiscal year 2012 were as follows:

| | Balance July 1, 2011 | Increases | Decreases | Transfers | Balance June 30, 2012 |
|--|-------------------------|-------------|-------------|--------------|--------------------------|
| Governmental activities: | | | | | |
| Capital assets, non-depreciable: | | | | | |
| Land | \$ 215,500,133 | 15,342,331 | (2,369,921) | (983,446) | 227,489,097 |
| Intangible-easements | 3,601,692 | 446,799 | - | 3,944,542 | 7,993,033 |
| Artwork | 472,884 | 16,141 | - | - | 489,025 |
| Construction in progress | 24,423,667 | 11,682,033 | (1,745) | (13,893,792) | 22,210,163 |
| Total non-depreciable | 243,998,376 | 27,487,304 | (2,371,666) | (10,932,696) | 258,181,318 |
| Capital assets, depreciable: | | | | | |
| Buildings and exhibits | 116,181,823 | 448,098 | (1,847,755) | 3,247,552 | 118,029,718 |
| Improvements | 25,499,536 | 58,568 | (91,371) | 6,437,467 | 31,904,200 |
| Equipment and vehicles | 8,814,816 | 581,045 | (572,908) | 408,503 | 9,231,456 |
| Intangible-software | 2,873,490 | 333,687 | - | 366,934 | 3,574,111 |
| Office furniture and equipment | 1,819,954 | 78,083 | (192,631) | 544,073 | 2,249,479 |
| Railroad equipment and facilities | 2,081,946 | - | - | (71,833) | 2,010,113 |
| Total depreciable | 157,271,565 | 1,499,481 | (2,704,665) | 10,932,696 | 166,999,077 |
| Accumulated depreciation: | | | | | |
| Buildings and exhibits | (45,538,737) | (2,551,261) | 1,421,848 | - | (46,668,150) |
| Improvements | (13,225,805) | (1,212,792) | 144,392 | - | (14,294,205) |
| Equipment and vehicles | (5,338,680) | (525,184) | 449,014 | 27,365 | (5,387,485) |
| Intangible-software | (2,409,287) | (277,341) | - | (26,258) | (2,712,886) |
| Office furniture and equipment | (1,338,126) | (306,552) | 187,022 | (1,107) | (1,458,763) |
| Railroad equipment and facilities | (1,994,695) | (1,293) | - | - | (1,995,988) |
| Total accumulated depreciation | (69,845,330) | (4,874,423) | 2,202,276 | - | (72,517,477) |
| Total capital assets, depreciable, net | 87,426,235 | (3,374,942) | (502,389) | 10,932,696 | 94,481,600 |
| Governmental activities | | | | | |
| capital assets, net | \$ 331,424,611 | 24,112,362 | (2,874,055) | - | 352,662,918 |

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2012

| | Balance July 1, 2011 | Increases | Decreases | Transfers | Balance June 30, 2012 |
|--|-------------------------|-------------|-----------|-------------|--------------------------|
| Business-type activities: | | | | | |
| Capital assets, non-depreciable: | | | | | |
| Land | \$ 19,329,786 | - | - | - | 19,329,786 |
| Artwork | - | - | - | 823,121 | 823,121 |
| Construction in progress | 1,000,914 | 1,086,945 | - | (1,056,918) | 1,030,941 |
| Total non-depreciable | 20,330,700 | 1,086,945 | - | (233,797) | 21,183,848 |
| Capital assets, depreciable: | | | | | |
| Buildings and exhibits | 276,903,575 | 461,480 | - | (185,070) | 277,179,985 |
| Improvements | 16,667,011 | 628,671 | - | 214,895 | 17,510,577 |
| Equipment and vehicles | 17,547,343 | 943,347 | (92,319) | 169,236 | 18,567,607 |
| Intangible-software | 558,371 | - | - | - | 558,371 |
| Office furniture and equipment | 696,634 | 288 | (13,453) | 34,736 | 718,205 |
| Total depreciable | 312,372,934 | 2,033,786 | (105,772) | 233,797 | 314,534,745 |
| Accumulated depreciation: | | | | | |
| Buildings and exhibits | (103,735,908) | (5,977,934) | 119,157 | - | (109,594,685) |
| Improvements | (15,323,308) | (211,341) | - | - | (15,534,649) |
| Equipment and vehicles | (11,357,811) | (1,042,792) | 83,557 | - | (12,317,046) |
| Intangible-software | (391,163) | (72,261) | - | - | (463,424) |
| Office furniture and equipment | (243,247) | (65,021) | 13,453 | - | (294,815) |
| Total accumulated depreciation | (131,051,437) | (7,369,349) | 216,167 | - | (138,204,619) |
| Total capital assets, depreciable, net | 181,321,497 | (5,335,563) | 110,395 | 233,797 | 176,330,126 |
| Business-type activities | | | | | |
| capital assets, net | \$ 201,652,197 | (4,248,618) | 110,395 | - | 197,513,974 |

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 fiscal year ended June 30, 2012.

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.

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2012

Depreciation expense was charged to functions/programs as follows:

| | |
|---|---------------------------|
| Governmental Activities: | |
| General government operations | \$ 916,371 |
| Regional planning and development | 758 |
| Culture and recreation | 1,355,062 |
| Zoo | 2,602,232 |
| <hr/> | |
| Total depreciation expense - governmental activities | <hr/> <u>\$ 4,874,423</u> |
| Business-type activities: | |
| Solid Waste | \$ 1,625,670 |
| MERC | 5,743,679 |
| <hr/> | |
| Total depreciation expense - business-type activities | <hr/> <u>\$ 7,369,349</u> |

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, 2012 were:

| | Deferred | Unearned |
|---|---------------------------|------------------------|
| <hr/> | | |
| Delinquent property taxes-General Fund | \$ 641,890 | - |
| Delinquent property taxes-Debt Service Fund | 1,823,698 | - |
| Other delinquent revenue-General Fund | 526,932 | - |
| Long-term receivable-Natural Areas Fund | - | 500,000 |
| Grant and contract drawdowns prior to meeting all eligibility requirements-General Fund | - | 6,249,364 |
| Advance ticket sales/registrations-General Fund | - | 767,475 |
| <hr/> | | |
| Total | <hr/> <u>\$ 2,992,520</u> | <hr/> <u>7,516,839</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

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2012

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 2009 valuation, are 7.04 percent of covered employees' salaries for the OPSRP plan, and 8.67 percent for the PERS plan.

3. Annual Pension Cost/Pension Asset

For fiscal year 2012, Metro's annual pension cost was \$5,269,027. This amount consisted of Metro's actual required contributions of \$1,387,930 to the OPSRP plan and \$2,821,287 for the PERS plan, as well as \$1,059,810 in amortization of pension assets of the PERS plan. In addition, Metro paid \$2,710,470 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 \$16,868,649 at June 30, 2012. Metro's required employer contribution was determined as part of an actuarial valuation at December 31, 2009.

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 |
| 2010 | \$ 480,609 | 100% | \$ 1,922,731 | 100% |
| 2011 | 565,353 | 100% | 1,899,249 | 100% |
| 2012 | 1,387,930 | 100% | 3,881,097 | 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

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2012

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, 2012, 23 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 \$131,715 of implicit subsidies in postemployment health care in fiscal year 2012.

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 15 years. A schedule of Metro's annual OPEB Obligation for the fiscal year ended June 30, 2012 is:

| | |
|--|--------------|
| Annual Required Contribution (ARC) | \$ 472,211 |
| Interest on prior year Net OPEB Obligation | 47,801 |
| Adjustment to ARC | (118,582) |
| Annual OPEB cost | 401,430 |
| Estimated benefits payments | (131,715) |
| Increase in Net OPEB Obligation | 269,715 |
| Net OPEB Obligation – beginning of year | 1,365,751 |
| Net OPEB Obligation – end of year | \$ 1,635,466 |
| Percentage of annual OPEB cost contributed | 33% |

Additional information for fiscal year 2012 and the two preceding years is:

| Fiscal year ended June 30: | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|----------------------------------|---------------------|---|------------------------|
| 2010 | \$ 408,728 | 28% | \$ 1,095,391 |
| 2011 | 426,608 | 37% | 1,365,751 |
| 2012 | 401,430 | 33% | 1,635,466 |

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

4. Funding Status/Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,907,891, and the actuarial value of assets was zero, resulting in an UAAL of \$2,907,891. The covered payroll was \$52,255,709 for fiscal year 2012, 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, 2011 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 an inflation rate of 2.75 percent, a discount rate of 3.5 percent, and health care cost trend rate of 7.25 percent initially, decremented to an ultimate rate of 5.25 percent in the 27th 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 15 year amortization methodology. The remaining amortization period at June 30, 2012 is 15 years.

I. COMMITMENTS

1. Columbia Ridge Landfill

Metro has a waste disposal services contract with the owner and operator of Columbia Ridge Landfill in Gilliam County, Oregon for disposal of solid waste from the transfer stations owned by Metro. This contract expires December 31, 2019. The contract specifies a per ton unit price schedule that is adjusted annually on July 1 in an amount equivalent to 90 percent of the CPI, minus one-half of a percentage point. For fiscal year 2012, this resulted in a contracted per ton unit price of \$24.96 for the first 550,000 tons and a declining incremental price scale for each ton of waste in excess of 550,000 tons.

2. Waste Transport

Solid waste transport from Metro facilities to 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. In addition, the contract calls for Metro to reimburse the contractor for the cost of shuttle fuel used at the transfer stations. The fuel price is highly variable and tied to a weekly index, but historically has added \$10 to \$15 to the cost of each load. For fiscal year 2012, the unit load price equated to a rate of \$606.37 (equivalent to about \$17.73 per ton). Metro has a separate contract with a fuel provider for over-the-road diesel fuel. This contract sets a price per gallon that is tied to a national weekly fuel index. The current fuel contract expires on September 30, 2015.

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2012

On September 15, 2011 Metro and the transport contractor amended the contract to include supplemental payments to the contractor and rebates to Metro based on annual waste volumes delivered to Columbia Ridge Landfill. The contractor receives a supplemental payment equal to 3.5 percent of the contract amount paid during the previous calendar year if landfilled tonnage was 450,000 tons or less during the same calendar year. Metro receives a 3.5 percent rebate on those payments if tonnage was greater than 500,000 tons. Total supplemental payments and bonuses are both capped at \$1,500,000 over the life of the contract. Metro made a supplemental payment of \$126,022 in fiscal year 2012.

3. Metro South Station

The operation of Metro South, a solid waste transfer station and materials recovery facility, is privately contracted through March 31, 2017. For fiscal year 2012, the agreement sets an annual fixed payment of \$946,847, a price of \$4.87 per ton of putrescible waste, a price of \$11.07 per ton of non-putrescible waste, and prices for other, smaller waste streams such as yard debris and wood. The contractor also receives incentives for materials recovered from the waste stream and not sent to the Columbia Ridge Landfill. During fiscal year 2012, the parties amended the contract to address compensation and obligations for handling source-separated food waste generated by a new recycling program implemented on October 31, 2011 by the City of Portland. All payments are adjusted annually on July 1 in an amount equivalent to 85 percent of the CPI.

4. Metro Central Station

The operation of Metro Central, a solid waste transfer station and materials recovery facility, is privately contracted through March 31, 2017. For fiscal year 2012, the agreement sets an annual fixed payment of \$2,085,413, a price of \$3.20 per ton of putrescible waste, a price of \$14.46 per ton of non-putrescible waste, and prices for other, smaller waste streams such as yard debris and wood. The contractor also receives incentives for materials recovered from the waste stream and not sent to the Columbia Ridge Landfill. During fiscal year 2012, the parties amended the contract to address compensation and obligations for handling source-separated food waste generated by a new recycling program implemented on October 31, 2011 by the City of Portland. All payments are adjusted annually on July 1 in an amount equivalent to 87 percent of the CPI.

The following table presents approximate annual commitments based on forecasted refuse tons and a 2.8 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 |
|------------------------------------|--------------------------------|------------------------|--------------------|----------------------|
| 2013 | \$ 7,959,619 | 6,756,224 | 5,190,710 | 7,204,608 |
| 2014 | 7,889,077 | 6,677,164 | 5,301,532 | 7,146,358 |
| 2015 | 8,017,070 | 6,824,793 | 5,479,950 | 7,314,805 |
| 2016 | 8,359,030 | 7,219,515 | 5,723,440 | 7,510,505 |
| 2017 | 8,769,297 | 7,747,555 | 5,969,920 | 7,736,220 |
| Thereafter | 23,657,542 | 21,475,598 | - | - |
| Total | \$64,651,635 | 56,700,849 | 27,665,552 | 36,912,496 |

5. Construction Projects

Metro is committed under a number of contracts for construction services. The amount of uncompleted contracts totals \$929,114 at June 30, 2012.

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 2012.

The future minimum lease payments are as follows:

| <u>Fiscal year ending June 30:</u> | | <u>Fiscal year ending June 30:</u> | | <u>Fiscal year ending June 30:</u> | |
|--|-----------|--|-----------|--|--------------------|
| 2013 | \$134,814 | 2028-32 | \$674,070 | 2063-67 | \$674,070 |
| 2014 | 134,814 | 2033-37 | 674,070 | 2068-72 | 674,070 |
| 2015 | 134,814 | 2038-42 | 674,070 | 2073-77 | 674,070 |
| 2016 | 134,814 | 2043-47 | 674,070 | 2078-82 | 674,070 |
| 2017 | 134,814 | 2048-52 | 674,070 | 2083-84 | 179,752 |
| 2018-22 | 674,070 | 2053-57 | 674,070 | | |
| 2023-27 | 674,070 | 2058-62 | 674,070 | | |
| | | | | <u>Total</u> | <u>\$9,616,732</u> |

K. BONDS PAYABLE*Governmental Activities***1. 2002 Series General Obligation Refunding Bonds and 2012B 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 were called and paid and the escrow account for the defeasance was closed.

On June 6, 2012, Metro issued \$27,575,000 of General Obligation Refunding Bonds, 2012B Series to refund the portion of the General Obligation Refunding Bonds, 2002 Series callable without premium. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent until the bonds' optional redemption date of September 1, 2012. At June 30, 2012, \$28,925,000 of the refunded bonds were outstanding.

As a result of these actions, the callable portion of 2002 Series bonds are considered defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The refunding resulted in net present value savings of \$2,567,762. The remaining non-callable portion will be paid in September, 2012 as scheduled.

The 2002 and 2012B 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 3.0 percent to 5.0 percent.

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2012

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

| Fiscal year ending June 30: | 2002 Series | | 2012B Series | |
|------------------------------------|--------------------|-----------------|---------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2013 | \$8,690,000 | 217,250 | 8,890,000 | 1,094,041 |
| 2014 | - | - | 9,150,000 | 842,750 |
| 2015 | - | - | 9,535,000 | 476,750 |
| | 8,690,000 | 217,250 | 27,575,000 | 2,413,541 |
| Unamortized costs/premium | 321,252 | | 2,051,806 | |
| Deferred amount on refunding | (215,233) | | (215,764) | |
| Per statement of net assets | <u>\$8,796,019</u> | | <u>29,411,042</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 4.4 to 5.0 percent.

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

| Fiscal year ending June 30: | Principal | Interest |
|------------------------------------|---------------------|-----------------|
| 2013 | \$ 5,290,000 | 264,500 |
| Per statement of net assets | <u>\$ 5,290,000</u> | <u>264,500</u> |

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 are:

| Fiscal year ending June 30: | Principal | Interest |
|------------------------------------|---------------------|-----------------|
| 2013 | \$ 1,795,000 | 477,150 |
| 2014 | 1,890,000 | 387,400 |
| 2015 | 1,995,000 | 292,900 |
| 2016 | 2,095,000 | 193,150 |
| 2017 | 2,210,000 | 88,400 |
| | 9,985,000 | 1,439,000 |
| Unamortized costs/premium | 407,694 | |
| Deferred amount on refunding | (329,764) | |
| Per statement of net assets | <u>\$10,062,930</u> | |

4. 2007 and 2012A 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. On June 6, 2012, Metro issued an additional \$75,000,000 of bonds, the 2012A Series. The remaining portion of bonds under the authorization is anticipated to be issued in 2015.

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 2.0 percent to 5.0 percent.

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

| Fiscal year ending June 30: | 2007 Series | | 2012A Series | |
|-----------------------------|--------------|------------|--------------|------------|
| | Principal | Interest | Principal | Interest |
| 2013 | \$ 4,230,000 | 3,908,950 | 4,080,000 | 3,437,534 |
| 2014 | 4,400,000 | 3,739,750 | 4,610,000 | 3,404,350 |
| 2015 | 4,620,000 | 3,519,750 | 5,350,000 | 3,219,950 |
| 2016 | 4,850,000 | 3,288,750 | 2,230,000 | 2,952,450 |
| 2017 | 5,095,000 | 3,046,250 | 2,790,000 | 2,840,950 |
| 2018-22 | 29,550,000 | 11,146,250 | 23,265,000 | 11,517,250 |
| 2023-26 | 29,200,000 | 3,357,450 | 32,675,000 | 3,928,300 |
| | 81,945,000 | 32,007,150 | 75,000,000 | 31,300,784 |
| Unamortized costs/premium | 4,420,040 | | 14,603,402 | |
| Per statement of net assets | \$86,365,040 | | 89,603,402 | |

5. 2012A 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 and second series of this bond, issued as taxable Build America Bonds (BABs), for \$5,000,000 and \$15,000,000 were issued and paid off in prior fiscal years. On June 6, 2012, Metro issued an additional \$65,000,000 of bonds, the 2012A Series. The remaining portion of bonds under the authorization is anticipated to be issued in 2015.

The balance of the bonds is to be repaid with proceeds of Metro's *ad valorem* property tax levied each year. Interest rates on individual bonds range from 2.0 percent to 5.0 percent.

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2012

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

| Fiscal year ending June 30: | Principal | Interest |
|------------------------------------|------------------|-----------------|
| 2013 | \$ 4,835,000 | 2,815,470 |
| 2014 | 5,165,000 | 2,758,425 |
| 2015 | 5,670,000 | 2,551,825 |
| 2016 | 2,000,000 | 2,268,325 |
| 2017 | 2,260,000 | 2,168,325 |
| 2018-22 | 15,345,000 | 8,886,625 |
| 2023-27 | 23,770,000 | 4,306,575 |
| 2028 | 5,955,000 | 178,650 |
| | 65,000,000 | 25,934,220 |
| Unamortized costs/premium | 10,369,216 | |
| Per statement of net assets | \$75,369,216 | |

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 (OECDD) 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 3.3 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 |
|------------------------------------|------------------|-----------------|
| 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 | 1,325,000 | 360,360 |
| 2018-22 | 6,550,000 | 1,000,002 |
| 2023 | 1,475,000 | 64,900 |
| | 15,000,000 | 3,384,133 |
| Unamortized costs/discount | (91,068) | |
| Deferred amount on refunding | (1,530,210) | |
| Per statement of net assets | \$13,378,722 | |

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 fiscal year ended June 30, 2012

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 5.004 percent.

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

| Fiscal year ending June 30: | Principal | Interest |
|------------------------------------|------------------|-----------------|
| 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 | 930,000 | 1,002,039 |
| 2018-22 | 6,690,000 | 4,203,639 |
| 2023-27 | 11,130,000 | 2,127,451 |
| 2028 | 1,405,000 | 70,306 |
| | 22,825,000 | 11,756,058 |
| Unamortized costs/premium | (186,709) | |
| Per statement of net assets | \$22,638,291 | |

*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 |
|------------------------------------|------------------|-----------------|
| 2013 | \$ 675,000 | 512,131 |
| 2014 | 705,000 | 483,650 |
| 2015 | 735,000 | 453,050 |
| 2016 | 765,000 | 421,175 |
| 2017 | 795,000 | 387,528 |
| 2018-22 | 4,585,000 | 1,303,850 |
| 2023-25 | 3,300,000 | 226,732 |
| | \$11,560,000 | 3,788,116 |
| Unamortized costs/discount | 83,287 | |
| Deferred amount on refunding | (534,452) | |
| Per statement of net assets | \$11,108,835 | |

L. CHANGES IN LONG-TERM LIABILITIES

The following changes occurred during fiscal year 2012 in long-term liabilities:

| | Balance July 1, 2011 | Additions | Reductions | Balance June 30, 2012 | Due Within One Year |
|-----------------------------------|-------------------------|-------------|--------------|--------------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 158,080,000 | 167,575,000 | (52,170,000) | 273,485,000 | 37,810,000 |
| Full faith and credit bonds | 16,300,000 | - | (1,300,000) | 15,000,000 | 1,340,000 |
| Pension obligation bonds | 23,260,000 | - | (435,000) | 22,825,000 | 525,000 |
| Less deferred amounts: | | | | | |
| For premium or discount | 7,620,969 | 23,279,177 | (1,272,083) | 29,628,063 | - |
| On refunding | (3,897,718) | 3,191,275 | 683,042 | (23,401) | - |
| Total bonds payable | 201,363,251 | 194,045,452 | (54,494,041) | 340,914,662 | 39,675,000 |
| Net other postemployment benefits | 727,911 | 229,635 | (65,945) | 891,601 | - |
| Compensated absences | 2,280,703 | 2,694,498 | (2,280,703) | 2,694,498 | 2,312,709 |
| Governmental activity | | | | | |
| Long-term liabilities | \$ 204,371,865 | 196,969,585 | (56,840,689) | 344,500,761 | 41,987,709 |
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| Full faith and credit bonds | \$ 12,210,000 | - | (650,000) | 11,560,000 | 675,000 |
| Less deferred amounts: | | | | | |
| For premium or discount | 89,995 | - | (6,708) | 83,287 | - |
| On refunding | (577,496) | - | 43,044 | (534,452) | - |
| Total bonds payable | 11,722,499 | - | (613,664) | 11,108,835 | 675,000 |
| Post-closure costs payable | 14,289,658 | - | (3,759,229) | 10,530,429 | 637,476 |
| Pollution remediation obligation | 1,839,875 | - | (714,875) | 1,125,000 | - |
| Net other postemployment benefits | 637,840 | 171,795 | (65,770) | 743,865 | - |
| Compensated absences | 1,067,319 | 1,116,732 | (1,067,319) | 1,116,732 | 1,116,732 |
| Business-type activity | | | | | |
| Long-term liabilities | \$ 29,557,191 | 1,288,527 | (6,220,857) | 24,624,861 | 2,429,208 |

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 using the expected cash flows technique. At the St. Johns Landfill, three phases of 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 (RI) and remedial design, remedial action implementation and remedial action performance monitoring. The work associated with the RI was completed during fiscal year 2012 and the final RI report was accepted by DEQ on May 30, 2012. Metro paid \$115,537 in remediation costs (\$403,603 cumulative to date) reducing the estimated liability to \$1,047,000 at June 30, 2012. Actual cost may vary due to inflation or deflation, changes in technology, or changes in regulations. 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, 2012.

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, 2012, there were fourteen 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, 2012 is estimated to be \$51,890,685 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 \$621,927 in closure costs as the closure process continued (\$41,360,256 cumulative to date); reducing the remaining estimated liability to \$10,530,429 at June 30, 2012.

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 March 20, 2012 annual recertification.

METRO

Notes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2012

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 |
|--|---------------|-------------------|-----------------------------|--------------------|-------------|-------------|
| | | | Oregon ZIAW Fund | Natural Areas Fund | Other Funds | |
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Prepays and inventory | \$ 181,891 | - | - | - | - | 181,891 |
| Corpus of permanent fund | - | - | - | - | 355,441 | 355,441 |
| Total nonspendable | 181,891 | - | - | - | 355,441 | 537,332 |
| Restricted for: | | | | | | |
| TOD projects | 15,678,159 | - | - | - | - | 15,678,159 |
| Debt service on GO bonds | - | 11,134,999 | - | - | - | 11,134,999 |
| Smith & Bybee Lakes management plan | - | - | - | - | 3,740,462 | 3,740,462 |
| Rehabilitation/Enhancement | - | - | - | - | 1,953,122 | 1,953,122 |
| Capital projects: | | | | | | |
| OZF donations | 1,283,988 | - | - | - | - | 1,283,988 |
| Bond funded programs | - | - | 77,630,727 | 98,783,002 | 707,632 | 177,121,361 |
| Total restricted | 16,962,147 | 11,134,999 | 77,630,727 | 98,783,002 | 6,401,216 | 210,912,091 |
| Committed to: | | | | | | |
| Construction excise tax for development planning | 4,169,918 | - | - | - | - | 4,169,918 |
| Assigned to: | | | | | | |
| Permanent fund programs | - | - | - | - | 26,330 | 26,330 |
| Unassigned: | 27,269,809 | - | - | - | - | 27,269,809 |
| Total fund balances | \$ 48,583,765 | 11,134,999 | 77,630,727 | 98,783,002 | 6,782,987 | 242,915,480 |

P. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2012 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 | \$ 2,313,086 |

METRO

Notes to the Financial Statements, *continued*
 For the fiscal year ended June 30, 2012

Interfund transfers for the fiscal year by fund were:

| <i>Transfers out</i> | <i>Transfers in</i> | | | | | Total |
|---------------------------|---------------------|----------------------------------|----------------------|--------------------|----------------|------------------|
| | General | Oregon Zoo Infrastructure | Natural Areas | Solid Waste | MERC | |
| General | - | - | - | 138,577 | 480,000 | 618,577 |
| Oregon Zoo Infrastructure | 26,205 | - | - | - | - | 26,205 |
| Natural Areas | 53,783 | - | - | - | - | 53,783 |
| Non-major governmental | 1,334,269 | - | - | - | - | 1,334,269 |
| Solid Waste | 1,296,402 | - | - | - | - | 1,296,402 |
| MERC | 1,961,973 | - | - | - | - | 1,961,973 |
| Risk Management | 654,137 | 3,735 | 13,176 | 85,880 | 114,822 | 871,750 |
| Total | 5,326,769 | 3,735 | 13,176 | 224,457 | 594,822 | 6,162,959 |

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 program, and Tourism Opportunity and Competiveness Account funding provided to MERC; transfers from Oregon Zoo Infrastructure, Natural Areas, Solid Waste, MERC and Risk Management to the General Fund for PERS Reserves; transfer of the balance of the non-major Metro Capital Fund to establish the General Asset Management Fund; and transfers of opt-out balances from Risk Management to various funds to offset the cost of health insurance premiums.

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 \$566,700 per claim and \$1,133,300 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 \$631,623,000 of property values with a \$500,000,000 blanket policy and a \$500,000 deductible.
- Workers' compensation, bodily injury or illness to an employee while in the course of employment: this risk is covered through a retrospectively rated program from SAIF Corporation, a commercial carrier, in amounts that meet statutory requirements.

Metro has not experienced settlements in excess of insurance coverage in any of the last three fiscal years. An independent actuary prepared an actuarial valuation and estimate of liabilities for unpaid claims as of June 30, 2012. 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

METRONotes to the Financial Statements, *continued*

For the fiscal year ended June 30, 2012

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 \$525,840 reported as accrued self-insurance claims in the Risk Management Fund at June 30, 2012 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 |
|-----------|---|---|---------------------------|---|
| 2010-2011 | \$ 709,370 | 1,365,065 | 1,520,425 | 554,010 |
| 2011-2012 | 554,010 | 779,886 | 808,056 | 525,840 |

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 fiscal year ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|-------------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Program revenues: | | | | |
| Charges for services: | | | | |
| Government fees | \$ 95,968 | 139,968 | 109,500 | (30,468) |
| Culture and recreation fees | 19,252,878 | 19,252,878 | 19,546,946 | 294,068 |
| Other fees | 4,208,920 | 4,222,545 | 3,452,403 | (770,142) |
| Licenses and permits | 386,000 | 386,000 | 373,675 | (12,325) |
| Miscellaneous revenue | 138,689 | 138,689 | 219,266 | 80,577 |
| Operating grants and contributions: | | | | |
| Grants | 12,080,756 | 12,172,196 | 8,961,587 | (3,210,609) |
| Government contributions | 3,024,060 | 3,024,060 | 4,408,500 | 1,384,440 |
| Contributions and donations | 1,065,100 | 1,065,100 | 831,535 | (233,565) |
| Capital grants and contributions: | | | | |
| Capital contributions and donations | - | - | 7,500 | 7,500 |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes | 11,767,309 | 11,767,309 | 11,780,995 | 13,686 |
| Excise taxes | 15,100,765 | 15,100,765 | 14,413,338 | (687,427) |
| Construction excise tax | 1,605,000 | 1,605,000 | 1,765,024 | 160,024 |
| Local government shared revenue | 553,644 | 553,644 | 466,123 | (87,521) |
| Investment income | 107,000 | 107,000 | 178,157 | 71,157 |
| Total revenues | 69,386,089 | 69,535,154 | 66,514,549 | (3,020,605) |
| EXPENDITURES | | | | |
| Communications | 2,392,835 | 2,513,202 | 2,486,980 | 26,222 |
| Council office | 3,694,550 | 3,862,858 | 3,218,601 | 644,257 |
| Finance and regulatory services | 3,870,708 | 3,877,640 | 3,607,222 | 270,418 |
| Human resources | 2,304,161 | 2,183,806 | 1,954,162 | 229,644 |
| Information services | 3,618,387 | 3,626,474 | 3,411,127 | 215,347 |
| Metro auditor | 686,452 | 686,452 | 663,772 | 22,680 |
| Office of Metro attorney | 2,067,885 | 1,984,575 | 1,901,399 | 83,176 |
| Oregon Zoo | 28,526,231 | 28,541,635 | 27,167,818 | 1,373,817 |
| Parks and environmental services | 6,493,041 | 6,656,184 | 6,620,261 | 35,923 |
| Planning and development | 16,469,641 | 16,561,877 | 9,240,393 | 7,321,484 |
| Research center | 4,400,666 | 4,489,582 | 4,189,141 | 300,441 |
| Sustainability center | 5,014,777 | 5,022,941 | 4,695,872 | 327,069 |

(Continued)

METRO

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances-
Budget and Actual (Non-GAAP Basis of Budgeting), *continued*
For the fiscal year ended June 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with final budget</u> |
|---|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures, continued: | | | | |
| Special appropriations | \$ 4,601,055 | 4,566,055 | 1,875,244 | 2,690,811 |
| Former ORS 197.352 claims & judgments | 100 | 100 | - | 100 |
| Non-departmental: | | | | |
| Debt service | 1,588,215 | 1,588,215 | 1,588,214 | 1 |
| Contingency | 3,929,617 | 3,562,142 | - | 3,562,142 |
| Total expenditures | 89,658,321 | 89,723,738 | 72,620,206 | 17,103,532 |
| Revenues under expenditures | (20,272,232) | (20,188,584) | (6,105,657) | 14,082,927 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of capital assets | - | - | 24,400 | 24,400 |
| Transfers in | 14,265,737 | 14,412,485 | 13,959,379 | (453,106) |
| Transfers out | (4,949,564) | (5,053,606) | (5,045,607) | 7,999 |
| Total other financing sources (uses) | 9,316,173 | 9,358,879 | 8,938,172 | (420,707) |
| Revenues and other sources over (under) expenditures and other uses | (10,956,059) | (10,829,705) | 2,832,515 | 13,662,220 |
| Beginning fund balance available for appropriation - July 1, 2011 | 25,619,555 | 25,619,555 | 28,964,227 | 3,344,672 |
| Unappropriated ending fund balance - June 30, 2012 | \$ 14,663,496 | 14,789,850 | 31,796,742 | 17,006,892 |
| 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 | | | \$ 2,832,515 | |
| General Revenue Bond Fund-General, from page 111 | | | (216,258) | |
| General Asset Management Fund, from page 112 | | | 53,585 | |
| Additional expenses required by Governmental GAAP: | | | | |
| Write-down of value of assets held for resale | | | (434,774) | |
| Additional revenues required by Governmental GAAP: | | | | |
| Resource transfer to establish General Asset Management Fund | | | 1,334,269 | |
| General Fund net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds | | | \$ 3,569,337 | |

METRO
 Schedule of Funding Progress
 Other Postemployment Benefits
 June 30, 2012

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Percentage | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|--|--|--|------------------------------|----------------------------|--|
| 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% |
| July 1, 2011 | - | 2,907,891 | 2,907,891 | 0% | 52,255,709 | 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 Asset Management 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 nine budget amendments during the fiscal year ended June 30, 2012. Two of the amendments would be considered significant. In March 2012, the Council adopted a budget amendment with several components, one of which was to recognize the impact of the City of Portland's residential organics program on Metro transfer facilities. The estimated additional cost was estimated at approximately \$3.6 million. In June 2012, the Metro Council acknowledged the receipt of \$2.3 million in additional food and beverage revenue at the MERC Venues and provided for additional associated expenditure appropriation as a result of the increased revenue.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2012, expenditures exceeded appropriations in the General Obligation Bond Debt Service Fund due to the refunding of the 2002 Series General Obligation Refunding Bonds. Oregon Local Budget Law (ORS 294.338) provides certain exemptions for overexpenditures due to the issuance of debt.

3. RECONCILIATION OF BASIS OF BUDGETING TO GAAP BASIS

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

Other Supplementary Information

Combining Statements

Nonmajor Governmental Funds

Budgetary Comparison Schedules

Combining Statements

Nonmajor Governmental Funds

Special Revenue Funds

Smith and Bybee Lakes Fund

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

Rehabilitation and Enhancement Fund

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

Capital Projects Funds

Open Spaces Fund

This fund accounts for the activities to acquire and protect regional open spaces, parks, trails, and streams. The principal resources are investment income and sale of capital assets.

Metro Capital Fund

This fund was merged into the new General Asset Management Fund.

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, 2012

| | Special Revenue | | | Capital | Permanent | Total |
|---|---------------------|------------------|------------------|----------------|----------------|------------------|
| | Smith | Rehabilitation | | Projects | Cemetery | Nonmajor |
| | and | and | Total | Open | Perpetual | Governmental |
| | Bybee Lakes | Enhancement | | Spaces | Care | Funds |
| ASSETS | | | | | | |
| Equity in internal cash and investment pool | \$ 3,753,529 | 2,004,800 | 5,758,329 | 714,754 | 381,364 | 6,854,447 |
| Receivables: | | | | | | |
| Other | - | 4,548 | 4,548 | - | - | 4,548 |
| Interest | 4,081 | 2,159 | 6,240 | 768 | 407 | 7,415 |
| Total assets | 3,757,610 | 2,011,507 | 5,769,117 | 715,522 | 381,771 | 6,866,410 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | 17,148 | 58,385 | 75,533 | 7,890 | - | 83,423 |
| Total liabilities | 17,148 | 58,385 | 75,533 | 7,890 | - | 83,423 |
| FUND BALANCES | | | | | | |
| Nonspendable | - | - | - | - | 355,441 | 355,441 |
| Restricted | 3,740,462 | 1,953,122 | 5,693,584 | 707,632 | - | 6,401,216 |
| Assigned | - | - | - | - | 26,330 | 26,330 |
| Total fund balances | 3,740,462 | 1,953,122 | 5,693,584 | 707,632 | 381,771 | 6,782,987 |
| Total liabilities and fund balances | \$ 3,757,610 | 2,011,507 | 5,769,117 | 715,522 | 381,771 | 6,866,410 |

METRO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the fiscal year ended June 30, 2012

| | Special Revenue | | |
|---------------------------------------|----------------------------------|---|--------------|
| | Smith and Bybee Lakes | Rehabilitation and Enhancement | Total |
| REVENUES | | | |
| Cemetery revenue surcharge | \$ - | - | - |
| Investment income | 22,756 | 11,602 | 34,358 |
| Solid waste fees | - | 270,856 | 270,856 |
| Total revenues | 22,756 | 282,458 | 305,214 |
| EXPENDITURES | | | |
| Current: | | | |
| Culture and recreation | 148,257 | 284,057 | 432,314 |
| Capital outlay | - | - | - |
| Total expenditures | 148,257 | 284,057 | 432,314 |
| Revenues over (under) expenditures | (125,501) | (1,599) | (127,100) |
| OTHER FINANCING SOURCES (USES) | | | |
| Sale of capital assets | - | - | - |
| Transfers out | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balances | (125,501) | (1,599) | (127,100) |
| Fund balances - July 1, 2011 | 3,865,963 | 1,954,721 | 5,820,684 |
| Fund balances - June 30, 2012 | \$ 3,740,462 | 1,953,122 | 5,693,584 |

| Open Spaces | Capital Projects | | Permanent Cemetery Perpetual Care | Total Nonmajor Governmental Funds |
|----------------|------------------|-------------|---|--|
| | Metro Capital | Total | | |
| - | - | - | 33,195 | 33,195 |
| 3,206 | - | 3,206 | 2,105 | 39,669 |
| - | - | - | - | 270,856 |
| 3,206 | - | 3,206 | 35,300 | 343,720 |
| - | - | - | - | 432,314 |
| 29,156 | - | 29,156 | - | 29,156 |
| 29,156 | - | 29,156 | - | 461,470 |
| (25,950) | - | (25,950) | 35,300 | (117,750) |
| 397,434 | - | 397,434 | - | 397,434 |
| - | (1,334,269) | (1,334,269) | - | (1,334,269) |
| 397,434 | (1,334,269) | (936,835) | - | (936,835) |
| 371,484 | (1,334,269) | (962,785) | 35,300 | (1,054,585) |
| 336,148 | 1,334,269 | 1,670,417 | 346,471 | 7,837,572 |
| 707,632 | - | 707,632 | 381,771 | 6,782,987 |

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

Oregon 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 fiscal year ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Program revenues: | | | | |
| Operating grants and contributions: | | | | |
| Government contributions | \$ 19,039 | 19,039 | 19,039 | - |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes | 27,271,842 | 27,271,842 | 27,552,298 | 280,456 |
| Investment income | 100,000 | 100,000 | 50,648 | (49,352) |
| Total revenues | 27,390,881 | 27,390,881 | 27,621,985 | 231,104 |
| EXPENDITURES | | | | |
| Materials and services | - | - | 72,077 | (72,077) |
| Debt service: | | | | |
| Principal | 23,245,000 | 23,245,000 | 23,245,000 | - |
| Interest | 7,334,525 | 7,334,525 | 7,334,524 | 1 |
| Total expenditures | 30,579,525 | 30,579,525 | 30,651,601 | 1 |
| Revenues under expenditures | (3,188,644) | (3,188,644) | (3,029,616) | 159,028 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Refunding bonds issued | - | - | 27,575,000 | 27,575,000 |
| Premium on refunding bonds issued | - | - | 2,182,506 | 2,182,506 |
| Payment to refunded bond escrow agent | - | - | (29,679,329) | (29,679,329) |
| Total other financing sources (uses) | - | - | 78,177 | 78,177 |
| Revenues and other sources under expenditures and other uses | (3,188,644) | (3,188,644) | (2,951,439) | 237,205 |
| Beginning fund balance available for appropriation - July 1, 2011 | 13,226,000 | 13,226,000 | 14,086,438 | 860,438 |
| Unappropriated ending fund balance - June 30, 2012 | \$ 10,037,356 | 10,037,356 | 11,134,999 | 1,097,643 |

METRO

Oregon 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 fiscal year ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|--|-------------------------|------------------|---------------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Program revenues: | | | | |
| Charges for services: | | | | |
| Miscellaneous revenue | \$ - | - | 66 | 66 |
| General revenues: | | | | |
| Investment income | 24,648 | 24,648 | 32,363 | 7,715 |
| Total revenues | 24,648 | 24,648 | 32,429 | 7,781 |
| EXPENDITURES | | | | |
| Oregon Zoo | 7,060,515 | 7,060,900 | 6,689,809 | 371,091 |
| Contingency | 2,252,513 | 2,251,308 | - | 2,251,308 |
| Total expenditures | 9,313,028 | 9,312,208 | 6,689,809 | 2,622,399 |
| Revenues under expenditures | (9,288,380) | (9,287,560) | (6,657,380) | 2,630,180 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bonds issued | - | - | 65,000,000 | 65,000,000 |
| Premium on bonds issued | - | - | 10,705,459 | 10,705,459 |
| Transfers in | 3,350 | 3,735 | 3,735 | - |
| Transfers out | (364,209) | (365,414) | (297,978) | 67,436 |
| Total other financing sources (uses) | (360,859) | (361,679) | 75,411,216 | 75,772,895 |
| Revenues and other sources over (under) expenditures and other uses | (9,649,239) | (9,649,239) | 68,753,836 | 78,403,075 |
| Beginning fund balance available for appropriation - July 1, 2011 | 9,649,239 | 9,649,239 | 8,876,891 | (772,348) |
| Unappropriated ending fund balance - June 30, 2012 | \$ - | - | 77,630,727 | 77,630,727 |

METRO

Natural Areas Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Non-GAAP Basis of Budgeting)

For the fiscal year ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|--|--------------------|--------------------|-------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Program revenues: | | | | |
| Charges for services: | | | | |
| Government fees | \$ - | - | 6,204 | 6,204 |
| Miscellaneous revenue | - | - | 142 | 142 |
| Operating grants and contributions: | | | | |
| Grants | - | - | 782,291 | 782,291 |
| Contributions and donations | 866,000 | 866,000 | 606 | (865,394) |
| Capital grants and contributions: | | | | |
| Capital contributions and donations | - | - | 161,584 | 161,584 |
| General revenues: | | | | |
| Investment income | 183,575 | 183,575 | 139,417 | (44,158) |
| Total revenues | 1,049,575 | 1,049,575 | 1,090,244 | 40,669 |
| EXPENDITURES | | | | |
| Sustainability center | 34,659,897 | 34,664,133 | 27,288,427 | 7,375,706 |
| Contingency | 1,340,396 | 1,333,613 | - | 1,333,613 |
| Total expenditures | 36,000,293 | 35,997,746 | 27,288,427 | 8,709,319 |
| Revenues under expenditures | (34,950,718) | (34,948,171) | (26,198,183) | 8,749,988 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bonds issued | - | - | 75,000,000 | 75,000,000 |
| Premium on bonds issued | - | - | 15,015,894 | 15,015,894 |
| Transfers in | 8,940 | 13,176 | 13,176 | - |
| Transfers out | (1,773,222) | (1,780,005) | (1,517,109) | 262,896 |
| Total other financing sources (uses) | (1,764,282) | (1,766,829) | 88,511,961 | 90,278,790 |
| Revenues and other sources over (under) expenditures and other uses | (36,715,000) | (36,715,000) | 62,313,778 | 99,028,778 |
| Beginning fund balance available for appropriation - July 1, 2011 | 36,715,000 | 36,715,000 | 36,469,224 | (245,776) |
| Unappropriated ending fund balance - June 30, 2012 | \$ - | - | 98,783,002 | 98,783,002 |

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 fiscal year ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|--|-------------------------|--------------|---------------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| General revenues: | | | | |
| Investment income | \$ 19,086 | 19,086 | 22,756 | 3,670 |
| Total revenues | 19,086 | 19,086 | 22,756 | 3,670 |
| EXPENDITURES | | | | |
| Parks and environmental services | 65,000 | 65,000 | 51,970 | 13,030 |
| Contingency | 200,000 | 200,000 | - | 200,000 |
| Total expenditures | 265,000 | 265,000 | 51,970 | 213,030 |
| Revenues under expenditures | (245,914) | (245,914) | (29,214) | 216,700 |
| OTHER FINANCING USES | | | | |
| Transfers out | (112,251) | (112,251) | (96,287) | 15,964 |
| Revenues under expenditures and other uses | (358,165) | (358,165) | (125,501) | 232,664 |
| Beginning fund balance available for appropriation - July 1, 2011 | 3,817,257 | 3,817,257 | 3,865,963 | 48,706 |
| Unappropriated ending fund balance - June 30, 2012 | \$ 3,459,092 | 3,459,092 | 3,740,462 | 281,370 |

METRO

Rehabilitation and Enhancement Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Non-GAAP Basis of Budgeting)

For the fiscal year ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|--|-------------------------|-----------------|---------------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Program revenues: | | | | |
| Charges for services: | | | | |
| Solid waste fees | \$ - | 348,867 | 270,856 | (78,011) |
| General revenues: | | | | |
| Investment income | 9,488 | 9,488 | 11,602 | 2,114 |
| Total revenues | 9,488 | 358,355 | 282,458 | (75,897) |
| EXPENDITURES | | | | |
| Sustainability center | 336,903 | 336,903 | 250,770 | 86,133 |
| Contingency | 300,000 | 300,000 | - | 300,000 |
| Total expenditures | 636,903 | 636,903 | 250,770 | 386,133 |
| Revenues over (under) expenditures | (627,415) | (278,548) | 31,688 | 310,236 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 348,867 | - | - | - |
| Transfers out | (33,287) | (33,287) | (33,287) | - |
| Total other financing sources (uses) | 315,580 | (33,287) | (33,287) | - |
| Revenues and other sources under expenditures and other uses | (311,835) | (311,835) | (1,599) | 310,236 |
| Beginning fund balance available for appropriation - July 1, 2011 | 1,897,631 | 1,897,631 | 1,954,721 | 57,090 |
| Unappropriated ending fund balance - June 30, 2012 | \$ 1,585,796 | 1,585,796 | 1,953,122 | 367,326 |

METRO

Open Spaces Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Non-GAAP Basis of Budgeting)

For the fiscal year ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|--|-------------------------|--------------|---------------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| General revenues: | | | | |
| Investment income | \$ 1,676 | 1,676 | 3,206 | 1,530 |
| Total revenues | 1,676 | 1,676 | 3,206 | 1,530 |
| EXPENDITURES | | | | |
| Sustainability center | 336,876 | 336,876 | 29,156 | 307,720 |
| Total expenditures | 336,876 | 336,876 | 29,156 | 307,720 |
| Revenues under expenditures | (335,200) | (335,200) | (25,950) | 309,250 |
| OTHER FINANCING SOURCES | | | | |
| Sale of capital assets | - | - | 397,434 | 397,434 |
| Revenues and other sources over (under) expenditures | (335,200) | (335,200) | 371,484 | 706,684 |
| Beginning fund balance available for appropriation - July 1, 2011 | 335,200 | 335,200 | 336,148 | 948 |
| Unappropriated ending fund balance - June 30, 2012 | \$ - | - | 707,632 | 707,632 |

METRO

Metro Capital Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Non-GAAP Basis of Budgeting)
For the fiscal year ended June 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with final budget</u> |
|--|-------------------------|--------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| General revenues: | \$ | | | |
| Investment income | - | - | - | - |
| Total revenues | - | - | - | - |
| EXPENDITURES | | | | |
| Contingency | - | - | - | - |
| Total expenditures | - | - | - | - |
| Revenues over expenditures | - | - | - | - |
| Beginning fund balance available for appropriation - July 1, 2011 | - | - | - | - |
| Unappropriated ending fund balance - June 30, 2012 | \$ - | - | - | - |
| Reconciliation to Governmental GAAP basis: | | | | |
| Excess of revenues over expenditures on the basis of budgeting: | | | | |
| Metro Capital Fund, as presented above | | | \$ - | |
| Additional expenses required by Governmental GAAP: | | | | |
| Resource transfer to establish General Asset Management Fund | | | (1,334,269) | |
| Metro Capital Fund net change in fund balance as reported on the combining statement of revenues, expenditures and changes in fund balances-nonmajor governmental funds | | | \$ (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 fiscal year ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|--|-------------------------|--------------|---------------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| General revenues: | | | | |
| Taxes: | | | | |
| Cemetery revenue surcharge | \$ 25,000 | 25,000 | 33,195 | 8,195 |
| Investment income | 1,750 | 1,750 | 2,105 | 355 |
| Total revenues | 26,750 | 26,750 | 35,300 | 8,550 |
| Beginning fund balance available for appropriation - July 1, 2011 | 350,700 | 350,700 | 346,471 | (4,229) |
| Unappropriated ending fund balance - June 30, 2012 | \$ 377,450 | 377,450 | 381,771 | 4,321 |

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 fiscal year ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|--|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Program revenues: | | | | |
| Charges for services: | | | | |
| Government fees | \$ 990,700 | 990,700 | 972,713 | (17,987) |
| Culture and recreation fees | - | - | 73,128 | 73,128 |
| Solid waste fees | 53,648,762 | 53,299,895 | 51,843,407 | (1,456,488) |
| Other fees | 45,000 | 45,000 | 29,774 | (15,226) |
| Miscellaneous revenue | 33,000 | 33,000 | 31,142 | (1,858) |
| Operating grants and contributions: | | | | |
| Grants | 317,660 | 317,660 | 304,315 | (13,345) |
| General revenues: | | | | |
| Investment income | 196,526 | 196,526 | 235,712 | 39,186 |
| Total revenues | 55,231,648 | 54,882,781 | 53,490,191 | (1,392,590) |
| EXPENDITURES | | | | |
| Operating Account: | | | | |
| Finance and administrative services | 2,110,010 | 2,113,476 | 2,024,408 | 89,068 |
| Sustainability center | 8,094,612 | 8,102,025 | 6,698,780 | 1,403,245 |
| Parks and environmental services | 39,835,576 | 43,454,447 | 38,627,870 | 4,826,577 |
| Landfill Closure Account: | | | | |
| Parks and environmental services | 1,209,500 | 1,209,500 | 115,537 | 1,093,963 |
| Renewal and Replacement Account: | | | | |
| Parks and environmental services | 865,000 | 865,000 | 421,279 | 443,721 |
| General Account: | | | | |
| Parks and environmental services | 1,850,000 | 1,730,000 | 1,223,070 | 506,930 |
| Contingency | 14,588,745 | 10,949,736 | - | 10,949,736 |
| Total expenditures | 68,553,443 | 68,424,184 | 49,110,944 | 19,313,240 |
| Revenues over (under) expenditures | \$ (13,321,795) | (13,541,403) | 4,379,247 | 17,920,650 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of capital assets | - | - | 22,750 | 22,750 |
| Transfers in | 237,875 | 267,625 | 257,744 | - |
| Transfers out | (7,988,738) | (7,798,880) | (7,720,363) | 78,517 |
| Total other financing sources (uses) | (7,750,863) | (7,531,255) | (7,439,869) | 101,267 |
| Revenues and other sources under expenditures and other uses | (21,072,658) | (21,072,658) | (3,060,622) | 18,012,036 |
| Beginning fund balance available for appropriation - July 1, 2011 | 39,914,107 | 39,914,107 | 42,792,555 | 2,878,448 |
| Unappropriated ending fund balance - June 30, 2012 | \$ 18,841,449 | 18,841,449 | 39,731,933 | 20,890,484 |

METRO

MERC Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances-
Budget and Actual (Non-GAAP Basis of Budgeting)
For the fiscal year ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|--|-------------------------|--------------------|---------------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Program revenues: | | | | |
| Charges for services: | | | | |
| Culture and recreation fees | \$ 30,282,749 | 33,152,893 | 32,554,810 | (598,083) |
| Miscellaneous revenue | 131,090 | 131,090 | 124,969 | (6,121) |
| Operating grants and contributions: | | | | |
| Government contributions | 784,320 | 784,320 | 774,040 | (10,280) |
| Contributions and donations | 610,000 | 610,000 | 542,634 | (67,366) |
| Capital grants and contributions: | | | | |
| Capital grants | 46,675 | 46,675 | 123,574 | 76,899 |
| General revenues: | | | | |
| Local government shared revenue | 11,155,335 | 11,155,335 | 12,581,998 | 1,426,663 |
| Investment income | 122,806 | 122,806 | 155,883 | 33,077 |
| Total revenues | 43,132,975 | 46,003,119 | 46,857,908 | 854,789 |
| EXPENDITURES | | | | |
| MERC | 41,339,877 | 44,620,668 | 41,511,687 | 3,108,981 |
| Contingency | 7,633,716 | 4,336,123 | - | 4,336,123 |
| Total expenditures | 48,973,593 | 48,956,791 | 41,511,687 | 7,445,104 |
| Revenues over (under) expenditures | (5,840,618) | (2,953,672) | 5,346,221 | 8,299,893 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 591,510 | 594,822 | 594,822 | - |
| Transfers out | (6,142,766) | (6,162,880) | (6,137,175) | 25,705 |
| Total other financing sources (uses) | (5,551,256) | (5,568,058) | (5,542,353) | 25,705 |
| Revenues and other sources under expenditures and other uses | (11,391,874) | (8,521,730) | (196,132) | 8,325,598 |
| Beginning fund balance available for appropriation - July 1, 2011 | 24,590,569 | 24,590,569 | 26,357,848 | 1,767,279 |
| Unappropriated ending fund balance - June 30, 2012 | \$ 13,198,695 | 16,068,839 | 26,161,716 | 10,092,877 |

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 fiscal year ended June 30, 2012

| | 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 | \$ (3,060,622) | - | (3,060,622) |
| MERC Fund | - | (196,132) | (196,132) |
| General Revenue Bond Fund-Expo | - | 4 | 4 |
| Budget resources not qualifying as revenues under GAAP: | | | |
| Revenue deferred | (4,901) | - | (4,901) |
| Sale of capital assets | (22,750) | - | (22,750) |
| Additional revenues required by GAAP: | | | |
| Gain on disposal of capital assets | 13,988 | 119,642 | 133,630 |
| Budget requirements not qualifying as expenses under GAAP: | | | |
| Payment of post-closure liability | 621,927 | - | 621,927 |
| Payment of pollution remediation liability | 115,537 | - | 115,537 |
| Capital assets additions | 1,599,220 | 1,521,027 | 3,120,247 |
| Principal and interest payments on bonds | - | 693,829 | 693,829 |
| Decrease to (additional) expenses required by GAAP: | | | |
| Decrease in post-closure liability estimate | 3,137,302 | - | 3,137,302 |
| Decrease in pollution remediation liability estimate | 599,338 | - | 599,338 |
| Depreciation and amortization | (1,625,670) | (5,743,679) | (7,369,349) |
| Amortization of bond discount and costs | - | (36,336) | (36,336) |
| Other postemployment benefits | (42,956) | (63,069) | (106,025) |
| Vacation benefits | (44,435) | (4,978) | (49,413) |
| Accrued interest on bonds | - | (41,763) | (41,763) |
| Change in net assets presented in the statement of revenues, expenses and changes in fund net assets for proprietary funds | \$ 1,285,978 | (3,751,455) | (2,465,477) |

METRO

Risk Management Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances-

Budget and Actual (Non-GAAP Basis of Budgeting)

For the fiscal year ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|--|-------------------------|------------------|---------------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Program revenues: | | | | |
| Charges for services: | | | | |
| Other fees | \$ - | - | 10,071 | 10,071 |
| Internal charges for services | 577,807 | 577,807 | 577,804 | (3) |
| Miscellaneous revenue | - | - | 1,193 | 1,193 |
| Operating grants and contributions: | | | | |
| Grants | 50,000 | 50,000 | 80,004 | 30,004 |
| General revenues: | | | | |
| Investment income | 25,000 | 25,000 | 18,187 | (6,813) |
| Total revenues | 652,807 | 652,807 | 687,259 | 34,452 |
| EXPENDITURES | | | | |
| Finance and regulatory services | 2,815,266 | 2,815,266 | 1,531,054 | 1,284,212 |
| Contingency | 500,000 | 382,680 | - | 382,680 |
| Total expenditures | 3,315,266 | 3,197,946 | 1,531,054 | 1,666,892 |
| Revenues under expenditures | (2,662,459) | (2,545,139) | (843,795) | 1,701,344 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,819,183 | 1,819,183 | 1,818,311 | (872) |
| Transfers out | (757,890) | (875,210) | (871,750) | 3,460 |
| Total other financing sources (uses) | 1,061,293 | 943,973 | 946,561 | 2,588 |
| Revenues and other sources over (under) expenditures and other uses | (1,601,166) | (1,601,166) | 102,766 | 1,703,932 |
| Beginning fund balance available for appropriation - July 1, 2011 | 2,364,250 | 2,364,250 | 2,629,579 | 265,329 |
| Unappropriated ending fund balance - June 30, 2012 | \$ 763,084 | 763,084 | 2,732,345 | 1,969,261 |



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 Asset Management 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 fiscal year ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|--|-------------------------|------------------|---------------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| General revenues: | | | | |
| Investment income | \$ 1,106 | 1,106 | 32 | (1,074) |
| Total revenues | 1,106 | 1,106 | 32 | (1,074) |
| EXPENDITURES | | | | |
| Debt service account: | | | | |
| Debt service-Metro Regional Center | 1,500,920 | 1,500,920 | 1,500,920 | - |
| Debt service-Washington Park Parking Lot | 404,408 | 404,408 | 404,408 | - |
| Debt service-Expo Center Hall D | 1,188,632 | 1,188,632 | 1,188,631 | 1 |
| Project account: | | | | |
| Capital outlay-Washington Park Parking Lot | 216,821 | - | - | - |
| Total expenditures | 3,310,781 | 3,093,960 | 3,093,959 | 1 |
| Revenues under expenditures | (3,309,675) | (3,092,854) | (3,093,927) | (1,073) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 3,093,960 | 3,093,960 | 3,093,960 | - |
| Transfers out | - | (216,821) | (216,287) | 534 |
| Total other financing sources (uses) | 3,093,960 | 2,877,139 | 2,877,673 | 534 |
| Revenues and other sources under expenditures and other uses | (215,715) | (215,715) | (216,254) | (539) |
| Beginning fund balance available for appropriation - July 1, 2011 | 220,991 | 220,991 | 221,594 | 603 |
| Unappropriated ending fund balance - June 30, 2012 | \$ 5,276 | 5,276 | 5,340 | 64 |

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 fiscal year ended June 30, 2012

| | Allocated to: | | Total |
|--|---------------|-------------|-------------|
| | General | MERC | |
| REVENUES | | | |
| General revenues: | | | |
| Investment income | \$ 29 | 3 | 32 |
| Total revenues | 29 | 3 | 32 |
| EXPENDITURES | | | |
| Debt service account: | | | |
| Debt service-Metro Regional Center | 1,500,920 | - | 1,500,920 |
| Debt service-Washington Park Parking Lot | 404,408 | - | 404,408 |
| Debt service-Expo Center Hall D | - | 1,188,631 | 1,188,631 |
| Total expenditures | 1,905,328 | 1,188,631 | 3,093,959 |
| Revenues under expenditures | (1,905,299) | (1,188,628) | (3,093,927) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 1,905,328 | 1,188,632 | 3,093,960 |
| Transfers out | (216,287) | - | (216,287) |
| Total other financing sources (uses) | 1,689,041 | 1,188,632 | 2,877,673 |
| Revenues and other sources over (under) expenditures and other uses | (216,258) | 4 | (216,254) |
| Beginning fund balance available for appropriation - July 1, 2011 | 221,242 | 352 | 221,594 |
| Unappropriated ending fund balance - June 30, 2012 | \$ 4,984 | 356 | 5,340 |

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

METRO

General Asset Management Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances-

Budget and Actual (Non-GAAP Basis of Budgeting)

For the fiscal year ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with final budget |
|--|-------------------------|------------------|---------------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Program revenues: | | | | |
| Charges for services: | | | | |
| Miscellaneous revenue | \$ - | - | 2,500 | 2,500 |
| Operating grants and contributions: | | | | |
| Grants | 63,334 | 63,334 | - | (63,334) |
| Government contributions | - | 70,000 | - | (70,000) |
| Contributions and donations | 600,000 | 841,180 | 30,000 | (811,180) |
| Capital grants and contributions: | | | | |
| Grants | - | - | 38,334 | 38,334 |
| Capital contributions and donations | - | - | 858,411 | 858,411 |
| General revenues: | | | | |
| Investment income | 33,298 | 33,298 | 48,303 | 15,005 |
| Total revenues | 696,632 | 1,007,812 | 977,548 | (30,264) |
| EXPENDITURES | | | | |
| Asset Management Program | 5,227,503 | 5,979,546 | 3,137,779 | 2,841,767 |
| Contingency | 3,911,582 | 3,911,582 | - | 3,911,582 |
| Total expenditures | 9,139,085 | 9,891,128 | 3,137,779 | 6,753,349 |
| Revenues under expenditures | (8,442,453) | (8,883,316) | (2,160,231) | 6,723,085 |
| OTHER FINANCING SOURCES | | | | |
| Sale of capital assets | - | - | 19,100 | 19,100 |
| Transfers in | 1,752,505 | 2,193,368 | 2,194,716 | 1,348 |
| Total other financing sources | 1,752,505 | 2,193,368 | 2,213,816 | 20,448 |
| Revenues and other sources over (under) expenditures | (6,689,948) | (6,689,948) | 53,585 | 6,743,533 |
| Beginning fund balance available for appropriation - July 1, 2011 | 6,689,948 | 6,689,948 | 7,453,961 | 764,013 |
| Unappropriated ending fund balance - June 30, 2012 | \$ - | - | 7,507,546 | 7,507,546 |

Note: This fund was created by combining the Renewal and Replacement Fund and the Metro Capital Fund.

Other Financial Schedules



METRO

Schedule of Property Tax Transactions and Outstanding Receivable
For the fiscal year ended June 30, 2012

| Fiscal Year | Original levy or balance of receivable July 1, 2011 | Add (deduct) | | | | Property taxes receivable June 30, 2012 |
|-----------------|--|--------------------|------------------|---------------|---------------------|--|
| | | Discounts | Adjustments | Interest | Collections | |
| 2011-12 | \$ 40,461,529 | (1,016,702) | (97,673) | 4,775 | (38,168,544) | 1,183,385 |
| 2010-11 | 1,392,882 | - | (33,343) | 19,563 | (615,086) | 764,016 |
| 2009-10 | 659,874 | - | (24,318) | 17,295 | (147,228) | 505,623 |
| 2008-09 | 318,167 | - | (5,999) | 17,589 | (151,400) | 178,357 |
| 2007-08 | 104,210 | - | (3,481) | 5,912 | (59,813) | 46,828 |
| 2006-07 | 14,413 | - | (783) | 371 | (5,576) | 8,425 |
| 2005-06 & prior | 35,241 | - | (1,737) | 838 | (2,889) | 31,453 |
| Total | \$ 42,986,316 | (1,016,702) | (167,334) | 66,343 | (39,150,536) | 2,718,087 |

| Reconciliation to property tax revenue presented in the Statement of Activities: | Governmental Activities |
|---|----------------------------|
| Cash collections July 1, 2011 to June 30, 2012 | \$ 39,150,536 |
| Accrual of receivables: | |
| July 1, 2011 to August 31, 2011 | (335,713) |
| July 1, 2012 to August 31, 2012 | 252,499 |
| Timing difference between county tax collector and county treasurer | 22,680 |
| Payments in lieu of property taxes | 243,291 |
| Taxes earned but not available: | |
| June 30, 2011 | (2,189,074) |
| June 30, 2012 | 2,465,588 |
| Property tax revenue per Statement of Activities | \$ 39,609,807 |

METRO

Schedule of Future Bonded Debt Service Requirements

General Obligation Bonds

June 30, 2012

| <u>Year of maturity</u> | <u>2002 Series General Obligation Refunding Bonds</u> | | <u>2012B Series General Obligation Refunding Bonds</u> | | <u>2001 Series A General Obligation Refunding Bonds</u> | | <u>2005 Series General Obligation Refunding Bonds</u> | |
|-------------------------|---|-----------------|--|------------------|---|-----------------|---|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2012-13 | \$ 8,690,000 | 217,250 | 8,890,000 | 1,094,041 | 5,290,000 | 264,500 | 1,795,000 | 477,150 |
| 2013-14 | - | - | 9,150,000 | 842,750 | - | - | 1,890,000 | 387,400 |
| 2014-15 | - | - | 9,535,000 | 476,750 | - | - | 1,995,000 | 292,900 |
| 2015-16 | - | - | - | - | - | - | 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 | - | - | - | - | - | - | - | - |
| 2026-27 | - | - | - | - | - | - | - | - |
| 2027-28 | - | - | - | - | - | - | - | - |
| <u>Total</u> | <u>\$ 8,690,000</u> | <u>217,250</u> | <u>27,575,000</u> | <u>2,413,541</u> | <u>5,290,000</u> | <u>264,500</u> | <u>9,985,000</u> | <u>1,439,000</u> |

(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 | | 2012A Series Natural Areas General Obligation Bonds | | 2012A Series Oregon Zoo Infrastructure and Animal Welfare General Obligation Bonds | | Total | |
|---|-------------------|--|-------------------|---|-------------------|----------------------|-------------------|
| Principal | Interest | Principal | Interest | Principal | Interest | Principal (1) | Interest |
| 4,230,000 | 3,908,950 | 4,080,000 | 3,437,534 | 4,835,000 | 2,815,470 | 37,810,000 | 12,214,895 |
| 4,400,000 | 3,739,750 | 4,610,000 | 3,404,350 | 5,165,000 | 2,758,425 | 25,215,000 | 11,132,675 |
| 4,620,000 | 3,519,750 | 5,350,000 | 3,219,950 | 5,670,000 | 2,551,825 | 27,170,000 | 10,061,175 |
| 4,850,000 | 3,288,750 | 2,230,000 | 2,952,450 | 2,000,000 | 2,268,325 | 11,175,000 | 8,702,675 |
| 5,095,000 | 3,046,250 | 2,790,000 | 2,840,950 | 2,260,000 | 2,168,325 | 12,355,000 | 8,143,925 |
| 5,350,000 | 2,791,500 | 3,350,000 | 2,701,450 | 2,510,000 | 2,055,325 | 11,210,000 | 7,548,275 |
| 5,615,000 | 2,524,000 | 3,960,000 | 2,533,950 | 2,770,000 | 1,929,825 | 12,345,000 | 6,987,775 |
| 5,895,000 | 2,243,250 | 4,610,000 | 2,335,950 | 3,050,000 | 1,791,325 | 13,555,000 | 6,370,525 |
| 6,190,000 | 1,948,500 | 5,300,000 | 2,105,450 | 3,350,000 | 1,638,825 | 14,840,000 | 5,692,775 |
| 6,500,000 | 1,639,000 | 6,045,000 | 1,840,450 | 3,665,000 | 1,471,325 | 16,210,000 | 4,950,775 |
| 6,825,000 | 1,314,000 | 6,840,000 | 1,538,200 | 4,000,000 | 1,288,075 | 17,665,000 | 4,140,275 |
| 7,130,000 | 1,006,875 | 7,690,000 | 1,196,200 | 4,360,000 | 1,088,075 | 19,180,000 | 3,291,150 |
| 7,455,000 | 686,025 | 8,590,000 | 811,700 | 4,740,000 | 870,075 | 20,785,000 | 2,367,800 |
| 7,790,000 | 350,550 | 9,555,000 | 382,200 | 5,145,000 | 633,075 | 22,490,000 | 1,365,825 |
| - | - | - | - | 5,525,000 | 427,275 | 5,525,000 | 427,275 |
| - | - | - | - | 5,955,000 | 178,650 | 5,955,000 | 178,650 |
| 81,945,000 | 32,007,150 | 75,000,000 | 31,300,784 | 65,000,000 | 25,934,220 | 273,485,000 | 93,576,445 |

METRO

Schedule of Future Bonded Debt Service Requirements

Full Faith and Credit and Pension Obligation Bonds

June 30, 2012

| 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 |
| 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 | \$ 15,000,000 | 3,384,133 | 11,560,000 | 3,788,116 | 22,825,000 | 11,756,058 |

(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 fiscal year ended June 30, 2012

| | Principal | | | Outstanding June 30, 2012 | Interest Expenditure |
|---|--------------------------------|--------------------------|------------------------------------|---------------------------------|-------------------------|
| | Outstanding July 1, 2011 | Issued During Year | Matured and Paid During Year | | |
| DEBT SERVICE FUND | | | | | |
| 2002 Series | | | | | |
| General Obligation Refunding Bonds, with callable portion refunded by Series 2012B on 6/6/12. Remaining bonds with interest rate of 5.0%, final maturity 9/1/12 | | | | | |
| | \$ 45,880,000 | - | 37,190,000 | 8,690,000 | 2,159,688 |
| 2001 Series A | | | | | |
| General Obligation Refunding Bonds with interest rates from 4.4 to 5.0%, final maturity 1/1/13 | | | | | |
| | 10,325,000 | - | 5,035,000 | 5,290,000 | 486,040 |
| 2005 Series | | | | | |
| General Obligation Refunding Bonds with interest rates from 4.0 to 5.0%, final maturity 1/15/17 | | | | | |
| | 11,695,000 | - | 1,710,000 | 9,985,000 | 562,650 |
| 2012B Series B | | | | | |
| General Obligation Refunding Bonds with interest rates from 3.0 to 5.0%, final maturity 6/1/15 | | | | | |
| | - | 27,575,000 | - | 27,575,000 | - |
| 2007 Series Natural Areas | | | | | |
| General Obligation Bonds with interest rates from 4.0 to 5.0%, final maturity 6/1/26 | | | | | |
| | 86,015,000 | - | 4,070,000 | 81,945,000 | 4,071,750 |
| 2010 Series Oregon Zoo | | | | | |
| General Obligation Bond with interest rate of 1.31%, final maturity 6/1/12 | | | | | |
| | 4,165,000 | - | 4,165,000 | - | 54,396 |
| 2012A Series Natural Areas | | | | | |
| General Obligation Bonds with interest rates from 2.0 to 5.0%, final maturity 6/1/26 | | | | | |
| | - | 75,000,000 | - | 75,000,000 | - |
| 2012A Series Oregon Zoo Infrastructure and Animal Welfare | | | | | |
| General Obligation Bonds with interest rates from 2.0 to 5.0%, final maturity 6/1/28 | | | | | |
| | - | 65,000,000 | - | 65,000,000 | - |
| Total | \$ 158,080,000 | 167,575,000 | 52,170,000 | 273,485,000 | 7,334,524 |

METRO

Schedule of Long-term Bonded Debt Transactions
 Full Faith and Credit and Pension Obligation Bonds
 For the fiscal year ended June 30, 2012

| | Principal | | | Outstanding June 30, 2012 | Interest Expenditure |
|--|--------------------------------|--------------------------|------------------------------------|---------------------------------|-------------------------|
| | Outstanding July 1, 2011 | Issued During Year | Matured and Paid During Year | | |
| GENERAL FUND | | | | | |
| <u>Full Faith and Credit</u> | | | | | |
| Refunding Bonds 2003 Series | | | | | |
| with interest rates from 3.3 to 4.4%, final maturity 8/1/22 | \$ 16,300,000 | - | 1,300,000 | 15,000,000 | 605,328 |
| <u>Pension Obligation</u> | | | | | |
| Metro Limited Tax Series 2005 | | | | | |
| with interest rates from 4.613 to 5.004%, final maturity 6/1/28 | 23,260,000 | - | 435,000 | 22,825,000 | 1,153,214 |
| Total | \$ 39,560,000 | - | 1,735,000 | 37,825,000 | 1,758,542 |
| 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 | \$ 12,210,000 | - | 650,000 | 11,560,000 | 538,631 |

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. | 122-134 |
| 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. | 135-137 |
| 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. | 138-146 |
| 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. | 147-148 |
| 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. | 149-156 |
| 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. | 157-160 |

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 | | |
|---|-----------------------|--------------------|--------------------|
| | 2003 | 2004 | 2005 |
| GOVERNMENTAL ACTIVITIES | | | |
| Invested in capital assets, net of related debt (2) (3) (4) | \$ (19,603,144) | (6,201,885) | 4,684,793 |
| Restricted (4) | 20,629,174 | 17,989,881 | 16,795,028 |
| Unrestricted (4) | 9,400,821 | 9,811,543 | 16,612,577 |
| Total governmental activities net assets | 10,426,851 | 21,599,539 | 38,092,398 |
| BUSINESS-TYPE ACTIVITIES | | | |
| Invested in capital assets, net of related debt (3) | 271,891,751 | 268,249,663 | 264,571,719 |
| Restricted | 16,817,817 | 13,096,821 | 11,651,127 |
| Unrestricted | 44,996,393 | 42,589,111 | 48,598,316 |
| Total business-type activities net assets | 333,705,961 | 323,935,595 | 324,821,162 |
| PRIMARY GOVERNMENT | | | |
| Invested in capital assets, net of related debt (2) | 252,288,607 | 262,047,778 | 269,256,512 |
| Restricted | 37,446,991 | 31,086,702 | 28,446,155 |
| Unrestricted | 54,397,214 | 52,400,654 | 65,210,893 |
| Total primary government net assets | \$ 344,132,812 | 345,535,134 | 362,913,560 |

(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.

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 72,055,226 | 70,472,572 | 101,632,452 | 142,681,077 | 161,033,641 | 219,717,752 | 237,849,839 |
| 21,244,741 | 24,458,851 | 27,246,181 | 41,383,007 | 47,868,259 | 47,802,264 | 49,673,790 |
| 35,400,215 | 57,456,789 | 59,035,445 | 38,868,189 | 39,949,912 | (4,511,250) | (13,149,913) |
| 128,700,182 | 152,388,212 | 187,914,078 | 222,932,273 | 248,851,812 | 263,008,766 | 274,373,716 |
| 204,536,894 | 199,184,754 | 198,109,226 | 197,896,445 | 193,123,523 | 189,929,698 | 186,405,139 |
| 12,415,936 | 12,688,488 | 16,295,656 | 14,548,959 | 2,652,250 | 1,591,637 | 2,130,034 |
| 39,548,688 | 43,989,254 | 45,547,649 | 41,293,389 | 41,363,765 | 46,842,210 | 47,918,522 |
| 256,501,518 | 255,862,496 | 259,952,531 | 253,738,793 | 237,139,538 | 238,363,545 | 236,453,695 |
| 276,592,120 | 269,657,326 | 299,741,678 | 320,942,522 | 339,047,164 | 399,322,450 | 418,964,978 |
| 33,660,677 | 37,147,339 | 43,541,837 | 55,931,966 | 50,520,509 | 49,393,901 | 51,803,824 |
| 74,948,903 | 101,446,043 | 104,583,094 | 99,796,578 | 96,423,677 | 52,655,960 | 40,058,609 |
| 385,201,700 | 408,250,708 | 447,866,609 | 476,671,066 | 485,991,350 | 501,372,311 | 510,827,411 |

METRO

Changes in Net Assets

Last Ten Fiscal Years (1)

(accrual basis of accounting), Unaudited

| | Fiscal Year | | |
|--|-----------------------|--------------------|--------------------|
| | 2003 | 2004 | 2005 |
| EXPENSES | | | |
| Governmental activities: | | | |
| General government operations (2) | \$ 2,380,124 | 2,546,034 | 3,158,675 |
| Regional planning and development | 11,063,962 | 10,599,654 | 11,367,579 |
| Culture and recreation | 8,094,833 | 7,774,128 | 8,582,520 |
| Zoo (2) | - | - | - |
| Interest on long-term debt | 9,167,669 | 8,324,767 | 7,679,504 |
| Total governmental activities expenses | 30,706,588 | 29,244,583 | 30,788,278 |
| Business-type activities: | | | |
| Solid Waste (3) | 49,769,905 | 48,612,392 | 47,697,124 |
| Zoo (2) | 23,683,884 | 25,296,229 | 24,158,065 |
| MERC | 37,737,141 | 45,514,394 | 41,363,806 |
| Total business-type activities expenses | 111,190,930 | 119,423,015 | 113,218,995 |
| Total primary government expenses | \$ 141,897,518 | 148,667,598 | 144,007,273 |
| PROGRAM REVENUES | | | |
| Governmental activities: | | | |
| Charges for services: | | | |
| General government operations (2) | \$ 897 | 9,470 | 2,593 |
| Regional planning and development | 827,644 | 972,578 | 1,215,077 |
| Culture and recreation | 2,536,879 | 2,942,318 | 2,699,983 |
| Zoo (2) | - | - | - |
| Operating grants and contributions | 7,272,201 | 7,582,801 | 8,552,429 |
| Capital grants and contributions (2) | - | - | - |
| Total governmental activities program revenues | 10,637,621 | 11,507,167 | 12,470,082 |
| Business-type activities: | | | |
| Charges for services: | | | |
| Solid Waste | 48,380,854 | 50,315,937 | 51,574,923 |
| Zoo (2) | 11,516,328 | 12,782,768 | 13,184,305 |
| MERC | 20,703,058 | 25,520,211 | 27,268,341 |
| Operating grants and contributions (2) | 4,307,248 | 2,087,784 | 3,774,815 |
| Capital grants and contributions (2) | 924,333 | 1,763,235 | 786,534 |
| Total business-type activities program revenues | 85,831,821 | 92,469,935 | 96,588,918 |
| Total primary government program revenues | \$ 96,469,442 | 103,977,102 | 109,059,000 |

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 10,128,233 | 11,724,680 | 14,464,735 | 14,198,441 | 12,779,417 | 14,456,222 | 16,417,342 |
| 10,580,855 | 11,633,709 | 15,998,524 | 13,023,497 | 14,978,447 | 14,816,800 | 13,908,730 |
| 6,515,693 | 6,906,903 | 12,040,343 | 13,350,232 | 17,316,051 | 20,351,578 | 22,695,565 |
| 23,159,685 | 25,165,745 | 27,268,768 | 29,426,286 | 28,311,531 | 27,400,337 | 30,064,611 |
| 8,421,370 | 9,626,880 | 13,228,648 | 12,121,270 | 10,888,841 | 9,538,172 | 8,159,660 |
| 58,805,836 | 65,057,917 | 83,001,018 | 82,119,726 | 84,274,287 | 86,563,109 | 91,245,908 |
| 50,565,165 | 52,805,117 | 53,514,858 | 52,014,903 | 64,228,318 | 51,721,806 | 51,020,053 |
| - | - | - | - | - | - | - |
| 42,799,786 | 45,069,117 | 44,148,046 | 46,239,579 | 46,229,249 | 48,048,265 | 49,389,612 |
| 93,364,951 | 97,874,234 | 97,662,904 | 98,254,482 | 110,457,567 | 99,770,071 | 100,409,665 |
| 152,170,787 | 162,932,151 | 180,663,922 | 180,374,208 | 194,731,854 | 186,333,180 | 191,655,573 |
| 1,377,281 | 1,359,684 | 1,440,462 | 1,394,695 | 1,741,850 | 2,120,491 | 1,875,695 |
| 1,547,604 | 1,024,612 | 1,271,625 | 1,682,136 | 1,214,423 | 1,364,601 | 925,904 |
| 2,568,418 | 2,519,340 | 2,824,138 | 2,648,864 | 3,696,310 | 3,985,483 | 4,175,114 |
| 14,417,730 | 15,699,595 | 15,991,730 | 18,040,150 | 17,606,196 | 18,150,234 | 19,745,074 |
| 12,015,598 | 9,674,387 | 14,963,194 | 13,889,920 | 14,446,031 | 10,973,394 | 15,551,926 |
| 959,676 | 1,378,075 | 2,163,915 | 8,457,258 | 2,725,497 | 1,866,808 | 1,105,751 |
| 32,886,307 | 31,655,693 | 38,655,064 | 46,113,023 | 41,430,307 | 38,461,011 | 43,379,464 |
| 53,814,957 | 54,108,083 | 53,238,401 | 50,478,290 | 50,904,000 | 50,782,440 | 52,989,049 |
| - | - | - | - | - | - | - |
| 26,296,316 | 29,064,019 | 30,451,878 | 30,007,172 | 29,650,854 | 31,597,534 | 33,231,703 |
| 984,284 | 692,146 | 861,851 | 830,902 | 1,378,076 | 1,144,867 | 1,620,989 |
| - | - | - | 265,740 | 2,000,000 | 584,808 | 123,574 |
| 81,095,557 | 83,864,248 | 84,552,130 | 81,582,104 | 83,932,930 | 84,109,649 | 87,965,315 |
| 113,981,864 | 115,519,941 | 123,207,194 | 127,695,127 | 125,363,237 | 122,570,660 | 131,344,779 |

(Continued)

METRO

Changes in Net Assets, *continued*

Last Ten Fiscal Years (1)

(accrual basis of accounting), Unaudited

| | Fiscal Year | | |
|---|------------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 |
| NET (EXPENSE)/REVENUE | | | |
| Governmental activities | \$ (20,068,967) | (17,737,416) | (18,318,196) |
| Business-type activities | (25,359,109) | (26,953,080) | (16,630,077) |
| Total primary government net expense | \$ (45,428,076) | (44,690,496) | (34,948,273) |
| GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS | | | |
| Governmental activities: | | | |
| Property taxes (2) | \$ 16,336,901 | 17,481,813 | 17,545,652 |
| Excise taxes | 9,821,988 | 10,506,081 | 13,577,891 |
| Construction excise tax | - | - | - |
| Cemetery revenue surcharge | - | 33,086 | 25,270 |
| Unrestricted local government shared revenues | 384,166 | 476,514 | 540,690 |
| Unrestricted investment earnings | 962,061 | 412,610 | 839,350 |
| Special items | - | - | - |
| Transfers | - | - | 306,009 |
| Total governmental activities | 27,505,116 | 28,910,104 | 32,834,862 |
| Business-type activities: | | | |
| Property taxes (2) | 8,355,692 | 8,605,342 | 8,941,517 |
| Unrestricted local government shared revenues | 8,326,852 | 7,893,216 | 7,683,769 |
| Unrestricted investment earnings | 1,635,825 | 684,156 | 1,196,367 |
| Special items | - | - | - |
| Transfers | - | - | (306,009) |
| Total business-type activities | 18,318,369 | 17,182,714 | 17,515,644 |
| Total primary government | \$ 45,823,485 | 46,092,818 | 50,350,506 |
| CHANGE IN NET ASSETS | | | |
| Governmental activities | \$ 7,436,149 | 11,172,688 | 14,516,666 |
| Business-type activities | (7,040,740) | (9,770,366) | 885,567 |
| Total primary government | \$ 395,409 | 1,402,322 | 15,402,233 |
| Prior period adjustment/cumulative change in accounting principle | \$ - | - | 1,976,193 |

(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 2010 is due primarily to the recording of a change in estimate for landfill post-closure costs of \$13,634,086 in fiscal year 2010.

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| (25,919,529) | (33,402,224) | (44,345,954) | (36,006,703) | (42,843,980) | (48,102,098) | (47,866,444) |
| (12,269,394) | (14,009,986) | (13,110,774) | (16,672,378) | (26,524,637) | (15,660,422) | (12,444,350) |
| (38,188,923) | (47,412,210) | (57,456,728) | (52,679,081) | (69,368,617) | (63,762,520) | (60,310,794) |
| 27,804,374 | 28,686,523 | 46,901,621 | 45,447,596 | 51,668,586 | 49,624,399 | 39,609,807 |
| 14,243,252 | 14,834,721 | 14,367,409 | 12,976,156 | 12,945,697 | 14,066,453 | 14,410,951 |
| - | 1,806,012 | 2,483,137 | 1,734,579 | 1,427,730 | 1,440,755 | 1,765,024 |
| 21,395 | 33,000 | 23,267 | 24,168 | 25,670 | 27,056 | 33,619 |
| 547,512 | 519,463 | 545,550 | 500,473 | 509,323 | 468,776 | 466,123 |
| 2,315,910 | 4,945,208 | 9,182,961 | 4,996,270 | 1,632,756 | 885,490 | 506,774 |
| 357,921 | - | - | - | - | - | - |
| 533,324 | (289,417) | 275,192 | 120,655 | 553,757 | (4,913,239) | 2,439,096 |
| 45,823,688 | 50,535,510 | 73,779,137 | 65,799,897 | 68,763,519 | 61,599,690 | 59,231,394 |
| - | - | - | - | - | - | - |
| 8,852,246 | 9,976,554 | 11,156,012 | 10,702,508 | 9,941,144 | 11,558,961 | 12,581,998 |
| 2,078,669 | 3,104,993 | 2,828,289 | 1,714,787 | 537,995 | 412,229 | 391,598 |
| (357,921) | - | - | - | - | - | - |
| (533,324) | 289,417 | (275,192) | (120,655) | (553,757) | 4,913,239 | (2,439,096) |
| 10,039,670 | 13,370,964 | 13,709,109 | 12,296,640 | 9,925,382 | 16,884,429 | 10,534,500 |
| 55,863,358 | 63,906,474 | 87,488,246 | 78,096,537 | 78,688,901 | 78,484,119 | 69,765,894 |
| 19,904,159 | 17,133,286 | 29,433,183 | 29,793,194 | 25,919,539 | 13,497,592 | 11,364,950 |
| (2,229,724) | (639,022) | 598,335 | (4,375,738) | (16,599,255) | 1,224,007 | (1,909,850) |
| 17,674,435 | 16,494,264 | 30,031,518 | 25,417,456 | 9,320,284 | 14,721,599 | 9,455,100 |
| 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 | | |
|---|----------------------|-------------------|-------------------|
| | 2003 | 2004 | 2005 |
| General Fund (1) (2) | | | |
| Nonspendable | \$ - | - | - |
| Restricted | - | - | - |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| Reserved | - | - | - |
| Unreserved | 1,648,753 | 2,561,919 | 4,443,897 |
| Total General Fund | 1,648,753 | 2,561,919 | 4,443,897 |
| All other governmental funds (1) (2) | | | |
| Nonspendable | - | - | - |
| Restricted | - | - | - |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| Reserved | 12,292,783 | 10,451,417 | 10,155,731 |
| Unreserved, reported in: | | | |
| Special Revenue Funds | 9,548,645 | 10,476,628 | 12,592,408 |
| Capital Projects Funds | 9,415,427 | 5,564,935 | 4,413,313 |
| Permanent Funds | - | - | - |
| Total all other governmental funds | \$ 31,256,855 | 26,492,980 | 27,161,452 |

(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.

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------|--------------------|--------------------|--------------------|-------------------|-------------------|--------------------|
| - | - | - | - | - | 800,367 | 181,891 |
| - | - | - | - | - | 13,412,488 | 16,962,147 |
| - | - | - | - | - | 3,661,469 | 4,169,918 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 27,140,104 | 27,269,809 |
| 7,333,324 | 8,518,324 | 9,088,951 | 9,462,022 | 9,637,987 | - | - |
| <u>25,630,402</u> | <u>34,564,077</u> | <u>28,607,477</u> | <u>35,517,221</u> | <u>36,817,500</u> | <u>-</u> | <u>-</u> |
| <u>32,963,726</u> | <u>43,082,401</u> | <u>37,696,428</u> | <u>44,979,243</u> | <u>46,455,487</u> | <u>45,014,428</u> | <u>48,583,765</u> |
| - | - | - | - | - | 330,288 | 355,441 |
| - | - | - | - | - | 66,436,156 | 193,949,944 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 503,681 | 26,330 |
| - | - | - | - | - | - | - |
| 10,680,405 | 12,082,430 | 13,661,489 | 13,133,831 | 13,041,477 | - | - |
| 5,679,471 | 5,930,679 | 6,052,654 | 6,221,690 | 6,000,611 | - | - |
| 9,151,671 | 131,173,017 | 110,314,883 | 85,037,915 | 60,882,128 | - | - |
| <u>178,943</u> | <u>222,452</u> | <u>256,340</u> | <u>288,683</u> | <u>317,158</u> | <u>-</u> | <u>-</u> |
| <u>25,690,490</u> | <u>149,408,578</u> | <u>130,285,366</u> | <u>104,682,119</u> | <u>80,241,374</u> | <u>67,270,125</u> | <u>194,331,715</u> |

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

| | Fiscal Year | | |
|---|--------------------|--------------------|-------------------|
| | 2003 | 2004 | 2005 |
| REVENUES (1) | | | |
| Property taxes | \$ 16,494,258 | 17,536,825 | 17,653,137 |
| Excise taxes | 9,821,988 | 10,506,081 | 13,577,891 |
| Construction excise tax | - | - | - |
| Cemetery revenue surcharge | - | 33,086 | 25,270 |
| Local government shared revenues | 384,166 | 476,514 | 540,690 |
| Investment income | 725,628 | 267,466 | 625,190 |
| Government fees | 207,705 | 244,119 | 352,195 |
| Culture and recreation fees | 1,218,280 | 1,204,030 | 1,125,860 |
| Solid waste fees | - | - | - |
| Other fees | 1,393,044 | 1,617,773 | 1,438,929 |
| Internal charges for services | 579,082 | 875,511 | 790,222 |
| Licenses and permits | - | - | - |
| Miscellaneous revenue | 30,192 | 95,673 | 235,784 |
| Grants | 6,814,472 | 7,061,492 | 6,871,101 |
| Government contributions | 116,929 | 104,508 | 46,865 |
| Contributions and donations | 340,800 | 416,801 | 1,634,463 |
| Capital grants | - | - | - |
| Capital contributions and donations | - | - | - |
| Total revenues | 38,126,544 | 40,439,879 | 44,917,597 |
| EXPENDITURES (1) | | | |
| General government operations | 2,981,919 | 2,625,450 | 3,541,419 |
| Regional planning and development | 11,134,840 | 10,453,513 | 11,624,509 |
| Culture and recreation | 8,892,911 | 7,714,121 | 9,085,680 |
| Zoo | - | - | - |
| Debt service: | | | |
| Principal | 9,835,232 | 11,586,058 | 10,640,155 |
| Interest | 7,834,398 | 8,007,626 | 7,534,732 |
| Capital outlay | 4,407,455 | 3,861,065 | 2,425,758 |
| Total expenditures | 45,086,755 | 44,247,833 | 44,852,253 |
| Excess of revenues over (under) expenditures | (6,960,211) | (3,807,954) | 65,344 |

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 27,850,826 | 28,669,525 | 46,312,638 | 44,897,096 | 51,457,062 | 49,747,025 | 39,333,293 |
| 14,243,252 | 14,834,721 | 14,341,764 | 12,971,067 | 12,964,535 | 14,068,190 | 14,413,338 |
| - | 1,806,012 | 2,483,137 | 1,734,579 | 1,427,730 | 1,440,755 | 1,765,024 |
| 21,395 | 33,000 | 23,267 | 24,168 | 25,497 | 26,861 | 33,195 |
| 547,512 | 519,463 | 545,550 | 500,473 | 509,323 | 468,776 | 466,123 |
| 2,068,326 | 4,536,529 | 8,802,118 | 4,715,238 | 1,545,284 | 853,253 | 488,586 |
| 490,892 | 441,531 | 576,342 | 481,480 | 389,643 | 301,329 | 109,500 |
| 14,712,855 | 15,860,633 | 16,728,873 | 17,893,774 | 17,402,009 | 17,890,108 | 19,553,150 |
| - | - | - | - | - | - | 270,856 |
| 3,237,906 | 3,012,834 | 2,569,892 | 3,246,604 | 3,086,589 | 3,309,488 | 3,452,403 |
| 514,885 | 661,007 | 849,709 | 917,250 | 2,629,198 | 2,797,314 | 2,740,228 |
| 402,300 | 409,332 | 405,408 | 388,375 | 385,155 | 379,485 | 373,675 |
| 573,107 | 221,369 | 397,731 | 838,365 | 366,185 | 943,084 | 221,974 |
| 10,682,649 | 8,015,836 | 13,961,401 | 12,382,032 | 11,622,037 | 9,611,840 | 9,743,878 |
| - | 342,540 | 12,500 | 266,319 | 1,505,000 | 65,505 | 4,427,539 |
| 1,332,949 | 1,316,011 | 1,391,471 | 1,241,569 | 1,318,994 | 1,296,050 | 862,141 |
| - | - | - | 1,851,255 | 1,226,124 | 10,617 | 38,334 |
| 959,676 | 1,378,075 | 2,163,915 | 6,606,003 | 1,499,373 | 991,105 | 1,027,495 |
| 77,638,530 | 82,058,418 | 111,565,716 | 110,955,647 | 109,359,738 | 104,200,785 | 99,320,732 |
| 8,853,776 | 9,634,211 | 12,752,353 | 12,251,458 | 11,575,042 | 12,432,590 | 14,142,072 |
| 10,553,489 | 11,896,946 | 15,951,042 | 12,974,517 | 14,909,242 | 14,797,588 | 13,904,294 |
| 6,349,345 | 7,737,303 | 13,218,846 | 12,057,905 | 14,670,631 | 17,415,303 | 19,350,637 |
| 20,908,177 | 22,974,261 | 25,527,960 | 26,112,124 | 24,623,138 | 25,030,953 | 27,860,285 |
| 12,478,037 | 12,703,945 | 24,181,585 | 26,447,275 | 32,203,540 | 30,393,356 | 24,980,000 |
| 8,304,109 | 8,469,032 | 14,847,345 | 12,745,812 | 11,653,488 | 10,367,591 | 9,093,066 |
| 5,210,036 | 12,320,285 | 29,890,673 | 31,911,433 | 23,298,304 | 24,231,381 | 28,910,761 |
| 72,656,969 | 85,735,983 | 136,369,804 | 134,500,524 | 132,933,385 | 134,668,762 | 138,241,115 |
| 4,981,561 | (3,677,565) | (24,804,088) | (23,544,877) | (23,573,647) | (30,467,977) | (38,920,383) |

(Continued)

METRO

Changes in Fund Balances, Governmental Funds, *continued*

Last Ten Fiscal Years (1)

(modified accrual basis of accounting), Unaudited

| | Fiscal Year | | |
|---|--------------------|--------------------|----------------|
| | 2003 | 2004 | 2005 |
| OTHER FINANCING SOURCES (USES) | | | |
| Bonds issued | - | - | - |
| Refunding bonds issued | 92,045,000 | - | 18,085,000 |
| Premium on bonds issued | 8,636,603 | - | 1,230,005 |
| Loan proceeds | - | - | - |
| Sale of capital assets | - | - | - |
| Transfers in | 6,873,213 | 7,056,279 | 10,306,075 |
| Payment to refunded bond escrow agent | (100,272,797) | - | (19,112,101) |
| Transfers out | (6,869,687) | (7,099,034) | (10,000,066) |
| Total other financing sources (uses) | 412,332 | (42,755) | 508,913 |
| Special item | - | - | - |
| Net change in fund balances | (6,547,879) | (3,850,709) | 574,257 |
| Prior period adjustment/cumulative change in accounting principle | \$ - | - | 1,976,193 |
| | | | |
| Debt service as a percentage of noncapital expenditures | 44.8% | 49.5% | 43.9% |

(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.

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------|--------------------|---------------------|---------------------|---------------------|---------------------|--------------------|
| 24,290,000 | 124,295,000 | - | 5,000,000 | - | 15,000,000 | 140,000,000 |
| - | - | - | - | - | - | 27,575,000 |
| 23,286 | 6,383,369 | - | - | - | - | 27,903,859 |
| - | 592,500 | - | - | - | - | - |
| - | - | 16,000 | 100,000 | 50,000 | 78,716 | 440,934 |
| 4,288,434 | 2,933,742 | 8,574,992 | 9,390,120 | 1,901,669 | 1,027,878 | 5,343,680 |
| - | - | - | - | - | - | (29,679,329) |
| (3,752,514) | (3,695,027) | (8,296,089) | (9,265,675) | (1,342,523) | (710,287) | (2,032,834) |
| 24,849,206 | 130,509,584 | 294,903 | 5,224,445 | 609,146 | 15,396,307 | 169,551,310 |
| (24,022,369) | - | - | - | - | - | - |
| 5,808,398 | 126,832,019 | (24,509,185) | (18,320,432) | (22,964,501) | (15,071,670) | 130,630,927 |
| 4,613,707 | 7,004,744 | - | - | - | 659,362 | - |
| 31.2% | 29.4% | 37.4% | 38.2% | 40.0% | 37.6% | 31.2% |



METRO

Solid Waste Tonnage by Waste Type and Destination (1) (5)

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 | |
| 2003 | 570,164 | \$ 66.23 | 613,777 | \$ 21.39 | 7,616 | 145,137 | 1,336,694 |
| 2004 | 564,337 | 67.18 | 655,514 | 22.89 | 7,800 | 312,583 | 1,540,234 |
| 2005 | 572,611 | 70.96 | 713,051 | 23.67 | 8,902 | 309,636 | 1,604,200 |
| 2006 | 589,140 | 71.41 | 750,933 | 22.87 | 17,581 | 351,367 | 1,709,021 |
| 2007 | 610,853 | 69.86 | 783,314 | 21.92 | 21,639 | 183,291 | 1,599,097 |
| 2008 | 592,950 | 71.14 | 745,684 | 22.31 | 26,003 | 146,652 | 1,511,289 |
| 2009 | 514,710 | 75.75 | 675,518 | 25.01 | 27,832 | 151,488 | 1,369,548 |
| 2010 | 483,471 | 80.75 | 631,459 | 27.36 | 26,604 | 168,104 | 1,309,638 |
| 2011 | 453,790 | 85.85 | 617,902 | 27.66 | 23,143 | 142,515 | 1,237,350 |
| 2012 | 422,746 | 89.53 | 590,114 | 29.44 | 90,001 | 192,604 | 1,295,465 |

- (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.
- (5) Data for Private waste includes previously unpublished revisions from FY 2002-03 to present. Revisions arise from appeals and examinations that affect the fee and tax status of various wastes and that are resolved after the close of each fiscal year. All revisions affect less than five percent of the tonnage originally reported.

Source: Metro Parks and Environmental Services Department, solid waste information system.

METRO
Solid Waste Disposal Rates
Last Ten Fiscal Years
Unaudited

| | Fiscal Year | | | | | | | | | |
|--|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| METRO FACILITIES | | | | | | | | | | |
| Disposal fee (1) (2) | \$ 33.02 | 42.55 | 45.55 | 46.80 | 46.20 | 47.09 | 49.00 | 51.65 | 56.45 | 58.35 |
| Metro facility fee (1) | 2.55 | - | - | - | - | - | - | - | - | - |
| Regional transfer fee (1) | 7.53 | - | - | - | - | - | - | - | - | - |
| Regional system fee | 15.00 | 16.57 | 15.09 | 14.54 | 13.57 | 14.08 | 16.04 | 17.53 | 16.72 | 17.64 |
| Excise tax | 6.39 | 6.32 | 8.58 | 8.33 | 8.35 | 8.23 | 8.97 | 9.83 | 10.94 | 11.80 |
| 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) | \$ 66.23 | 67.18 | 70.96 | 71.41 | 69.86 | 71.14 | 75.75 | 80.75 | 85.85 | 89.53 |
| Transaction fee-scalehouse | \$ 6.00 | 6.00 | 7.50 | 7.50 | 8.50 | 8.50 | 8.50 | 10.00 | 11.00 | 12.00 |
| Transaction fee-automated | \$ - | - | - | - | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| PRIVATELY-OWNED FACILITIES | | | | | | | | | | |
| Regional system fee | \$ 15.00 | 16.57 | 15.09 | 14.54 | 13.57 | 14.08 | 16.04 | 17.53 | 16.72 | 17.64 |
| Excise tax | 6.39 | 6.32 | 8.58 | 8.33 | 8.35 | 8.23 | 8.97 | 9.83 | 10.94 | 11.80 |
| Total rate per ton | \$ 21.39 | 22.89 | 23.67 | 22.87 | 21.92 | 22.31 | 25.01 | 27.36 | 27.66 | 29.44 |

(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 2012, minimum charge is \$28.00 for 360 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 | 2012 | | | 2003 | | |
|---------------------------------|----------------------|------|---|----------------------|------|---|
| | 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 | \$ 10,334,869 | 1 | 21.34 % | \$ 8,052,744 | 1 | 17.33 % |
| Portland Disposal & Recycling | 3,124,031 | 2 | 6.45 | 1,881,601 | 4 | 4.05 |
| AGG | 2,667,835 | 3 | 5.51 | 2,040,827 | 3 | 4.39 |
| Oregon City Garbage Company | 2,504,726 | 4 | 5.17 | 2,339,436 | 2 | 5.03 |
| Trashco Services Inc. | 1,799,142 | 5 | 3.71 | 1,207,496 | 7 | 2.60 |
| Arrow Sanitary Services | 1,691,540 | 6 | 3.49 | - | - | - |
| Heiberg Garbage Service | 1,445,912 | 7 | 2.99 | 870,091 | 9 | 1.87 |
| Oak Grove Disposal Company Inc. | 1,201,195 | 8 | 2.48 | 936,058 | 8 | 2.01 |
| Keller Drop Box Inc. | 1,199,799 | 9 | 2.48 | 1,296,065 | 5 | 2.79 |
| Walker Garbage Services, Inc. | 931,798 | 10 | 1.92 | 623,250 | 10 | 1.34 |
| Gresham Sanitary Service, Inc. | - | - | - | 1,239,493 | 6 | 2.67 |
| Total | \$ 26,900,847 | | 55.54 % | \$ 20,487,061 | | 44.08 % |

(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 136 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 |
| 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 | - | - |
| 2012 | 273,485,000 | - | 15,000,000 | 22,825,000 | - | - |

(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 147 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) |
|----|--------------------------|--|--------------------------|---|--|---------------------------|
| \$ | 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 | 0.30 | 158.61 |
| | - | 12,835,000 | - | 225,868,356 | 0.25 | 137.34 |
| | - | 12,210,000 | - | 209,850,000 | N/A * | 126.66 |
| | - | 11,560,000 | - | 322,870,000 | N/A * | 192.98 |



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 | | | |
| 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 |
| 2012 | 273,485,000 | 11,134,999 | 262,350,001 | 186,113,692,723 | 0.14 | 156.81 |

Sources:

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

(2) See page 147 for population data.

METRO

Direct and Overlapping Governmental Activities Debt

As of June 30, 2012

Unaudited

| Overlapping government | Percent within District | Share of Overlapping Debt | |
|--|-------------------------|--------------------------------|------------------------------|
| | | Gross property tax backed debt | Net property tax backed debt |
| Banks Fire District 13 | 0.07 % | \$ 586 | \$ 586 |
| City of Beaverton | 99.98 | 9,493,082 | - |
| City of Cornelius | 94.32 | 2,282,508 | - |
| City of Durham | 100.00 | 1,185,000 | 1,185,000 |
| City of Fairview | 100.00 | 485,000 | - |
| City of Forest Grove | 99.64 | 5,181,218 | 1,858,264 |
| City of Gladstone | 100.00 | 1,935,000 | - |
| City of Gresham | 100.00 | 60,608,202 | 20,981,202 |
| City of Happy Valley | 100.00 | 4,365,000 | 4,365,000 |
| City of Hillsboro | 96.55 | 29,804,182 | 8,216,184 |
| City of Lake Oswego | 100.00 | 141,396,913 | 35,266,913 |
| City of Milwaukie | 100.00 | 4,135,000 | - |
| City of Oregon City | 99.92 | 17,611,006 | 1,748,610 |
| City of Portland | 100.00 | 685,888,850 | 149,409,253 |
| City of Sherwood | 99.97 | 21,351,578 | 6,370,819 |
| City of Tigard | 100.00 | 31,444,083 | 30,735,000 |
| City of Troutdale | 100.00 | 14,165,000 | 14,165,000 |
| City of Tualatin | 100.00 | 9,010,000 | 9,010,000 |
| City of West Linn | 100.00 | 20,660,000 | 20,660,000 |
| City of Wilsonville | 100.00 | 48,490,000 | - |
| Clackamas Community College | 73.44 | 58,241,830 | 22,105,530 |
| Clackamas County | 73.75 | 72,723,632 | 53,767,480 |
| Clackamas County ESD | 73.94 | 18,869,003 | - |
| Clackamas County RFPD 1 | 86.58 | 19,299,418 | 2,298,787 |
| Clackamas County SD 115 (Gladstone) | 100.00 | 54,481,929 | 54,481,929 |
| Clackamas County SD 12 (N Clackamas) | 98.58 | 349,318,103 | 349,318,103 |
| Clackamas County SD 3J (West Linn-Wilsonville) | 94.02 | 198,776,700 | 198,776,700 |
| Clackamas County SD 46 (Oregon Trail) | 6.55 | 7,397,193 | 7,397,193 |
| Clackamas County SD 62 (Oregon City) | 67.53 | 60,163,287 | 60,163,287 |
| Clackamas County SD 7J (Lake Oswego) | 100.00 | 110,703,506 | 110,703,506 |
| Clackamas County SD 86 (Canby) | 14.44 | 12,563,239 | 12,563,239 |
| Columbia County SD 1J (Scappoose) | 13.89 | 4,475,297 | 4,475,297 |
| Forest Grove RFPD | 5.74 | 4,592 | 4,592 |
| Lusted Water District | 97.55 | 853,530 | 853,530 |
| Mt. Hood Community College | 86.33 | 59,543,273 | 19,278,315 |
| Multnomah County | 99.01 | 261,541,008 | 88,114,895 |
| Multnomah County Drainage District 1 | 100.00 | 3,150,000 | 125,000 |
| Multnomah County SD 10J (Gresham-Barlow) | 96.14 | 91,769,929 | 91,769,929 |
| Multnomah County SD 1J (Portland) | 99.64 | 458,797,488 | 458,797,488 |
| Multnomah County SD 28J (Centennial) | 100.00 | 32,935,434 | 32,935,434 |
| Multnomah County SD 3 (Parkrose) | 100.00 | 62,475,000 | 62,475,000 |
| Multnomah County SD 40 (David Douglas) | 100.00 | 60,360,000 | 60,360,000 |
| Multnomah County SD 51J (Riverdale) | 100.00 | 27,728,267 | 27,728,267 |
| Multnomah County SD 7 (Reynolds) | 100.00 | 142,368,579 | 142,368,579 |

(Continued)

METRO

Direct and Overlapping Governmental Activities Debt, *continued*

As of June 30, 2012

Unaudited

| <u>Overlapping government</u> | <u>Percent within District</u> | <u>Share of Overlapping Debt</u> | |
|--|--------------------------------|---------------------------------------|-------------------------------------|
| | | <u>Gross property tax backed debt</u> | <u>Net property tax backed debt</u> |
| Multnomah ESD | 99.09 % | \$ 34,427,743 | \$ - |
| North Clackamas Parks & Rec. District | 100.00 | 11,920,000 | - |
| Northwest Regional ESD | 71.82 | 4,194,492 | - |
| Oak Lodge Sanitary District | 100.00 | 22,245,000 | - |
| Oak Lodge Water District | 100.00 | 430,000 | 430,000 |
| Port of Portland | 91.36 | 63,319,570 | - |
| Portland Community College | 92.05 | 334,166,924 | 173,211,904 |
| Rockwood Water PUD | 100.00 | 6,375,000 | - |
| Sunrise Water Authority | 100.00 | 125,000 | 125,000 |
| Tri-Met | 98.01 | 235,225 | 235,225 |
| Tualatin Hills Park & Rec. District | 99.96 | 105,803,638 | 105,743,664 |
| Tualatin Valley Fire & Rescue District | 96.89 | 60,525,309 | 45,992,259 |
| Washington County | 92.63 | 104,246,685 | 13,015,203 |
| Washington County SD 13 (Banks) | 0.06 | 4,755 | 4,755 |
| Washington County SD 15 (Forest Grove) | 77.04 | 95,200,089 | 95,200,089 |
| Washington County SD 1J (Hillsboro) | 83.08 | 262,337,973 | 262,337,973 |
| Washington County SD 23J (Tigard-Tualatin) | 99.31 | 132,112,501 | 132,112,501 |
| Washington County SD 48J (Beaverton) | 99.79 | 499,933,893 | 499,933,893 |
| Washington County SD 88J (Sherwood) | 81.61 | 99,153,184 | 99,153,184 |
| Subtotal, overlapping debt | | 5,114,789,426 | 3,592,329,561 |
| Metro direct debt | | 322,870,000 | 273,485,000 |
| Total direct and overlapping debt | | \$ 5,437,659,426 | \$ 3,865,814,561 |

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of Metro. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of Metro.

"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 2012

| | | | |
|---|----|--------------|-----------------|
| True cash value | | \$ | 186,113,692,723 |
| Debt limit (10% of true cash value) | | | 18,611,369,272 |
| Debt applicable to limit: | | | |
| Gross bonded debt principal | \$ | 322,870,000 | |
| Less legal deductions from debt limit: | | | |
| Full Faith and Credit Refunding Bonds Refunding Bonds 2003 Series | | (15,000,000) | |
| Full Faith and Credit Oregon Local Governments Bonds 2006 Series | | (11,560,000) | |
| Metro Limited Tax Pension Obligation Bonds Series 2005 | | (22,825,000) | |
| Total net debt applicable to limit | | | 273,485,000 |
| Legal debt margin | | \$ | 18,337,884,272 |

| | Fiscal Year | | |
|---|-------------------|----------------|----------------|
| | 2003 | 2004 | 2005 |
| Debt limit | \$ 12,854,254,433 | 13,845,507,019 | 14,636,072,967 |
| Total net debt applicable to limit | 165,364,313 | 153,820,393 | 143,000,238 |
| Legal debt margin | \$ 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 | 1.29% | 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 | 2012 |
| 15,666,622,880 | 18,178,724,753 | 20,745,584,398 | 21,847,809,051 | 20,812,352,097 | 19,693,064,360 | 18,611,369,272 |
| 131,647,201 | 244,378,256 | 221,976,671 | 202,536,896 | 171,848,356 | 158,080,000 | 273,485,000 |
| <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> | <u>18,337,884,272</u> |
| 0.84% | 1.34% | 1.07% | 0.93% | 0.83% | 0.80% | 1.47% |

METRO
Pledged Revenue Coverage
Last Ten Fiscal Years
Unaudited

| Fiscal year ended June 30, | Solid Waste Revenue Bonds | | | | | | Coverage |
|----------------------------------|-------------------------------------|--------------------------------|--------------------------|------------------|--------------|-------|----------|
| | Solid Waste operating revenue | Less: operating expenses | Net available revenue | Debt service (1) | | | |
| | | | | Principal | Interest | | |
| 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 | - | - | - | - | - | - | |
| 2012 | - | - | - | - | - | - | |

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

| Fiscal year ended June 30, | Population (1) | Total Personal income (in thousands) (2) | Per capita personal income (2) | Portland metropolitan unemployment rate (2) |
|-----------------------------------|-----------------------|---|---------------------------------------|--|
| 2003 | 1,503,900 | \$ 68,222,118 | \$ 33,705 | 8.3 % |
| 2004 | 1,522,400 | 70,926,559 | 34,780 | 7.0 |
| 2005 | 1,543,910 | 74,750,223 | 36,158 | 5.9 |
| 2006 | 1,569,170 | 80,794,459 | 38,416 | 5.0 |
| 2007 | 1,593,370 | 85,305,093 | 39,903 | 4.9 |
| 2008 | 1,614,465 | 89,977,158 | 41,410 | 6.0 |
| 2009 | 1,631,665 | 85,994,646 | 38,969 | 10.7 |
| 2010 | 1,644,535 | 88,964,975 | 39,843 | 10.5 |
| 2011 | 1,656,775 | N/A * | N/A * | 9.1 |
| 2012 | 1,673,035 (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 | 2012 | | | 2003 | | |
|---|------------------|-------------|---|------------------|-------------|---|
| | Employees | Rank | Percentage of Total Metropolitan Area Employment | Employees | Rank | Percentage of Total Metropolitan Area Employment |
| State of Oregon | 23,100 | 1 | 2.33 % | 19,700 | 1 | 2.10 % |
| US Government | 17,100 | 2 | 1.72 | 18,600 | 2 | 1.98 |
| Intel Corporation | 15,636 | 3 | 1.57 | 14,890 | 3 | 1.59 |
| Providence Health System | 14,089 | 4 | 1.42 | 13,496 | 4 | 1.44 |
| Oregon Health & Science University | 12,000 | 5 | 1.21 | 11,400 | 5 | 1.22 |
| Fred Meyer Stores | 9,858 | 6 | 0.99 | 10,500 | 6 | 1.12 |
| Legacy Health System | 9,732 | 7 | 0.98 | 7,972 | 9 | 0.85 |
| Kaiser Foundation Health Plan of the NW | 9,039 | 8 | 0.91 | 8,000 | 8 | 0.85 |
| City of Portland | 8,876 | 9 | 0.89 | 8,485 | 7 | 0.91 |
| Nike, Inc | 7,000 | 10 | 0.70 | - | - | - |
| Safeway, Inc. | - | - | - | 6,000 | 10 | 0.64 |
| Total | 126,430 | | 12.72 % | 119,043 | | 12.70 % |

(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 | | | | | | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| FUNCTIONS/PROGRAMS | | | | | | | | | | |
| Primary Government: | | | | | | | | | | |
| <i>Governmental activities:</i> | | | | | | | | | | |
| General government operations | 132.75 | 119.85 | 122.20 | 125.50 | 134.70 | 142.96 | 149.78 | 169.50 | 172.75 | 176.15 |
| Regional planning and development | 79.00 | 80.10 | 73.15 | 78.60 | 81.40 | 82.08 | 83.65 | 88.78 | 89.87 | 87.43 |
| Culture and recreation | 48.00 | 42.10 | 44.10 | 45.15 | 42.40 | 55.65 | 63.65 | 59.63 | 54.40 | 53.20 |
| Zoo | - | - | - | 149.13 | 149.13 | 151.96 | 155.98 | 157.98 | 155.98 | 159.31 |
| Total governmental activities | 259.75 | 242.05 | 239.45 | 398.38 | 407.63 | 432.65 | 453.06 | 475.89 | 473.00 | 476.09 |
| <i>Business-type activities:</i> | | | | | | | | | | |
| Solid Waste | 109.15 | 108.70 | 106.20 | 106.20 | 106.75 | 106.75 | 109.00 | 92.95 | 93.60 | 93.55 |
| Zoo | 169.73 | 160.23 | 151.85 | - | - | - | - | - | - | - |
| MERC | 193.00 | 180.25 | 157.00 | 156.00 | 163.00 | 186.00 | 191.00 | 194.00 | 190.00 | 185.85 |
| Total business-type activities | 471.88 | 449.18 | 415.05 | 262.20 | 269.75 | 292.75 | 300.00 | 286.95 | 283.60 | 279.40 |
| Total primary government | 731.63 | 691.23 | 654.50 | 660.58 | 677.38 | 725.40 | 753.06 | 762.84 | 756.60 | 755.49 |
| | | (2) | (3) | | | (4) | (5) | (6) | | |

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

(2) 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.

(3) 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.

(4) 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.

(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.

(6) 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 | | |
|---|-------------|-----------|-----------|
| | 2003 | 2004 | 2005 |
| FUNCTIONS/PROGRAMS | | | |
| Primary Government: | | | |
| <i>Governmental activities:</i> | | | |
| General government operations: | | | |
| Business licenses issued | 3,034 | 2,939 | 3,003 |
| Live broadcast of Metro Council meetings (1) | 38 | 40 | 40 |
| Presentations to citizens, business, and other groups by Councilors and COO (1) | 267 | 315 | 322 |
| 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+ | AAA |
| Regional planning and development: | | | |
| Data Resource Center sales of maps and aerials | \$ 137,352 | 145,649 | 177,211 |
| Culture and recreation: | | | |
| Visitors to Blue Lake Park, Oxbow Park and Chinook Landing | 713,276 | 728,910 | 721,800 |
| Volunteer visits (2) | 1,478 | 1,575 | 1,421 |
| Volunteer hours | 14,312 | 20,100 | 30,519 |
| Acres acquired in Open Spaces and Natural Areas land target areas | 168 | 80 | 116 |
| Zoo: | | | |
| Adult admission price | \$ 8.00 | 9.00 | 9.50 |
| Annual attendance | 1,293,597 | 1,318,458 | 1,336,287 |
| Volunteer hours | 118,500 | 122,000 | 143,500 |
| Enterprise revenue as percentage of operating revenue | 53.3% | 57.9% | 58.7% |
| Contributions and donations as percent of total revenue | 5.6% | 3.3% | 5.3% |
| <i>Business-type activities:</i> | | | |
| Solid Waste: | | | |
| Recycling Information Center calls/hits on website (3) | 108,652 | 126,245 | 126,949 |
| Students reached in elementary and secondary school presentations | 37,478 | 41,055 | 44,314 |
| Regional recovery rate (4) | 53.5% | 56.1% | 57.0% |
| Hazardous waste net cost per pound | \$ 0.90 | 0.72 | 0.87 |
| Gallons of recycled paint produced | 116,107 | 167,040 | 137,075 |
| Latex paint revenue | \$ 539,135 | 693,774 | 755,560 |
| PaintCare revenue (5) | \$ - | - | - |

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2,980 | 3,032 | 3,011 | 2,876 | 2,851 | 2,811 | 2,768 |
| | 38 | 36 | 34 | N/A | N/A | N/A | N/A |
| | 461 | 562 | 630 | N/A | N/A | N/A | N/A |
| | - | - | - | - | 90.0% | 90.0% | 90.0% |
| | - | - | - | - | - | 8.8% | 7.7% |
| | Aa1 | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa |
| | AAA | AAA | AAA | AAA | AAA | AAA | AAA |
| | 185,182 | 178,972 | 175,897 | 137,344 | 146,199 | 102,727 | 73,091 |
| | 656,616 | 695,176 | 711,009 | 824,375 | 743,546 | 704,430 | 754,351 |
| | 1,100 | 1,687 | 5,169 | 4,780 | 5,457 | 5,278 | 4,101 |
| | 22,570 | 14,642 | 18,196 | 17,000 | 19,497 | 20,328 | 15,664 |
| | 42 | 316 | 426 | 312 | 1,438 | 392 | 1,117 |
| | 9.50 | 9.75 | 9.75 | 9.75 | 10.50 | 10.50 | 10.50 |
| | 1,365,459 | 1,508,564 | 1,500,570 | 1,621,567 | 1,634,978 | 1,536,303 | 1,597,475 |
| | 151,533 | 156,839 | 168,795 | 183,711 | 166,890 | 156,997 | 150,035 |
| | 61.1% | 60.2% | 56.0% | 61.8% | 62.9% | 64.0% | 64.1% |
| | 4.9% | 4.6% | 5.0% | 7.0% | 6.0% | 7.0% | 4.0% |
| | 139,830 | 134,489 | 147,186 | 148,465 | 136,178 | 135,789 | 138,438 |
| | 43,692 | 43,420 | 57,189 | 41,045 | 58,413 | 42,767 | 46,636 |
| | 58.6% | 55.4% | 55.1% | 56.8% | 56.5% | 57.9% | 59.3% |
| | 0.89 | 0.78 | 0.82 | 0.87 | 0.95 | 0.77 | 0.93 |
| | 102,196 | 92,982 | 119,536 | 99,253 | 121,207 | 134,548 | 157,957 |
| | 809,484 | 955,802 | 1,009,012 | 1,159,152 | 1,037,583 | 948,328 | 997,290 |
| | - | - | - | - | - | 1,097,559 | 1,382,882 |

(Continued)

METRO

Operating Indicators by Function/Program, *continued*

Last Ten Fiscal Years

Unaudited

| | Fiscal Year | | |
|---|-------------|---------|---------|
| | 2003 | 2004 | 2005 |
| MERC: | | | |
| Annual attendance | | | |
| Oregon Convention Center | 577,328 | 668,911 | 700,360 |
| Expo Center | 534,367 | 501,670 | 469,943 |
| Portland Center for the Performing Arts | 947,338 | 900,000 | 797,752 |
| Number of events/performances | | | |
| Oregon Convention Center | 66 | 91 | 93 |
| Expo Center | 102 | 92 | 100 |
| Portland Center for the Performing Arts | 902 | 978 | 937 |
| Capacity | | | |
| Occupancy rate (75% considered maximum) | | | |
| Oregon Convention Center | 55% | 37% | 48% |

(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.

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------|---------|---------|---------|---------|---------|---------|
| 633,575 | 608,673 | 639,000 | 574,199 | 505,371 | 524,388 | 575,839 |
| 470,984 | 477,072 | 510,141 | 454,005 | 420,616 | 390,333 | 506,508 |
| 953,863 | 862,897 | 817,637 | 930,841 | 778,691 | 769,468 | 844,750 |
| 85 | 91 | 104 | 92 | 98 | 88 | 72 |
| 102 | 98 | 107 | 110 | 98 | 93 | 114 |
| 980 | 1,113 | 827 | 1,061 | 931 | 877 | 878 |
| 39% | 42% | 46% | 41% | 43% | 46% | 42% |

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

| | Fiscal Year | | |
|--|--------------------|-------------|-------------|
| | 2003 | 2004 | 2005 |
| 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 | 7,935 | 8,015 | 8,131 |
| Natural areas acquired using bond proceeds | - | - | - |
| Acres | - | - | - |
| Zoo: | | | |
| Acres | 65 | 65 | 65 |
| Buildings and exhibits | 62 | 62 | 63 |
| 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 | 907,000 | 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.

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|---------|---------|---------|---------|---------|---------|---------|
| | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | 110,000 | 110,000 | 110,000 | 110,000 | 110,000 | 110,000 | 110,000 |
| | 162 | 162 | 162 | 162 | 162 | 162 | 162 |
| | 485 | 485 | 485 | 485 | 485 | 485 | 485 |
| | 5 | 5 | 5 | 6 | 7 | 7 | 8 |
| | 1,572 | 1,572 | 1,572 | 1,701 | 1,957 | 1,957 | 2,207 |
| | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| | 67 | 67 | 67 | 67 | 67 | 67 | 67 |
| | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | 232 | 232 | 232 | 232 | 232 | 232 | 232 |
| | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| | 2,422 | 2,422 | 2,422 | 2,422 | 2,422 | 2,422 | 2,422 |
| | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| | 8,173 | 8,185 | 8,185 | 8,001 | 7,745 | 7,745 | 7,668 |
| | - | 27 | 27 | 27 | 27 | 27 | 27 |
| | - | 304 | 730 | 1,037 | 2,465 | 2,838 | 4,032 |
| | 65 | 65 | 65 | 65 | 65 | 65 | 65 |
| | 65 | 70 | 70 | 70 | 71 | 73 | 73 |
| | 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 |
| | 907,000 | 907,000 | 907,000 | 907,000 | 907,000 | 907,000 | 907,000 |
| | 800 | 800 | 800 | 800 | 800 | 800 | 800 |
| | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | 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 |



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 |
|-----------------------------------|---------------------------------|--------------------------------|---|-----------------------------------|------------------------------|---|--------------------------|---|
| 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 |
| 2012 | 40,461,529 | 38,168,544 | 94.3 | 981,992 | 39,150,536 | 96.8 | 2,718,087 | 6.7 |

(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 |
| 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 |
| 2012 | 118,087,095,940 | 175,920,808,830 | 4,962,502,374 | 5,075,340,667 |

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 | |
| \$ 4,128,896,729 | \$ 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 |
| 4,863,683,259 | 5,117,543,226 | 127,913,281,573 | 186,113,692,723 | 68.7 |

METRO

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

June 30, 2012

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 | \$ 615,232 | 1.08 % |
| Portland General Electric Co. | Electric utility | 390,550 | 0.69 |
| Comcast Corporation | Telecommunications | 330,235 | 0.58 |
| Pacificorp (PP&L) | Electric utility | 319,443 | 0.56 |
| Weston Investment Co. LLC | Nonresidential construction | 248,199 | 0.44 |
| Qwest Wireless | Telecommunications | 219,089 | 0.39 |
| LC Portland LLC | Commercial rental partnership | 173,396 | 0.31 |
| Evraz Inc NA | Steel manufacturing | 166,299 | 0.29 |
| Fred Meyer Stores, Inc. | Retailer | 163,369 | 0.29 |
| Boeing Company | Aircraft manufacturing | 163,001 | 0.29 |
| All other taxpayers | - | 53,997,147 | 95.08 |
| | Total | \$ 56,785,960 | 100.00 % |
| WASHINGTON COUNTY | | | |
| Intel Corporation | Computer electronics | \$ 1,316,340 | 2.95 % |
| Nike, Inc. | Athletic apparel | 437,734 | 0.98 |
| Frontier Communications | Telecommunications | 334,378 | 0.75 |
| Portland General Electric Co. | Electric utility | 324,503 | 0.73 |
| Pacific Realty Associates | Real estate | 299,183 | 0.67 |
| Northwest Natural Gas Co. | Natural gas utility | 221,511 | 0.50 |
| Comcast Corporation | Telecommunications | 213,668 | 0.48 |
| Maxim Integrated Products, Inc. | Semiconductor manufacturing | 133,370 | 0.30 |
| Tektronix, Inc. | Computer electronics | 132,546 | 0.30 |
| PS Business Parks LP | Commercial property manager | 112,631 | 0.25 |
| All other taxpayers | - | 41,039,276 | 92.09 |
| | Total | \$ 44,565,140 | 100.00 % |
| CLACKAMAS COUNTY | | | |
| Shorenstein Properties LLC | Real estate | \$ 254,968 | 0.96 % |
| Portland General Electric Co. | Electric utility | 231,694 | 0.87 |
| General Growth Properties, Inc. | Real estate | 205,654 | 0.77 |
| Clackamas Baking Plant (Fred Meyer, Inc.) | Retailer | 149,299 | 0.56 |
| Comcast Corporation | Telecommunications | 148,124 | 0.56 |
| Northwest Natural Gas Co. | Natural gas utility | 136,735 | 0.51 |
| Xerox Corporation | Document management | 85,169 | 0.32 |
| PCC Structural, Inc. | Metal castings and machining | 81,109 | 0.31 |
| Blount, Inc. | Equipment manufacturer | 70,358 | 0.26 |
| Mentor Graphics Corp. | Electronics | 57,772 | 0.22 |
| All other taxpayers | - | 25,141,300 | 94.66 |
| | Total | \$ 26,562,182 | 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 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.

MOSS ADAMS_{LLP}

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.

MOSS ADAMS LLP

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.

MOSS ADAMS LLP

- 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.

A handwritten signature in black ink that reads "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